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OF  
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(FOUNDED BY J. CASTELL HOPKINS)

**1937 AND 1938**

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## PREFACE

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This is the thirty-fifth volume of *The Canadian Annual Review*. It covers the two years, 1937 and 1938 and completing an unbroken series of editions from 1901 down to the end of 1938. The publishers now return to their customary practice of issuing a single volume for each twelve-month period. The 1939 edition is in process of compilation.

The present volume takes cognizance of the unusual economic and political trends of 1937 and 1938; of the difficulties and achievements of Federal and Provincial Governments; of the impact of disturbing international events upon the national fabric. The adherence of the Federal Government to sound financial methods is noted, the full nationalization of the Bank of Canada is touched upon, the Social Credit Legislation in Alberta is detailed with its implications for the rest of the nation. The extended trade arrangements involving Canada, Great Britain and the United States are discussed and special attention is devoted to developments in the new fields of radio and aviation. Much of the information which the volume conveys is to be found in no other permanent publication. This is especially true as regards developments year by year in the individual Provinces and as regards the summaries of Reports of Royal Commissions. Finally it may be said that *The Canadian Annual Review* is the only available annual history of Canada from the commencement of the twentieth century.

The editors record their gratitude to those officials in Government Departments at Ottawa and the several Provincial capitals and all others who have co-operated with us in the preparation of this edition. We are grateful to the press of Canada which has always been generous in their recognition of *The Canadian Annual Review* as a long established national institution.

THE EDITORS

Toronto, Canada,  
March 20th, 1940

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OF  
PUBLIC AFFAIRS  
1937 and 1938

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FEDERAL ADMINISTRATION AND POLITICS

**Introduction:  
Dominion Public  
Affairs during  
1937 and 1938**

A study of Canada's public affairs during 1937 and 1938 discloses that with the exception of a few highlight events, interest was centred very generally in the economic rather than the political field. With the Mackenzie King Administration holding a substantial majority in the House of Commons, a majority which was increased rather than lessened by By-Elections, there was not so much as a Cabinet shake-up to disturb the tenor of the Liberal *régime* during the two years. On the other hand, economic conditions within the country, as well as within the boiling pot of Europe, kept the Dominion Government continuously busy and largely dictated the heavy legislative programme of two Sessions of Parliament. While Canada seemed to be emerging from the throes of the world depression the business recession in the United States during the latter part of 1937 had its definite effect on the Dominion and unemployment continued to take pre-eminence among the problems facing the Rt. Hon. Mackenzie King and his colleagues. Successive crop failures in Saskatchewan and other sections of the West had brought the Western farmer to a state which constituted a national emergency while the marketing of wheat under depressed price conditions brought continuous pressure on Ottawa for increased State aid and State subsidy. The burden of relief was straining the backs of municipalities and even the Provinces and here again a Federal Administration was being asked to carry more and more of the load though, at the same time, the Provinces were loath to surrender any part of the rights given them under Confederation.

These and other factors were mainly responsible for the general tendency towards social legislation which marked the period and which might be said to have originated to some extent in the earlier reform programme of the Rt. Hon. R. B. Bennett. Mr. Bennett's unemployment insurance measure (See *The Canadian Annual Review 1935 and 1936*) with others had been killed by the Privy Council early in 1937 but the two succeeding years saw repeated promises and attempts by the Liberal



Administration to institute such a system. The National Employment Commission established in 1936 as an advisory body to the Minister of Labour, under its dollar-a-year Chairman, Arthur B. Purvis, completed its task during the period and bequeathed its administrative duties to a newly appointed relief administration.

Though as this edition makes its appearance the results are obscured by war emergency the appointment in 1937 of the Royal Commission (Rowell) on Dominion-Provincial Relations may yet prove the most important step taken during the two years. Economic conditions influenced many to believe that Canada had outgrown her constitution as set out in the British North America Act. The Rowell Commission was given the task not of making revisions but of providing a broad basis of economic, financial and political fact on which such revisions could be based. Except for the final compilation of its Report this task had been completed by the end of 1938.

The brighter side of the economic picture was the realization during both 1937 and 1938 that Canada had been able to weather the depression storm. This was reflected clearly in the two Budgets brought down by the Minister of Finance, the Hon. C. A. Dunning, which showed decreases in the still heavy deficits and which promised a certain measure of tax relief. Debt increases, however, were resulting in demands for economy in government and as an ancillary growing pressure for railway reform. This led, in 1938, to the appointment of a Committee of the Senate to study the railway problem and the possibility of unification of Canada's two systems.

Coupled again with economic conditions was the mushroom growth of third Party movements, some of which arose and disappeared within the period under review. The Social Credit *régime* in Alberta was typical of the monetary reform cry and the admitted failure of Mr. Aberhart to establish his system proved a blow to other groups. During the period Mr. Aberhart enlivened the Federal scene by running foul of constitutional authority and precipitating the intervention of the Government at Ottawa.

The most important change on the political front, however, was the retirement of the veteran statesman and former Prime Minister, the Rt. Hon. R. B. Bennett. After a final and vigorous two years in Opposition Mr. Bennett relinquished the Conservative helm and a National Convention held in the Summer of 1938 elected the Hon. R. J. Manion to succeed him.

Meanwhile, the Liberal Administration at Ottawa were continuing their declared policy of extending Canada's trade relations both within and without the Empire. A new British trade agreement in 1937 revised the Ottawa agreement of 1932. In 1938 the climax of the trade extension policy was reached with the United States-Canadian agreement of that year, in itself part of the larger three-way pact between London, Ottawa and Washington. In addition, the list of trade pacts was enlarged by Central and South American republics. In sum total these trade agreements had the effect of bringing Canada's protective tariff wall to a substantially lower level than that at which the Bennett Government had left it in 1935—and to which it had been raised as a distinct emergency measure after the world cataclysm of 1929-1930.

During this period there occurred at Ottawa on June 10, 1937, the death of Canada's War-time (1914-18) Prime Minister, the Rt. Hon. Sir

Robert Laird Borden, in his eighty-third year. Immediately upon the announcement, a message of condolence from Their Majesties was received by Lady Borden. Other expressions of sympathy came from all parts of the British Empire. At the State funeral of the eminent statesman, who had been Prime Minister of Canada from 1911 to his voluntary retirement in 1920, His Majesty, King George VI, was represented by the Rt. Hon. Sir Lyman P. Duff, Chief Justice of Canada.

### **The Liberal Administration: Mr. King as Prime Minister During 1937**

With the Liberal Administration pledged to a policy of widening external trade and lowering trade barriers, the year 1937 saw the Ottawa-London-Washington triangle taking definite and very significant shape. In the middle of a Parliamentary Session of concentrated activity, the Prime Minister, the Rt. Hon. Mackenzie King, took time from his Parliamentary duties for a short and extremely important visit to Washington. The subject matter of his conversations with President Roosevelt and almost equally important discussions with the Hon. Cordell Hull, Secretary of State, was never made public beyond the Prime Minister's statement that matters of mutual benefit had been considered and his admission that the St. Lawrence Waterways plan had been touched. Newspaper speculation ranged from defence pacts to trade treaties. Mr. King's statement in Washington after the conclusion of the conference was interpreted freely in several different ways. "It was obvious", Mr. King told The Canadian Press, "that before I go to the Imperial Conference I should ascertain the views of the President on the problems confronting the world and with which the Conference will have to deal." (*The Gazette*, Montreal, Mar. 8, 1937). More than one newspaper suggested that Mr. King, when he went to London, would act as envoy for President Roosevelt in clearing channels of trade between the United Kingdom and the United States. However far afield these newspaper forecasts were, and Mr. King took occasion later to deny them publicly in the House of Commons, one germ of truth was present in them all. Mr. King returned from Washington strengthened in his determination to do everything in his power to promote world trade. In Cordell Hull he had found a kindred spirit sharing the same view that international trade held the key to world peace. Mr. King arrived in Washington on Mar. 5 and, after a two-day stay, proceeded to Georgia for a short and much-needed rest before returning to Ottawa for the wind-up of the Session. "There was nothing that committed anybody to anything," Mr. King assured The Canadian Press in Montreal (Mar. 20, 1937) *en route* to Ottawa.

At the opening of the Imperial Conference in London on May 14, (1937), immediately after the Coronation ceremony, Canada's Prime Minister made a significant plea for world trade, urging leaders of the British Commonwealth to co-operate in a concerted effort to avoid increases in trade barriers. He expressed the firm conviction that "enduring peace cannot be achieved without economic appeasement; that political tension will not lessen without the abatement of the policies of economic nationalism and economic Imperialism." (*The Gazette*, Montreal, May 15, 1937). Countries of the British Commonwealth, Mr. King said, had a definite responsibility to join with other willing countries in an effort to avoid increased tariffs, exchange or quota controls and to lessen in every possible way the barriers to international trade. British nations in the past had done a magnificent work in preserving world peace and

individual liberty, he declared, and it should be the continued aim to build on the foundations of this past.

The Prime Minister pointed out that while the driving and binding force of British democracy was an underlying determination to respect personal freedom and live peaceably, other powers were scorning democracy and mocking the peace ideal. "Now that the stark contrast between liberty and regimentation has been made manifest to us all," he said, "the value of freedom as a source of individual realization of national power and enduring international co-operation has been more fully realized than ever before."

Whatever its motive, Mr. King's speech in London fell on sympathetic ears. A few days earlier Grant Dexter, in dispatches from London to *The Globe and Mail*, Toronto, and the *Winnipeg Free Press*, said: "If we may judge from the comments in the British press the pressure for an Anglo-United States treaty is extremely strong and unless every straw is blowing upwind the British Government are now favouring a policy of broader internationalism and are desirous of co-operating with Roosevelt."

Speaking again at the final session of the Imperial Conference the Canadian Prime Minister referred to the recent Coronation ceremonies in which all the delegates had participated. "The unity of which the Crown is a symbol and assurance," he said, "has been reflected in the oneness of outlook and in the community of spirit which have pervaded this Conference. Our deliberations have emphasized once more the effectiveness of reason and co-operation as an alternative to force in the conduct of international affairs." (*The Gazette*, Montreal, June 16, 1937).

Still on the quest of trade and world peace, Mr. King visited Paris, Berlin and Brussels where he discussed trade relations with respective Government officials, held a lengthy conversation with Adolf Hitler and was received by Leopold, King of the Belgians. His conversation with Hitler Mr. King described in a Canadian Press dispatch from Berlin as "most interesting and most valuable." At the opening of the Canadian pavilion in the Paris Exposition on July 2 (1937) the Prime Minister said, referring to Canada's position in the Empire: "We like to manage our own affairs. We co-operate with other parts of the British Empire in discussing questions of mutual interest. The fact that we have our own representation in other countries is evidence of that great liberty and freedom which, above all, we prize and were it ever imperilled from any source whatever, would bring us together again in preservation of it." (*The Gazette*, Montreal, July 3, 1937). The speech went almost unnoticed until, with Mr. King on the ocean, the Prime Minister of Great Britain, Mr. Neville Chamberlain, made reference to a "remarkable speech" in which Mr. King had said that if Great Britain were threatened Canada would come to her side. Besieged by newspapers at Quebec on his arrival (July 8) Mr. King refused any comment on his Paris speech or on Mr. Chamberlain's interpretation. (See also under "Imperial Conference"). He did state, however: "Neither at the Imperial Conference itself nor at any time prior or subsequent to the Conference were commitments made with respect to matters on which the Canadian Parliament would wish to be informed in advance; nor have policies with respect to any matter been enunciated or approved which were not wholly in accord with those of the Government as known to the country and previously expressed by myself or my colleagues in Parliament" (*The Globe and Mail*, Toronto, July 9, 1937). Mr. King returned from his European trip on the



whole optimistic with regard to the international situation but in a radio address to Canadians on July 19 he declared: "Vigilance in Canada as elsewhere throughout the world is the price of our security," (*Winnipeg Free Press*, July 20, 1937).

Meanwhile, Ottawa was active on the international trade front. Before Mr. King had returned to the capital (June 16) an Order-in-Council accorded most-favoured nation treatment to the Republic of Brazil. Four other South American countries were already on the most-favoured nation list, Argentina, Uruguay, Venezuela and Colombia. On July 11 negotiations with New Zealand had reached the stage of a draft agreement, amending the Ottawa agreement of 1932. The Hon. Walter Nash, New Zealand Finance Minister, had returned to Canada with the Prime Minister from England and conferences were immediately held between Mr. Nash and Canada's Minister of Trade and Commerce, the Hon. W. D. Euler. On Aug. 1 a new Franco-Canadian trade agreement was announced expanding the scope of those of 1933 and 1935. Canada obtained enlarged quotas for lead and zinc as well as cheese, tomato juice, mowing machines, electrical apparatus and aluminium ware. In return, she waived quotas on automobiles, electric heating apparatus and vacuum cleaners. The Canada-United Kingdom trade agreement, made public on Feb. 25 (See "Canada-United Kingdom Agreement" under "The Second Session of the Eighteenth Parliament") became effective on Sept. 1 (1937). On Nov. 18 came the announcement from Washington and London that Great Britain and the United States had agreed to negotiate a reciprocal most-favoured nation trade agreement, the first since 1815. On the same day the Prime Minister of Canada announced from Ottawa that preliminary conversations between Ottawa and Washington had been in progress since August and that formal negotiations would be opened shortly for a new reciprocity pact between Canada and the United States.

During the Autumn (1937) Canada also renewed her existing trade agreement with Australia revising it to make some minor concessions and concluded a new agreement with Guatemala, Central America, whose chief export to Canada was coffee. It opened a market for Canadian flour, farm machinery and tires.

On the other side of the picture, European and Asiatic conflicts were being watched closely by the Department of External Affairs at Ottawa. On Aug. 1 (1937) an Order-in-Council proclaimed the application of Canada's new Foreign Enlistment Act to the war in Spain, thereby making it illegal for Canadians to enlist with either of the warring groups. (See, also, "Foreign Enlistment Bill," under "Defence and Foreign Policy.") At the same time, another Order-in-Council, under the Customs Act, banned the export of war materials to Spain. On Oct. 13 (1937) the Prime Minister (Mr. King) announced that Canada would join with other signatories of the Nine-Power Treaty of 1922 in a joint effort to mediate the Sino-Japanese dispute. Unofficial movements were already leading to the boycotting of Japanese goods in Canada though the Government were carefully avoiding official notice.

In an international broadcast on Sept. 19 (1937) to mark the inauguration of the World Economic Co-operative Campaign sponsored by the National Peace Conference of the United States and the League of Nations Society of Canada, the Prime Minister (Mr. King) pledged Canadian co-operation in any move to increase trade among nations. He did not believe that economic co-operation was, of itself, sufficient to avoid the catastrophe of war but Governments and individuals, he

declared, should use to the limit whatever instruments they had available; they should shrink from no opening which might fortify the processes of mutual reasoned discussion and goodwill. He referred to the relations between the nations of the British Commonwealth "where no compulsion plays a part" and to the equally fortunate existing relations between Canada and the United States under which Canada employed no quotas, no exchange restrictions and no embargoes except with regard to the traffic of arms and the protection of itself against the spread of disease. Canada endeavoured to co-operate, he said, wherever possible, with other nations in seeking to restore the normal flow of trade with a view to furthering her own national prosperity as well as to making a contribution to world peace. "In the promotion of the common good," he declared, "will be found an assurance of the prosperity of all and the best path to understanding and friendship." On the same broadcast Mr. Cordell Hull, Secretary of State, spoke for the United States (*The Canadian Liberal Monthly*, October, 1937).

On Armistice Day, Nov. 11 (1937) the Prime Minister, together with Brig.-Gen. Alexander Ross, Dominion President of the Canadian Legion, spoke for the Canadian people, when the War Veterans of four Nations joined in a Canadian broadcast in support of International harmony and peace. On this occasion Sir Frederick B. Maurice, President of the British Legion spoke from England, and Jean Desbons, the President of the International Association of Ex-Service Men, from France. All the speakers were one in urging universal concentration in the development of International Understanding and the Will for Peace among the Nations.

### Other Cabinet Activities, 1937

Canada's rearmament programme of 1937 (fiscal year, 1937-38) involved an increase in expenditures of \$10,000,000 over the previous year. In June, contracts were let totalling \$14,000,000 of which approximately \$10,000,000 went to Canadian manufacturers. Of these \$6,851,000 were for air force equipment (\$4,246,000 spent in Canada) and \$6,060,000 for military equipment (\$4,816,000 spent in Canada). Another set of contracts totalling \$9,000,000 was announced in September (1937) including an order for 100 planes. (*The Globe and Mail*, Toronto, Sept. 7). Four new mine-sweepers, costing \$350,000 each were ordered in Canada. This programme was carried out according to principles laid down by the Imperial Conference whereby each Dominion was theoretically to be responsible for its own defences. Speaking to the Military Institute in Toronto in December the Hon. Ian Mackenzie, Minister of Defence, said: "Great Britain has shouldered a very great responsibility during the present period of unrest and should and must be supported."

The Minister of National Revenue, who with the Hon. Raoul Dandurand and the Hon. Vincent Massey had represented Canada at the League of Nations Assembly at Geneva returned to the Dominion in the Autumn (1937) plainly pessimistic. Speaking in Ottawa Mr. Ilsley said that the state of public opinion in member countries was preventing governments from taking any steps, that might involve risks, in support of the League of Nations. "A strongly armed United Kingdom in my opinion," he said, "is a much surer guarantee of peace." (Canadian Press dispatch, Nov. 9, 1937).

A significant event of 1937 and one which reflected no little credit on the Minister of Finance (the Hon. Charles A. Dunning) was the re-funding of the last of Canada's tax-free bonds, a relic of a wartime

device to popularize bond buying at the outset. This refunding operation, the largest in some years, was accomplished at a substantial saving in interest cost as well as with the addition to the Treasury of Income tax revenues lost through the exemption. Watching his opportunity Mr. Dunning sought from the New York market early in the year \$85,000,000 to refund bonds maturing in March (1937) and payable in United States funds. In October (1937) he offered a \$100,000,000 loan in Canada (For details see Budget Speeches for 1937 and 1938). In his belief that construction held the key to industrial recovery in Canada the Minister of Finance also directed his attention during the year to efforts to promote the Home Improvement Plan and Dominion Housing Act projects. In December a Committee was organized under the National Research Council to prepare a National Building Code for Canada.

During the Summer of 1937 the Minister of Agriculture, the Hon. James G. Gardiner, accompanied by the Minister of Labour, the Hon. N. McL. Rogers, made a 2,400-mile tour of the drought areas of the West, a tour which sent Mr. Gardiner back to Ottawa to plunge into arrangements for additional relief in Saskatchewan and Manitoba (See also the Debate on the Address-in-Reply to the Speech from the Throne, 1938). There followed the establishment of relief in the dried-out areas as a separate project and the task of administration was transferred in September, 1937, from the Department of Labour to the Department of Agriculture, which already had the responsibility of the Prairie Farm Rehabilitation project. This transfer followed the recommendations of the National Employment Commission which made an interim Report to the Government in August, 1937. (See Report of the Commission under the Department of Labour and under Dominion-Provincial Affairs). Early in the year (1937) Mr. Gardiner had undertaken a complete reorganization of his Department which centred activities under four divisions. Production Services were placed under the direction of G. B. Rothwell, Live-stock Commissioner; Experimental Farms, under E. S. Archibald; Scientific Research under J. M. Swayne. Finally, a Marketing Division was created and A. M. Shaw, former Dean of Agriculture at the University of Saskatchewan was appointed director of marketing on Jan. 22. This last division with its seven-point programme for promoting agricultural sales abroad was subsequently the cause of an interdepartmental flurry which found its way into Parliament (See this Volume, Throne Speech Debate, 1938).

The Hon. T. A. Crerar, Minister of Mines and Resources, spent August and September (1937) on an extended tour of Canada's frontiers, travelling in all 7,000 miles, for the most part by air. It was the longest journey ever undertaken by a Canadian Minister and drew from the *Winnipeg Free Press* the editorial comment: "Never before has Canada been served by a Minister of Mines so strongly convinced of what the development of its mineral resources will mean to this country. Mr. Crerar has made it his business to become very closely acquainted with mining in the raw." The Minister visited Central Manitoba's mining area, the Saskatchewan Goldfields area and travelled across the Northwest Territories as far as the Great Bear Lake area. Speaking later at Vancouver the Minister predicted that the development of mineral resources in the Northwest Territories would make a striking contribution to the well-being of Canada.

While in British Columbia the Minister was besieged with questions and representations with regard to the plan of Mr. Pattullo (Prime Minister of British Columbia) for annexation of the Yukon. Early in



the year Mr. Pattullo had announced that an agreement had been reached with the Dominion Government for the transfer of the Territory. The announcement, never fully nor officially confirmed at Ottawa, had roused a storm of protest. Mrs. George Black, Conservative Member for the Yukon Territory, had demanded that if such an agreement existed it should be produced and published in detail. (*The Globe and Mail*, Apr. 27, 1937). From the Yukon Council came a call for a plebiscite of the Territory before any action was taken. The Council declared it had no confidence in the financial ability of the coast Province (*Moose Jaw Times*, Apr. 30, 1937). As far as was known at the time no further action was taken by Ottawa and the matter was dropped.

Accompanied by Lieut.-Col. K. J. Melville, the Hon. C. G. Power, Minister of Pensions and National Health, made an extended tour of Canada in 1937 for the purpose of finding out the needs of the ex-Service man. He met representatives of 33,000 veterans of whom 24,000 were unemployed. At a Convention of the Dominion Amputation Association in September (1937) Mr. Power explained the policy of the Government in the treatment of the ex-Service man. The country's duty, he believed, was, first, to those injured in the War (1914-18), secondly, to the ex-Service man who was at the time, jobless, owing to age or physical disability and, finally, to those capable of working but unable to find employment. (*The Gazette*, Montreal, Sept. 23, 1937).

In the other branch of his Department Mr. Power announced on Nov. 17 (1937) the appointment of a National Council on Nutrition to study food requirements in the stages of human development, and the working man's requirements and resources and how he can be assured of obtaining the proper sustenance. Dr. R. E. Wodehouse, Deputy Minister of Health, was appointed Chairman of the Council. Other members were: Prof. Andrew Stewart of the University of Alberta, Prof. E. G. Young of Dalhousie University, Prof. W. D. McFarlane of MacDonald College, McGill University, and Prof. E. W. McHenry of the University of Toronto. The Council included the representatives of 17 voluntary organizations.

### **Dominion-Provincial Affairs, 1937**

The only official Dominion-Provincial Conference of the year 1937 was that called by the Minister of Finance (Mr. Dunning) to discuss needed changes in the Old Age Pensions set-up. It met in Ottawa on Nov. 2 and was attended by the Minister in charge of pensions in each of the nine Provinces. The most important result of the Conference was the re-establishment of the Inter-Provincial Pensions Board provided for in the original Act. There was also unanimous agreement on changes necessary to take red tape out of the Old Age Pensions machinery. Reporting on the deliberations Mr. Dunning said: "It is a great thing for Canada that a conference of this sort, representing nine Provincial Governments and the Dominion Government has been able to reach a unanimous decision." (*The Gazette*, Montreal, Nov. 6, 1937).

Dominion-Provincial problems of 1937 centred mainly around the unemployment and relief situation, accentuated by the Western crop failure, signs of disunity and conflict in the West typified by the activities of the Aberhart Government in Alberta and the financial difficulties of the Prairie Provinces.

A minor clash between the Alberta and Dominion Governments occurred early in April (1937) when the Hon. William Aberhart (Prime Minister of Alberta) accused the Minister of Finance for Canada, the

Hon. C. A. Dunning, of discriminating against Alberta and charged that the Dominion had refused to pay the amount owing to Alberta under the Natural Resources settlement. Mr. Dunning explained that the Dominion Government were quite willing to write off this obligation against the \$26,000,000 which had been borrowed by Alberta and of which \$8,577,000 had been used by the Province to meet maturing obligations. The amount involved which had been agreed to on the recommendation of the Natural Resources Commission of 1935, was \$5,000,000 plus interest from 1905, amounting in all to something over \$6,000,000. Mr. Dunning also pointed out that loans authorized during the previous fiscal year for Alberta had amounted to \$1,106,000 (*The Gazette*, Montreal, Apr. 17). (For "Disallowance of Alberta Legislation" see under that heading in this Section; and for Commission on Natural Resources, see *The Canadian Annual Review 1935 and 1936*, pp. 158-59).

In July (1937) refusal of the Bank of Montreal to finance relief payments for the City of Winnipeg, brought a demand for Dominion assistance. Mr. Dunning's stand, sound both legally and economically, that the Dominion should not assume, directly, responsibility for municipal relief costs did not add to his popularity in Western Canada. The Minister offered to advance money to the Province of Manitoba to ease the situation, an offer which was promptly refused by the Provincial Prime Minister (the Hon. John Bracken).

#### **National Employment Commission, 1937**

Under the National Employment Act of 1936 the National Employment Commission was set up in May, 1936, in an advisory capacity to the Minister of Labour. In addition to the five recommendations of the Commission before the end of 1936 (see *The Canadian Annual Review 1935 and 1936*, pp. 500-501), a number of others were presented to the Government during 1937 (June 30) as an Interim Report covering the first year of its work. This Report called for classification of relief into three different departments (a) unemployment aid; (b) agricultural aid and relief; and (c) assistance to unemployables. This, together with recommendations for tighter control by the Dominion Government of relief administration, was accepted and acted upon immediately by the Government.

Altogether the Report made 24 specific recommendations, nine of which were approved in whole, four of which received partial approval and only two of which were discarded. Some of these recommendations such as centralization of employment services under the Dominion Government were still waiting necessary constitutional changes two years later. Others, such as The Housing Act legislation and The Home Improvement Plan, had already been implemented before the Report was issued. Included in the recommendations was the Youth Training Plan providing for a short learnership course, revival and extension of the apprenticeship system and physical training projects. An appropriation of \$1,000,000 was made in the 1937-38 Estimates for this purpose.

A. B. Purvis, Chairman of the Commission, gave a supplementary interview to newspapers in which he criticized strongly the system of indiscriminate grants in aid to the Provinces and recommended grants earmarked for specific purposes on the basis of specific needs. Mr. Rogers also issued a press statement explaining the Government's position in regard to the proposals (*The Gazette*, Montreal, Aug. 19). The first of the Youth Training agreements was signed with Manitoba calling



for a contribution by the Dominion of \$100,000 on a dollar for dollar basis. It included schemes for forest conservation, apprenticeship courses, domestic training centres and a specialized employment and placement service for women. Saskatchewan, Alberta and British Columbia agreements followed and seven of the nine Provinces had made a start before the end of the year, 1937.

### **Unemployment Insurance, 1937**

Both constitutionally and in its economic policy the Canadian Parliament and Government received a set-back in judgments handed down by the Judicial Committee of the Privy Council against the Bennett "new deal" legislation of 1935. (See also *The Canadian Annual Review, 1935 and 1936*, pp. 87-91 for all judgments). While there were six of these judgments, two outstanding principles were involved: to implement an international labour convention Parliament had passed three Bills: the Minimum Wage Act, the Weekly Day of Rest in Industrial Undertakings Act and the Limitation of Hours of Work Act. While these were plainly in the field of Provincial jurisdiction it was contended that they were valid under Section 132 of The British North America Act giving the Dominion power to legislate to implement foreign treaties. The Privy Council ruled that this Section was applicable only when such treaties were negotiated between the Empire as a whole and other countries, thereby bringing down the wrath of Parliamentarians on its head (See this Volume under "The Debate on The B.N.A. Act"). The Unemployment and Social Insurance Act was ruled out under sub-section 13 of Section 92 giving the Provinces jurisdiction in matters relating to property and civil rights.

On Nov. 5, 1937, the Prime Minister of Canada communicated with the heads of the nine Provincial Governments, asking their views with regard to a proposed Amendment to The British North America Act empowering the Parliament of Canada to enact unemployment insurance legislation. He pointed out that while it was generally agreed that to be feasible unemployment insurance must be on a national basis, an "amendment to the constitution would seem to be a necessary preliminary". (*The Globe and Mail*, Toronto, Nov. 10). In the same letter he proposed centralization of employment services under the Dominion—a recommendation from the National Employment Commission which would also require constitutional change. While immediate support was given by British Columbia, Manitoba and Saskatchewan and three other Provinces joined later in the concurrence, New Brunswick, Quebec and Alberta would not commit themselves until they had seen the proposed legislation and until they could be assured that the rights of the Provinces would not be undermined.

### **Disallowance of Alberta Legislation, 1937-38**

During its August Session (1937) the Alberta Legislature passed three Bills: the first provided for the licensing by the Province of banks operating within the Province; the second provided that no one could sue the Province on any of its legislation without first obtaining a permit to do so; and the third deprived all unlicensed bank employees of their civil rights. The Bills received the Royal Assent. The Dominion Government reviewed the legislation and on Aug. 11 Mr. Mackenzie King telegraphed to Mr. Aberhart asking him to facilitate a reference to the Supreme Court. Mr. Aberhart refused. On Aug. 18 Mr. King announced that the Dominion Government had disallowed the three Alberta Acts in

accordance with their power of veto under Section 90 of The British North America Act.

In recommending the disallowance of this legislation the Minister of Justice for Canada (the Rt. Hon. Ernest Lapointe) declared them to be "an unmistakable invasion of the legislative field as assigned to the Dominion by The British North America Act (Section 92) giving to Parliament exclusive power over banking, the incorporation of banks and the issue of paper money. Owing to the vagueness of its terms the effect of the legislation," Mr. Lapointe said, would be "to produce confusion and injury to the public interest of Canada." He added: "While the undersigned is of the opinion that no project or policy of a Provincial Legislature should be interfered with by exercise of the power of disallowance, merely on the ground that the measures to promote such project or policy are of doubtful constitutional validity, a distinction is to be made where a Legislature deliberately attempts to interfere with the operation of Dominion laws and to substitute laws and institutions of its own for those legitimately enacted and organized by Parliament, and this is particularly true where the Legislature has denied recourse to the courts of justice."

The Prime Minister (Mr. King) when forwarding the decision of the Dominion Government to the Alberta Prime Minister, referring to charges of "financial tyranny" made by Mr. Aberhart against the Dominion Government, declared that the Dominion Government would not allow the issue to be confused by such attempts. The Government, he said, had no sympathy with tyranny whether exercised by bankers or by any other body. "If it is felt," Mr. King added, "that changes should be made in the banking or currency laws of the Dominion it is open to any citizen of the Dominion resident in Alberta or in any other Province to seek those changes from the only body which has the due authority." Mr. Aberhart's reply was, in effect, a refusal to recognize Federal disallowance by ignoring the necessity of publishing the announcement in *The Alberta Gazette*. On Sept. 3, the Dominion Government, following a precedent set by Sir John A. Macdonald under similar circumstances, proclaimed the disallowance over the name of the Alberta Lieutenant-Governor in a special issue of the *Canada Gazette*.

The next clash between the Dominion and Provincial authorities came after the September-October Session of the Alberta Legislature during which the Lieutenant-Governor had reserved the Royal Assent to three Bills and had referred them to the Governor-General for consideration. The three Bills (1) imposed new taxation on the banks in the Province of Alberta; (2) provided the means for setting up control of credit; and (3) gave the Provincial Government power to ban or order the publication of any article in any newspaper in the Province. Correspondence between the two Governments resulted in the three measures being referred to the Supreme Court of Canada. At the same time the Dominion and Provincial Governments referred to the Court the questions as to whether the Dominion retained the power to disallow Provincial legislation and whether the Lieutenant-Governor could reserve Assent to Bills passed by the Provincial Legislature. Mr. Aime Geoffrion, K.C., of Montreal was retained by the Dominion Government and Mr. O. M. Biggar, K.C., of Ottawa, by the Provincial Government. The Hon. J. L. Ralston, former Minister of National Defence, acted for the newspapers in Supreme Court hearings.

After a prolonged hearing of counsel for all interested parties in January, 1938, the Supreme Court reserved its judgments on the three

disallowed Alberta Acts (credit regulation, bank tax and newspaper muzzling) until Mar. 4 when it ruled unanimously that the legislation was invalid. It also ruled that the Lieutenant-Governor of a Province still held the right to reserve assent to Bills and that the Dominion retained the power to disallow Provincial legislation. The judgments were significant, not only on the main issue involved but as clarifying generally the field of Provincial jurisdiction. Mr. Justice Cannon, for example, in his comment on the press regulation said: "No Province has the right to reduce in that Province the political rights of its citizens as compared with those enjoyed by the citizens of other Provinces of Canada." Chief Justice Sir Lyman Duff and Mr. Justice H. H. Davis found as a result of the references that the Social Credit Act itself was invalid. In his judgment on the credit regulating Bill the Chief Justice stated: "It is quite plain, not only from the preamble of the Social Credit Regulation Act but also from its enacting provisions that it is part of a general scheme of legislation of which the Social Credit Act is really the basis; and that Statute being *ultra vires*, ancillary and dependent legislation falls with it."

Mr. Aberhart announced that he would appeal the decisions to the Privy Council but on June 8 withdrew the appeal (See Canadian Press dispatch, Ottawa, June 8, 1938).

The delay gave the Dominion Opposition Leader (Mr. Bennett) an opportunity to attack the Government for their action in referring the matter to the Supreme Court and thus, as he put it, evading their own responsibility which was clearly to disallow the legislation. He also charged that by not disallowing the Ontario "Power Act" (See under "Province of Ontario"), which also refused access to the courts for the purpose of challenging a Statute, the Dominion Government had discriminated against the Province of Alberta. The criticism, levelled during the 1938 Session of Parliament, brought from the Minister of Justice a review of the Alberta-Dominion conflict and a full statement of the Government's position (See *Hansard*, 1938, pp. 174-78). Mr. Lapointe said that the policy of the Government was not to use their power of disallowance when Provincial legislation was merely *ultra vires* and did not conflict with institutions set up by the Dominion; that they contended that these cases, of which the Ontario Act was typical, were matters for the courts; and that he believed such a stand had been justified by the fact that the Quebec Power Contract Act had been successfully challenged and that the parties in the action eventually reached a settlement. (See also *The Canadian Annual Review*, 1935-36, p. 200). The 1937 Alberta legislation refusing access to the courts, he admitted, had not been considered as objectionable as the two Acts which were joined with it and contained this same principle. The Government, he said, had, however, asked Mr. Aberhart if he would agree to suspend the legislation pending a court decision and had been refused. It was because these Acts came into direct conflict with Federal policies that the Dominion Government had had no other course left open but to disallow them.

### **The Bank of Canada's Reports on the Provinces, 1937**

During the year 1937, the Bank of Canada having been commissioned by the Minister of Finance to make an examination into the financial affairs of the three Prairie Provinces, submitted Reports to the Government dated as follows: Manitoba, Feb. 11; Saskatchewan, Mar. 6; and Alberta, Apr. 7. These Reports by the Bank were a factor in the Govern-



ment's decision to appoint a Royal Commission on Dominion-Provincial relations.

In the case of Manitoba, the Bank found that the increase in revenues during the period under investigation (1926-36) was smaller than in any other Province except one and that these revenues were "not adequate or not sufficiently elastic to enable the Province to bear the burdens which modern practices of government and the force of depression have placed upon them." Over the seven fiscal years 1931-37 (the depression years) the average budgetary result on current account had been a deficit of about \$685,000. (Average contribution to sinking fund and debt retirement, approximately \$355,000.) "In the last few years," the Report stated "there have been small surpluses after provision of \$4,500,000 annually for debt retirement. But for the whole period, relief charges not included in the above figures average some \$3,250,000 per annum. There is no doubt that the substantial increases in debt incurred for relief purposes during the last six years have given cause for serious apprehension. The end of relief expenditures is not in sight, and there is undoubtedly a feeling that it is unwise for the Province to continue to accumulate debt for this purpose. Manitoba has been affected by the relatively low level of prices for agricultural products during the years 1930-35; by drought in some sections of the Province; and by the indirect effects of drought and low prices further West." The Report made certain proposals for dealing with Manitoba's problems: 1. Refunding of outstanding debt by the issuance of new securities guaranteed as to principal and interest by the Dominion Government. 2. Refunding of outstanding debt by the issuance of new securities guaranteed only as to interest for a temporary period by the Dominion Government. 3. Refunding of high coupon bonds by the issuance of new securities guaranteed by the Dominion Government, the Provincial subsidy being pledged as security for the guarantee. 4. The same procedure as outlined in 3, with the exception that assignment of the subsidy would constitute the bondholders' protection, and the Dominion guarantee would not be attached. 5. Appointment of a Royal Commission of Inquiry. "Naturally," the Report stated, "it is not for us to express an opinion as to the Dominion Government's point of view in regard to the proposals which involve their participation. Dealing with proposals 1-4 from the Provincial point of view, however, we hold the opinion that none of them represents a solution of Manitoba's problems, including relief, and Nos. 2, 3 and 4 involve a severe blow to Manitoba's credit."

Saskatchewan, "for reasons largely beyond its control" found itself in a particularly unfortunate position, the Bank reported. "As in the case of Manitoba", it added, "we do not see any solution other than that which might be provided by a complete inquiry into the financial powers and responsibilities of all our governing bodies." Total relief expenditures up to the end of 1936 were found to be \$110,000,000 of which municipalities had raised \$5,000,000 and the Province, \$13,000,000, plus \$5,000,000 in guaranteed loans to municipalities. The other \$87,000,000 had been contributed by the Dominion—\$40,000,000 outright and the balance in loans and guarantees. The Bank's Report was critical of the Province for failure to provide for an emergency in prosperous years by reducing its debt. After warning that any solution was going to be expensive the Report added: "In no section will credit be so necessary in the future and in no other section is it now so important to maintain confidence in the good faith of borrowers." The Report stated that in view of the intention of the Dominion Government to appoint a Royal Commission

to inquire into the Provinces' Finances, "the Dominion Government would be justified in extending temporary financial aid . . . however, we believe that Saskatchewan itself should also make a contribution towards providing additional funds for current expenditures."

In Alberta, the Bank found that if the Province had been paying its full interest on obligations it would have had to borrow from the Dominion and that its position would have been "a little worse than that of Manitoba but distinctly better than that of Saskatchewan." The Province, however, had cut its interest rate 50 per cent. and, while the Report regretted these repudiatory tactics, it found that they had put Alberta in a budgetary position which it could maintain unassisted by Ottawa. Aside from legal and moral reasons, however, it predicted that Alberta's default would have repercussions which in due course were bound to affect the situation adversely. It found that the period 1905 to 1922 had been characterized by waste, loose administration and incurrence of debt on a scale that could not be justified, while in the period of prosperity from 1923 to 1930 advantage had not been taken of the opportunity to improve the financial position. In the period from 1931 to 1936 the net outstanding liabilities of the Province had been increased by \$52,000,000, of which \$16,000,000 had been accounted for by deficits in current account, \$13,000,000 by expenditures on fixed assets, and \$19,000,000 by relief and relief works. It was not until 1933 that a strong effort had been made to increase revenues and reduce expenditures. A large part of the public debt represented money wasted in earlier years. The Bank did not think it would be feasible to further increase taxation and credited the Province with retrenchment in recent years. The current deficit (1935-36) had been brought down from \$5,500,000 to \$1,750,000. The Report stated that "Alberta's budgetary position differs materially from that of the other Provinces, by reason of the fact that interest payments have been reduced by 50 per cent. or \$3,400,000, and, other things being equal, its cash requirements have been reduced by the same amount. . . ."

### **The Opposition Leader; Party Politics, 1937**

From a six-months' holiday during which he had covered nearly every quarter of the British Empire the Opposition Leader, the Rt. Hon. R. B. Bennett returned to Canada in January, 1937, and took his place in the House of Commons in time for the opening debate. In an Empire broadcast from London a few days before, he had urged an expansionist programme for Canada and the other Dominions and had told Britons: "I hope we will be able, by active co-operation, to devise plans which will enable those who find lessened opportunities for employment here to assist in the development of Dominions overseas and take their part in maintaining their intellectual and national life." (*The Gazette*, Montreal, Jan. 9, 1937). Reaching Canada he had discussed the other side of the picture, the need for Empire co-operation against the "aggressor" to whom, without such co-operation the Dominions would fall a prize.

Reports of Mr. Bennett's retirement from the leadership were widely circulated. It was said that his health could not stand the strain and in fact his own admissions gave some ground for such fears. His daily programme, however, was as full as usual both inside and outside the House. He carried the theme of Empire to meetings of his followers in Ottawa and Toronto and on Mar. 19 (1937) spoke in the Hamilton

West By-Election campaign. Here the Conservative Leader outlined his plan for a Dominion-wide conference to discuss revision of The British North America Act. "Let us have a place where the representatives of every school of thought, Conservative, Liberal, C.C.F., Socialist and Communist may bring forward their contributions," he urged. (*Toronto Daily Star*, Mar. 19, 1937). During his trip to England for the Coronation in May—Mr. Bennett was included in the official Canadian party—the Conservative Leader visited Harley Street physicians. He had told interviewers before he left that he would announce his decision with regard to the Party leadership on his return but when his boat docked at Quebec in July he still kept his own counsel. It was not until he had met a caucus of his Party in Ottawa on Aug. 7 that his decision to remain as Conservative Leader was announced.

From that date Mr. Bennett plunged himself into a vigorous campaign to revive the Conservative Party, a campaign which dispelled any impression of amity towards the Liberal Party which might have been cast by the comparatively peaceful debates of the 1937 Session of Parliament. At the Manitoba Conservative Convention in Brandon in October (1937) Mr. Bennett branded the newly appointed Rowell Commission as "a pack of Grits" who did not represent the Canadian people (*Toronto Daily Star*, Oct. 23, 1937). He attacked the Mackenzie King Government for its tariff policies and its "lack of courage" on public issues. Passing on to Regina he told Conservatives that the Western idol, the Hon. James G. Gardiner was playing politics with Western relief administration and the Prairie Farm Rehabilitation plan. (*Regina Daily Star*, Oct. 26, 1937). In Victoria he turned aside to the issue of Communism, Fascism, Social Credit and other movements, and warned his listeners that Democracy was in danger. "Is it not time that we Canadians were taking serious thought to insure the safety of Democratic institutions?" he asked. "Never since democracy became a form of Government has it been so seriously challenged as at this moment." (Canadian Press dispatch, Sept. 9, 1937).

By November his speaking tour had taken Mr. Bennett back to Halifax where he warned against the dangers of change in the British preference behind the London-Ottawa-Washington trade negotiations. It would not mean more trade for Canada but simply the transfer to the United States of markets now held by Canada in Britain. "Since when has it become the custom under our civilization to prefer the stranger to one's own family?" he asked. (*The Halifax Herald*, Nov. 20, 1937).

While Mr. Bennett held a large measure of support within the Party dissentient groups were numerous. Some expressed dissatisfaction with the Leader's alleged method of centralizing power and responsibility in himself. Dr. R. J. Manion, Minister in the former Bennett Cabinet and defeated in Fort William in 1935, was being talked of as a successor. Dr. Manion, addressing the Conservative Business Men's Club in Toronto, urged Federal Conservatives to get themselves a policy and added: "No one knows to-day what the policies of the Conservative Party are" (*The Globe and Mail*, Dec. 8, 1937).

Other groups, too, were making themselves heard within the Conservative ranks, groups which before the end of 1937 had become broadly known as "left wing Conservatives." They were more generally the products of the depression years and in the days of Mr. Bennett's reform programme had been among his ardent supporters. While there was no definite leadership these dissenters were perhaps typified best by the



Hon. W. D. Herridge, brother-in-law of the Conservative Leader and former Minister to Washington. Mr. Herridge had been credited with being at least part-author of the new deal itself. In speeches through the country he had adopted the slogan "The New Democracy" and was preaching a doctrine of state control. In September, speaking in Sydney, N.S., to the Board of Trade Mr. Herridge said: "This is the end of an economic era. Capitalism will never again work in the old way. The only system which can work hereafter is the system controlled and guided by the state." (*Sydney Post-Record*, Sept. 28, 1937).

### The C.C.F. and Other Groups

The Co-operative Commonwealth Federation held its Fifth Annual Convention in Winnipeg on July 27, a session which lasted two days and revised the constitution and set-up of the Party. It created the new post of President of the Federation, an office to which J. S. Woodsworth, M.P., was elected by acclamation. M. J. Coldwell, M.P., succeeded Mr. Woodsworth as National Chairman; and another new post, National Vice-Chairman, was filled by Prof. J. King Gordon. The new set-up was in the form of a National Council, consisting of the officers, national delegates at large and national council members elected by Provincial conventions. The Winnipeg Convention passed resolutions calling for (1) marketing of farm products under Government supervision and action by the Government to prevent injury to overseas markets by "unwise practices on the part of packers"; (2) an immediate Session of Parliament to appropriate funds for the relief of the drought areas; (3) appointment of a committee to bring the conditions in the drought areas before the Government. A fourth resolution expressed sympathy with the loyalist forces in the Spanish war and demanded an ending of the non-intervention pact. The actions of the Prime Minister of Ontario (Mr. Hepburn) in connection with the C.I.O. strike at Oshawa, as well as the policies of the Prime Minister of Quebec (Mr. Duplessis), were condemned by the Convention in another resolution which pledged the Party's opposition to "every attempt to curtail our fundamental liberties."

One of the first actions of the new National Executive was the issue of a statement from Ottawa (Sept. 14, 1937) demanding the application of the Government's neutrality laws to prohibit export of war materials to Japan. Another statement (Aug. 23) called attention to what it described as "swift and decisive action" in disallowing Alberta's banking legislation and "inaction" with regard to the Quebec "padlock law" aimed at Communist activities in the Province. It demanded immediate disallowance of the Quebec legislation.

A very similar set of Resolutions was passed in Toronto (Oct. 12, 1937) by the Dominion Convention of the Communist Party of Canada which elected Tim Buck as General Secretary. It expressed support of the Spanish loyalists and called for a boycott of Japanese goods in Canada.

Meanwhile, demands were being submitted to the Ottawa Government for the suppression of the Quebec Fascist group under Adrien Arcand and other similar bodies throughout Canada. A series of articles by Kenneth MacTaggart in *The Globe and Mail* was aimed at exposing these activities and named Nazi and Fascist publications in Canada which made offers of free literature on "Germany's contribution to world peace and general recovery."

The Department of Justice answered demands for action by stating that they were watching these movements carefully but believed that any public move would be more likely to help than hinder these subversive forces.

### Dominion By-Elections, 1937

Eight Dominion By-Elections during 1937 gave the Liberal Government one more seat. This gain was in Victoria, B.C., where the death of the Hon. S. F. Tolmie opened a Conservative constituency. R. W. Mayhew, Liberal, was elected by a majority of 1,839. The C.C.F. candidate stood third.

The other seven By-Elections made no change in the Party standing. Two of them, Dufferin-Simcoe and Frontenac-Addington, were the result of resignations of sitting Members to contest Provincial ridings. The Hon. W. E. Rowe, Provincial Conservative Leader, defeated in the Ontario fight, was returned by acclamation by his old Dominion seat. In Frontenac-Addington, vacated by the Hon. Colin Campbell when he became Minister of Public Works for Ontario, a Frontenac farmer, A. N. McCallum, was returned by acclamation. Five By-Elections resulted from the deaths of the Hon. Charles Marcell (Lib., Bonaventure), Herbert E. Wilton (Con., Hamilton West), J. A. Verville (Lib., Lotbiniere), Dr. M. McKay (Lib., Renfrew North) and D. A. Cameron (Lib., Cape Breton-North Victoria).

The Lotbiniere By-Election was more than a political victory for the Liberal Party. It was a victory for Canadian unity. In the return of Joseph N. Francoeur, a former Minister of Public Works and Labour for Quebec, the Nationalist forces of Quebec met a crushing defeat. The official Liberal candidate was opposed by an independent, Paul Bouchard, young publisher of a Quebec weekly paper with separatist views. M. Bouchard ran on a platform of "No War, No Armaments," with the added plank of greater autonomy for Quebec. The Liberal described his opponent as spreading "false and subversive doctrines in an attempt to damage the Canadian system of Government." (*Winnipeg Free Press*, Dec. 29).

The following summary of By-Election results for 1937 is based on the report of the Chief Electoral Officer:

#### By-Elections, 1937

Riding	Member Elected	Defeated Candidates	Date of Voting	Majority
Bonaventure	P. E. Cote (L.)	W. W. O'Donnell (C.) M. Thibault (Ind.)	Mar. 22	1,659
Dufferin-Simcoe	Hon. W. E. Rowe (C.)	—	Nov. 8 (nom.)	accl.
Frontenac-Addington	A. N. McCallum (L.)	—	Nov. 11 (nom.)	accl.
Cape Breton-N. Victoria	Matthew MacLean (L.)	—	Oct. 18 (nom.)	accl.
Hamilton W.	J. A. Marsh (C.)	K. O'Connor (L.) J. O'Hanley (Lab.)	Mar. 22	807
Lotbiniere	J. Francoeur (L.)	P. Bouchard (Ind.)	Dec. 20	4,671
Renfrew N.	R. W. Warren (L.)	E. T. Wood (C.)	Apr. 5	404
Victoria, B.C.	R. W. Mayhew (L.)	B. A. McKelvie (C.) J. K. Gordon (C.C.F.)	Nov. 29	1,839



## The Second Session of the Eighteenth Parliament

Shortest in sixteen years and marked by a legislative programme as extensive as that generally occupying at least five months the Second Session of Canada's Eighteenth Parliament was completed in slightly more than two months. It opened amid the reverberations of the abdication crisis and closed in time to allow the Prime Minister and the Canadian delegation to attend the Coronation of King George VI. The abdication of King Edward VIII and the succession of his brother, in fact, overshadowed other significant factors during the first days of the Session. On the opening day, Jan. 14, 1937, the Prime Minister (Mr. King) tabled a copy of the Instrument of Abdication signed by King Edward and in place of the routine Bill No. 1 introduced "An Act Respecting Alteration in the Law Touching Succession to the Throne." Later, Mr. King tabled the Order-in-Council which he stated had been passed by the Cabinet (Dec. 10, 1936) in order to conform with the provisions of the Statute of Westminster. This Order-in-Council, together with the Bill, precipitated a debate which crossed Party lines. It was led by the veteran constitutionalist of the House of Commons, the Hon. C. H. Cahan (Cons., St. Lawrence-St. George). Mr. Cahan contended that the Succession Bill was unnecessary as well as futile, that the Action of the Parliament of the United Kingdom and the subsequent proclamation of King George VI in London "constituted him as King". He stated that it "would have been quite sufficient to have introduced a joint Resolution of the House of Commons and the Senate, approving of the Government acting in an emergency to the extent to which they had, so as to make it clear that this action by Order-in-Council framed no general precedent for the future enactment and application to Canada of Imperial legislation." In the Order-in-Council of Dec. 10 Mr. Cahan saw the creation of a dangerous constitutional precedent. The Government had presumed, he said, without any statutory authority, by Order-in-Council "to request and consent to Imperial legislation". The words of the Statute of Westminster "that any alteration in the law touching succession to the Throne or the Royal style and titles shall hereafter require the assent as well of the Parliaments of all the Dominions as of the Parliament of the United Kingdom" were not, Mr. Cahan stated, legally binding in any event as they had been inserted in the preamble simply by way of advice. Consenting action by Government Order-in-Council, he continued, certainly, never had entered "the head of any sane man".

In his criticism of the Government's action the Conservative Member drew support from Mr. J. S. Woodsworth, Leader of the C.C.F. group, who, however, contended that the Westminster Statute was pertinent and binding in the case of the Succession and that the Prime Minister had made it a farce by "rubber-stamping a decision of the United Kingdom Government" by Order-in-Council. If the King of the United Kingdom could be distinguished for legal purposes from the King of Canada, he argued, then recognition of King George VI as King of Canada could and should have waited for a decision of the Canadian Parliament.

The Hon. Ernest Lapointe, K.C. (Minister of Justice) confessed that he had followed with difficulty the arguments of Mr. Cahan. The position adopted by the Member for St. Lawrence-St. George was not clear: on one hand he proclaimed that the Act of the Parliament of the United Kingdom, His Majesty's Declaration of Abdication Act, was all that was necessary, but, on the other hand, he criticized the Government for having

resorted to an Order-in-Council, expressing to the Parliament of the United Kingdom the request and consent of Canada to the passage of the Act, instead of having done so by Parliamentary enactment. He (Mr. Lapointe) suggested that Mr. Cahan should abandon one of the positions he was maintaining.

Mr. King, after reviewing the correspondence leading up to the abdication and after emphasizing the fact that King Edward VIII had been advised directly by his Canadian Ministers on the question of his marriage with Mrs. Simpson, declared that the Canadian Government had kept before them at the time (Dec. 10, 1936) the importance of "preserving everything that was essential to national autonomy." At the same time, the Prime Minister stated, the Government had placed equal emphasis "upon a unity which was never more strongly felt than during this particular period." (*Hansard 1937*, p. 40). In the absence of Parliament, Mr. King continued, it had been the responsibility of the Government to pass the Order-in-Council; he stressed the words of the Westminster Statute, "unless it is expressly declared that the Dominion (not Parliament) has requested and consented . . . ."

The Rt. Hon. R. B. Bennett, Leader of the Opposition, did not go so far as to bless the Order-in-Council but he supported the Government's action as necessary and right in the interests of British unity. He argued, however, that there had been no change in the Succession and that, "without any action at all on our part our present King became our Sovereign" (*Hansard*, p. 85).

The Speech from the Throne referred at some length to the abdication of King Edward VIII and to the succession of King George VI before passing to purely domestic matters. It recorded an increase in employment in Canada and at the same time drew attention to the Government's vigorous policy in the promotion of sales of agricultural products at home and abroad. Farm employment, drought relief and other measures arising out of the recommendations of the National Employment Commission appointed in 1936 had been, it was stated, all-important factors in bringing about these improved conditions. "Despite these measures, however, and the substantial increase in employment the provision for large numbers still on relief remains a foremost problem", it added. The international situation was mentioned as continuing to give grounds for grave anxiety. The legislative programme outlined for the Session included provision for the Trans-Canada Airways, revision of the capital structure of the Canadian National Railways, provision for the use of legal tender for gold payment and the introduction of the Home Improvement plan.

On Jan. 15, in moving an Address to His Majesty, which was seconded by Sir George Perley, the Prime Minister stated that it was not his intention to say anything about the circumstances which had led to the accession to the Throne of King George VI beyond pointing out that they served to reveal "the double foundation on which, throughout the British Commonwealth of Nations, rests the essential relationship of the Crown and the people . . . ." He concluded by saying that His Majesty had given assurance of his desire and the desire of the Queen to consecrate their lives to the service of the people.

### **The Debate on the Address, 1937**

The Address-in-Reply to the Speech from the Throne was moved by Mr. Norman A. McLarty (Lib., Essex West) and seconded by Mr. J. C. Veniot (Lib., Gloucester). The precedent of a one-day Debate on the

Address was set with only seven speakers including the mover and seconder.

Mr. Bennett declared that the Government had placed too much emphasis on expanding revenues as a sign of prosperity. Of the increase of \$48,000,000 in the year the largest item had been revenue from the Sales tax which had been raised from 6 per cent. to 8 per cent. by the Government. He stressed the fact that Income tax revenue was based on incomes of 1935, not 1936. The 1936-37 wheat policy, providing for Wheat Board purchases of wheat only when the price dropped below 90 cents a bushel came under Mr. Bennett's fire. Not only had the Government acted, he said, without statutory authority but they had reversed the purpose for which the Wheat Board had been set up—that of providing an additional market for the farmer. At a time when wheat exports of the Argentine had dropped to 69,000,000 bushels and when there had been no export wheat in the United States Canadian western farmers, he stated, had been deprived of the right to sell their wheat to the Board (*Hansard 1937*, p. 31). Mr. Bennett endorsed, in the main, the 1936 Trade agreement with the United States but drew attention to the fact that under it circulation of United States magazines in Canada had increased in six months by 100,000. The Conservative Party had always followed a policy of encouraging Canadian periodicals, not only in fairness to Canadian publishers, but with a view to the development of a national spirit in Canada. The recently-signed barter trade agreement with Germany, Mr. Bennett described as an experiment of which he was doubtful but which he hoped would succeed.

Mr. King pointed out that since the Government had adopted the wheat policy criticized by the Opposition Leader wheat had never dropped below 94 cents a bushel and had gone as high as \$1.28. During the Conservative *régime* a price of 87½ cents had been set by the Board. He felt that the farmers of Canada would judge the actions of the two Governments by these prices (*Hansard*, p. 47). Replying to Mr. Bennett's remarks on international trade the Prime Minister explained to the House the basis on which his Government acted. "We on this side of the House," he said, "believe that recovery is bound up with the restoration of international trade. Our policies have been based on this conviction and have sought to secure, on the basis of reciprocity, the reduction of tariffs and the removal of restrictions which have choked and encumbered our trade with the world. The Trade agreement with the United States, the ending of the tariff war with Japan, the simultaneous lifting of the embargoes which had brought trade with the U.S.S.R. to a standstill and the negotiation of additional trade agreements—have each, in some degree, helped to secure a wider market for Canadian products." (*Hansard 1937*, p. 46).

Mr. King was followed in the Debate by Mr. J. H. Blackmore (Lethbridge) Leader of the Social Credit group, Mr. M. J. Coldwell (Rosetown-Biggan) speaking for the C.C.F. group, Mr. Robert Fair (S.C., Battle River) and Mr. Lionel Chevrier (Lib., Cornwall). Mr. Chevrier, representing a textile constituency, brought an echo of the Turgeon Textile probe into the House with his vigorous denunciation of working conditions and wages in the industry. He urged State intervention to remedy these conditions (*Hansard*, p. 60).

### Main and Supplementary Estimates for 1937-38

Main Estimates for the fiscal year ending Mar. 31, 1938, were tabled in the House at the beginning of the 1937 Session and called for a total



Expenditure of \$410,465,397 or an increase of \$16,491,989 over the total Ordinary Expenditures of 1937. Supplementary Estimates for 1937-38 were tabled on Mar. 3, adding \$96,063,307 and making a total for the year of \$506,528,704.

Allowance in the Supplementary Estimates for debt reductions in the drought areas was \$19,000,000. The Hon. J. G. Gardiner, Minister of Agriculture, told the House that the total write-down of debts in Saskatchewan and Manitoba had been \$65,000,000.

The appropriation for coal subventions was \$2,250,000, an increase of \$300,000. Discussing this item in Committee of Supply the Hon. T. A. Crerar, Minister of Mines and Resources, reported subventions paid in 1936 as follows: Nova Scotia, \$1,573,000; New Brunswick, \$15,000; Alberta, \$307,000; for special Alberta to Ontario coal movement, \$163,000; Saskatchewan, \$38,000; and British Columbia, \$113,000. In 1932, Mr. Crerar pointed out, subventions to Nova Scotia had been \$710,000 and the coal produced in that year, 4,000,000 tons. In 1936, with the increased subventions, it had been 6,500,000 tons.

The discussion in Committee on the Mines estimates also brought from Mr. Bennett (Opposition Leader) criticism of the Government for their failure to get more revenue from the taxation of Canada's mining industry. Mr. Bennett suggested that the Government might go into the mining business on their own in the Northwest Territories (*Hansard*, p. 680).

Estimates of \$103,000 to cover expenses of the Turgeon Grain Inquiry and \$45,000 for the Turgeon Textile probe, both already paid, drew fire against the Government for appropriating moneys under warrants of the Governor-General to pay expenses of Royal Commissions. Several Members, including the Opposition Leader, joined in the debate. Mr. Bennett also called for an investigation of grain companies which had acquired wheat from the Wheat Board for purposes of speculation during the Autumn and Winter months. On these operations the Government, he said, stood to lose approximately \$8,000,000 (*Hansard* 1937, pp. 2325-27). (For other debates arising out of Committee consideration of Estimates see "Defence and Foreign Policy Debate"; also under Miscellaneous Debates).

## The Budget Speech of 1937

With a reported Deficit for the fiscal year, 1936-37, of \$87,395,000, the lowest since 1931, and an estimated Deficit for 1937-38 of \$35,000,000, the Hon. C. A. Dunning, Minister of Finance, brought down on Feb. 25 his 1937 Budget on a wave of optimism. At that date there seemed few obstacles in the continuing path of recovery for the Dominion—the depression was being discussed as a past condition. Reflecting this recovery, Mr. Dunning told the House that the index of the physical volume of business for Canada in 1936 had stood at 119.3, an increase of 10 per cent. from 1935 and 78 per cent. from the low point of the depression. Manufacturing of all kinds had shown an increase with steel output up 18 per cent. over 1935 and at the highest point since 1929. Newsprint production had soared to a new peak with an output of more than 3,200,000 tons, a 16 per cent. gain over 1935. Mineral output was valued at \$360,000,000 and the index of mining employment had risen 12 per cent. It was extremely gratifying, Mr. Dunning commented, to find Canadians moving into profitable occupation in the output of the Dominion's natural products. Agricultural production had suffered but the money return for field crops



(\$600,000,000) was greater than in any year since 1930. Estimates of profits distributed by Canadian business during 1936 were at the highest point since 1930 and more than 13 per cent. above the 1935 figure.

The heavy volume of bond flotations during the year, Mr. Dunning said, was, in part, the result of low interest rates, rates which had allowed the Dominion and the Eastern Provinces to refund obligations at a cost basis of less than one per cent. on short-term money and slightly more than 3 per cent. on long-term. Mr. Dunning made passing reference to the financial plight of the Western Provinces, particularly Manitoba and Saskatchewan and asserted the Dominion Government's stand that the Provinces should be financially responsible and should be in a position to raise revenues to meet their own needs. This reference, in part, was an answer to the increasing cry for larger Dominion subsidies for the Western Provinces.

There had been a slight increase, he reported, in the volume of commercial loans by Canadian chartered banks though these were still abnormally low. On the other hand, bank debits, or the volume of cheque payments made by Canadians, were encouraging; in December they had shown an increase of 16 per cent. over the previous year. This increasing velocity of "cheque book" money reflecting a rising tempo of business, Mr. Dunning cited as a moral to inflationists and as the basis for a warning that the Government might start on a policy of deflation in the near future. (*Hansard*, p. 1215). "The easy money policy which has been followed in the recent past is, in my mind, an illustration of appropriate action in a time of depression," he said. "There will come a time, however, and it may come more quickly than many of us expect, when precisely the opposite policy will have to be followed if the best interests of the country are to be served." Canada, he continued, during the past depression, had made more deliberate use of monetary devices and currency control than at any other time in its history.

Canada's national income in 1936, Mr. Dunning reported, had been \$4,520,000,000, as compared with \$4,094,000,000 in 1935. Mr. Dunning warned, however, that the course of business recovery might not necessarily continue without a break as there were still dangers ahead. He cited the plight of the construction industry, "the most conspicuous lag-gard," as one of the major problems to be faced; its index stood in 1936 at the deplorably low level of 49.8, slightly lower than in 1935. The difficulties of the construction industry, he pointed out, were largely the result of high real estate taxes. Real estate taxes were high because relief costs were high and relief costs were high, to a very important extent, because the building industry was inactive. He urged the industry to avail itself of the Government's housing programme and to make an effort itself to solve the problem. Public works construction, he warned, could not go on indefinitely on the scale of recent years. As compared with January, 1936, heads of families on relief rolls in January, 1937, had shown a decrease of 8 per cent. and individuals on relief, a decrease of 5 per cent. These decreases, while not proportionate to the revival in business, had convinced the Government that industry should be able to reabsorb at least all employable unemployed.

### Revenues and Expenditures, 1936-37

Total Revenue from taxation and other sources for the fiscal year ending Mar. 31, 1937 Mr. Dunning estimated at \$452,123,000 (the actual amount was \$454,154,000) or \$80,000,000 above the previous year. Tax

Revenues were set at \$384,618,000 (actual—\$386,551,000), or an increase of \$67,306,000. The largest revenue producer was the Sales tax with \$112,-832,000 (corrected figures). The Income tax produced \$102,365,000, of which \$58,400,000 was from the Corporation tax, \$8,700,000 from the five per cent. tax on interest and dividends and \$34,900,000 from individual incomes. Excise duties yielded \$45,975,000 and Customs import duties, \$83,771,000, as compared with \$74,004,000 for the previous fiscal year. Special Excise taxes showed an increase from \$35,181,000 for the fiscal year, 1935-36, to \$39,641,000 for 1936-37.

Of the non-tax Revenues the Post Office produced \$34,275,000 as compared with \$32,508,000 for the fiscal year, 1935-36. Investments and Department Services aggregated \$58,478,000, plus another \$9,125,000 in special receipts and credits. These special receipts, Mr. Dunning explained, included \$8,000,000 received from the Canadian Wheat Board which would offset, in part, the disbursement of \$15,856,000 provided to recoup the Board for net liabilities in acquiring the wheat and contracts of the Canadian Co-operative Wheat Producers Limited in 1930.

Total Ordinary Expenditures for the fiscal year (1936-37) showed an increase of \$14,573,000, totalling \$387,112,000 (corrected figure). This left a Surplus in Ordinary Account of slightly over \$50,000,000 as compared with a Deficit of \$317,000 the previous fiscal year. The largest increase in Ordinary Expenditure was in Old Age Pensions which jumped from \$16,-764,000 to \$22,500,000, due largely to the addition of Quebec and New Brunswick as participating Provinces. Special Expenditures, Mr. Dunning estimated at \$80,429,000 (the actual figure was \$78,004,000), or a decrease of \$21,618,000 from the 1935-36 total. This was accounted for by the absence of any disbursement for grain-marketing losses.

Both operating revenues and operating expenses of the Canadian National Railways were increased during the year, 1936-37, and had left a net revenue available for interest on debt of \$6,600,000. After applying this to interest charges of \$49,900,000 it left a deficit to be paid by the Dominion of \$43,300,000 as compared with \$47,400,000 in 1935. During the year, Mr. Dunning reported, the Government had made temporary loans to the C.N.R., aggregating \$33,032,970, to meet maturing debts. The Canadian National Steamships had returned \$1,500,000 to the Government due mainly to the sale of Canadian Government Merchant Marine boats. Expenditures on Harbour Commissions totalled \$2,669,000, representing deficits at Halifax, Saint John, Quebec, Chicoutimi, Jacques Cartier Bridge, Montreal, and \$1,996,000 for refunding of obligations. Thus the total deficit for railways and Government-owned enterprises was \$44,472,000.

Unemployment relief expenditures for the fiscal year, 1936-37, are shown in the following comparative table:

<b>Unemployment Relief Expenditure</b>		
	1935-1936	Estimated 1936-1937
Grants-in-aid to Provinces .....	\$26,274,875	\$28,930,000
Dominion's share of joint Dominion-Provincial projects ...	10,700,526	14,159,000
Railway maintenance works .....		2,750,000
Dominion projects:		
Department of Public Works .....	17,895,218	10,314,000
Department of National Defence .....	10,201,468	4,322,000
National Harbours Board and Department of Marine..	5,437,008	5,375,000
Department of Interior .....	2,294,291	1,879,000
Department of Agriculture .....	238,500	1,049,000
Department of Railways and Canals .....	942,689	539,000
Miscellaneous and sundry Departments .....	1,431,681	1,371,000
Special drought area relief .....	4,000,000	9,741,000
	\$79,416,256	\$80,429,000

### New Dominion Issues, 1936-37

During the fiscal year, 1936-37, Mr. Dunning reported, the Dominion had issued obligations totalling \$382,996,000. The average rate of interest on the Funded Debt and Treasury bills outstanding was 3.7 per cent., as compared with 3.9 per cent. in the previous year. Issues in Canada, exclusive of Treasury bills, amounted to \$267,996,000. Of the first issue of \$134,703,000 in June, 1936, \$20,000,000 only was issued for cash, the balance being a conversion loan to replace maturing short-term bonds. In September, a loan of \$100,000,000 was divided into two maturities, \$45,000,000 in one-per-cent., four-and-a-half-year notes to yield 1.4 per cent. and \$55,000,000 three-per-cent. bonds, callable after 30 years, sold to yield 3.11 per cent. These were the first perpetual bonds in the Canadian market and were the first step in Mr. Dunning's programme of debt simplification. A refunding operation in the United States was carried out in January, 1937, \$30,000,000 seven-year bonds being sold on a yield basis of 2.39 per cent. and \$55,000,000 thirty-year bonds being sold to yield 3.10 per cent. Proceeds of these issues were used to refund a \$89,787,000 tax-free Dominion of Canada War Loan, payable in New York, which fell due on Mar. 1. The interest saving on this last issue of tax-free bonds amounted to \$1,700,000 a year, Mr. Dunning stated.

### Loans and Investments, 1936-37

Loans and investments in Active Assets during the year, 1936-37, totalled \$36,785,000, excluding loans made to the Provinces after Feb. 15 which were not recorded. Among these were listed net increase in loans to the Canadian National Railways, \$4,614,000; equipment purchase loans to C.N.R., \$2,863,000; and C.P.R., \$2,303,000; Farm Loan  $3\frac{1}{2}$  per cent. bond purchases, \$11,100,000; Farm Loan stock purchases, \$794,000; Dominion Housing Act Loans, \$1,218,000; advances to Harbour Commissions, \$323,000; purchase of Bank of Canada stock under authority of the Bank of Canada Amendment Act 1936, \$5,100,000. Repayments to the Dominion from Soldiers' loans and loans to Provinces under the D.H.A. totalled \$2,977,000. The following table shows the net loans to the Western Provinces outstanding at Feb. 15, 1937 (under the Relief Acts):

#### Net Loans To Provinces

Provinces	Loans specifically to meet maturing obligations and interest	Loans specifically for agricultural relief including purchase of seed grain	Loans for Provincial purposes generally including public works and direct relief	Total
Manitoba .....	\$ 1,139,455	\$ 243,400	\$18,033,000	\$ 19,415,855
Saskatchewan .....	3,934,341	13,892,633	34,071,743	51,898,717
Alberta .....	8,577,000	3,152,748	14,030,000	25,759,748
British Columbia ....	11,190,509	.....	19,154,571	30,345,080
	<u>\$24,841,305</u>	<u>\$17,288,781</u>	<u>\$85,289,314</u>	<u>\$127,419,400</u>

### Taxation and Tariff Changes

With the exception of the 179 tariff changes necessitated by the Canada-United Kingdom Trade Treaty and downward revisions in intermediate tariffs there were virtually no taxation changes in the 1937 Budget. Absence of any increase in taxation was the nearest approach the Finance Minister could make in this year to his promise of reduced taxation as soon as he could balance Canada's Budget. Tax Resolutions for the year showed:

*Income Tax*—No change.



*Sales Tax*—Minor additions to schedule of exemptions included articles specially designed for blind persons; art work and printed plates for non-advertising purposes in Canadian periodicals; raw and salted hides; certain refractory materials; ingredients used in fish canning and parts for grain-cleaning machines.

Aside from the United Kingdom Treaty the Budget included downward revisions in the intermediate tariffs on a number of items including cotton goods where the specific duty imposed by the Bennett (Conservative) Government was removed from United States imports. Small personal gifts and stringed musical instruments, more than 100 years old, were placed on the free list.

### The Canada-United Kingdom Trade Treaty, 1937

Before tabling in the House the provisions of the Canada-United Kingdom Trade Treaty signed at Ottawa on Feb. 23, 1937, Mr. Dunning reported that Canadian exports for the calendar year 1936 had been at the highest level since 1929, passing the billion dollar mark, and had showed a gain of 23 per cent. over 1935. The United Kingdom had purchased slightly more than \$400,000,000 worth of goods or about 39 per cent. of the total exports. The Empire as a whole had taken goods valued at \$486,000,000, as compared with \$382,000,000 during the previous year, 1935. Total trade with the United States, including purchases of commercial gold, amounted to \$787,000,000—a 15 per cent. increase over the previous calendar year, 1935. With commercial gold excluded the increase in 1936 was 22 per cent. over 1935. Mr. Dunning did not give export figures for the United States but reported that exports in 1936 showed an increase of 26 per cent. over 1935. The following table shows the trade of Canada for the calendar years 1935 and 1936:

<b>Trade of Canada</b>			
(includes commercial gold but not monetary gold)			
	1935	1936	Increase
	(Calendar Year)		
Imports .....	\$ 550,314,551	\$ 635,190,844	\$ 84,876,293
Exports:			
Canadian produce .....	825,284,114	1,015,205,435	189,921,321
Foreign produce .....	13,058,945	12,696,519	—362,426
	\$1,388,657,610	\$1,663,092,798	\$ 274,435,188

The following brief summary of the Canada-United Kingdom Trade Treaty is based on explanations included in Mr. Dunning's Budget speech (*Hansard*, pp. 1241-47) and on the official White Paper, (1937) *Trade Agreement between Canada and the United Kingdom*.

1. The British preference margin was enlarged by Canada on 179 items (Schedule IV) through reducing British preferential tariffs. The items included iron and steel, glass, clay products, biscuits, chocolate and a number of other edibles as well as all major items of woollen imports. Mr. Dunning described it as the most extensive downward revision of duties made at any one time on British products since the inauguration of the British preference.

2. Canada agreed to maintain the existing preference margin on 91 items (Schedule V). The Agreement of 1932 had bound preference margins on 215 items.

3. Canada agreed to maintain the existing preference margin on all items in Schedule IV "not of a class or kind made in Canada" unless duties levied on the foreign import of such goods were reduced to less than the existing margin in which case British goods would enter free of duty.



4. Canada agreed to exempt from special dumping duties any British imports where competing Canadian goods might be found to be selling at less than fair market value in Britain and both countries agreed to negotiate immediately in cases under dispute to see that imports were given fair treatment in the respective markets.

5. The United Kingdom agreed to continue free entry of Canadian goods then on the free list for the duration of the Agreement. Tariff on motor cars and accessories made in Canada was bound for the duration at 22 2/9 per cent. and on silk stockings at a reduced rate of 28 8/9 per cent.

6. The United Kingdom agreed to maintain or extend to Canada Empire preference margins on 21 items (Schedule III) of raw or manufactured products including wheat, apples, butter and cheese, fish, asbestos and base metals. Under this Section Canada obtained the benefits already extended to other Dominions on a number of important exports. The Section also consolidated preferences given in the former Agreement.

7. The United Kingdom agreed to continue assistance in the marketing of Canadian bacon and ham and renewed existing quotas. (In 1936, 154 million pounds of bacon and ham or 98 per cent. of Canada's total export had been shipped to Great Britain). Existing quotas on live cattle were renewed.

8. The new Agreement covered a period of three years as compared with five years for the 1932 Agreement.

In his comments on the Agreement Mr. Dunning pointed to the fact that few items on which British preference tariffs had been reduced were to be found in the schedules of the Canada-United States Treaty indicating that trade with these two countries was complementary rather than competitive. No concession in the new Agreement, he said, had impaired the tariff treatment of any third country.

### Canada's Wheat Marketing

Mr. Dunning's Motion for Committee of Ways and Means on the United Kingdom Agreement was temporarily blocked while the House debated a Want of Confidence Amendment moved by Mr. Perley (Cons., Qu'Appelle) attacking the Government's wheat marketing policy. The Amendment expressed regret that the Government had made The Wheat Board Act inoperative with respect to the 1936 crop. The issue was their decision to keep the Board out of the buying market until the price dropped below 90 cents, a decision attacked early by Mr. Bennett (Debate on the Address-in-Reply to the Speech from the Throne). Two Liberals voted against the Government on the division which defeated the Amendment, 119 to 45 (*Hansard 1937*, p. 1913). They were Mr. H. Leader (Portage La Prairie) and Dr. T. F. Donnelly (Wood Mountain).

On Mar. 10 the Hon. James G. Gardiner, Minister of Agriculture, aired the whole issue of the Government wheat policy in the Budget Debate in a vigorous reply to his critics. Mr. Gardiner contended that it was unfair to the country to maintain a system which fixed a price in such a way that the farmers would unload on the Board when prices were below it and sell to the trade when prices were above it. The Government policy, he stated, which had been supported almost unanimously by the West in the 1935 General Election, was to maintain the Wheat Board until the surplus accumulated by Mr. J. I. McFarland (former Chief Commissioner of the Board) had been liquidated. This had been done and done efficiently, Mr. Gardiner claimed, notwithstanding contrary Opposition statements—that the Government should have known that there was

going to be a crop failure and, therefore, should have held their wheat for a gamble. Opposition Members had charged that speculators had made millions on the previous year's crop which should have gone to the farmer. Mr. Gardiner declared that there had been less speculation than usual. Exports of one of the smallest crop years since 1919 had been 102,103,000 bushels. The wheat policy of the Liberal Party, Mr. Gardiner said, was related definitely to the fundamental principles of Liberalism. He believed that Canada should be ready to sell Canadian products to the world at a reasonable price. "I am one," he said, "who believes that if we wish to sell our wheat to Europe we should be prepared to bring back the shirts we wear when we grow it." (*Hansard 1937*, p. 1631).

### The Debate on the Budget, 1937

An Amendment to the Budget Motion for a Committee of Ways and Means, moved by the Leader of the Opposition (Mr. Bennett), regretting the failure of the Government to provide for unemployment, launched the House into a week's debate on this major issue. In presenting his Motion Mr. Bennett deplored the lack of achievement of the National Employment Commission. He read aloud a list of Government appointments to that body, with their respective salary amounts. He referred to the Commission as another bureau of statistics, set up with its staff and office machinery to prepare a classification of Canada's unemployed which he said was a service similar to that previously performed by the Dominion Bureau of Statistics. The establishment of this Commission, he claimed, was the only measure that the Government had taken to deal with a problem which, in the words of the Prime Minister, was "the most serious of all problems that engage the attention of the Canadian people." Mr. Bennett's Amendment embodied "the hopes and aspirations of the people of this country who looked to the Government and looked in vain for a solution." (*Hansard*, p. 1416).

The Hon. Norman MacLeod Rogers, Minister of Labour, recalled that when the Bennett Government had assumed office there had been 117,000 unemployed in the country; and that when they went out of office in 1935 they had left the "present Government" a legacy of 435,000 unemployed. He stated that figures of the Dominion Bureau of Statistics for October, 1936, showed that in their first year of office the (Liberal) Government had reduced that figure to 393,000 (*Hansard 1937*, p. 1424). Mr. Rogers explained that the total expenditure for the National Employment Commission (See under "Commissions of Investigation") at which the Opposition Leader had taken "an unjustifiable thrust" had been, up to Jan. 31, 1937, only \$18,066. The Commission, he claimed, had performed an invaluable service; one recommendation had led to the establishment of the Home Improvement Plan. He stated that the Youth Employment Committee (set up under a provision of the National Employment Commission Act, 1936) had spent less than \$10,000; and that it had instituted a movement which would be of inestimable benefit to the single unemployed.

Mr. J. H. Harris (Cons., Toronto-Danforth), declared that taxation imposed by the existing Government was affecting adversely the employment situation; that moneys collected as Sales tax and Corporation tax were going into the Dominion Treasury instead of into the payrolls of companies. The Minister of Labour, he said, had boasted that the Government had placed 46,000 youths on the farms; he wondered if they were on

dairy farms as Canada had a surplus of butter and faced not only a closed United States market but competition from vegetable oil shortenings in the domestic market. Mr. Harris said that in their Trade agreement with the United Kingdom the Government had allowed their hands to be tied with regard to this vegetable oil import which in 1936 had been used to produce 108,000,000 pounds of shortening. (*Hansard 1937*, p. 1438). Mr. Norman Jaques (Soc. Cred., Wetaskiwin) asked for support of the Dairy Council in its fight against vegetable oils.

The Leader of the C.C.F. group, Mr. J. S. Woodsworth, supported the Bennett Amendment. He assailed the Prime Minister for resorting to constitutional difficulties when explaining failure to act on unemployment. He re-asserted the Co-operative Commonwealth Federation's contention that unemployment could not be cured without fundamental changes in the economic system (*Hansard*, p. 1446).

Mr. J. H. Blackmore, Social Credit Leader, was ruled out of order in an attempt to introduce a Sub-Amendment attacking the Government's Wheat Board policy. He said that the Wheat Board refusal to buy wheat above 90 cents a bushel had robbed the farmer of millions of dollars of purchasing power in trying times and had aggravated unemployment.

Twenty-nine other speakers joined in the debate on the Bennett unemployment Amendment, among whom were: Mr. A. A. Heaps, (C.C.F., Winnipeg N.) who urged a decrease in the spread between wages and production; Mr. E. E. Perley (Cons., Qu'Appelle), who declared that the Government wheat policy had cost the Western farmers \$50,000,000; Mr. A. J. Lapointe, (Lib., Matapedia-Matane), who asked for Government action to end the abuses in the textile industry; Mr. W. F. Rickard (Lib., Durham) and Mr. J. T. Thorson (Lib., Selkirk) who declared that free trade was the only solution for unemployment.

As a result of Mr. Blackmore's failure to move a Sub-Amendment the House saw the unusual alignment of Social Credit and Conservative Members when the vote was finally called on Mar. 9. The Bennett Amendment was defeated 145 to 57 with C.C.F., Social Credit and Conservative Members voting solidly against the Government. (*Hansard 1937*, p. 1620). One Liberal, the veteran tariff expert, Mr. W. H. Moore (Ontario), bolted from his Party to vote for the Amendment. Later, speaking to the main Motion Mr. Moore explained his stand: the Government, he believed, had received mandates from the people to restore responsible government and to provide profitable jobs for Canadians. Neither of these mandates, he stated, had been carried out. He spoke of a third mandate, that of preserving good relations within the Empire. He did not believe that either Mr. Bennett or Mr. King had improved these relations by the United Kingdom Trade Agreements. He had always protested against the treaty method of making tariffs and he saw no reason to change his views. Neither the United States Agreements nor the United Kingdom Agreements, he said, had been referred either to the Tariff Board or to Parliament before they were signed. This was tariff by Order-in-Council and he did not think the end had justified the means. He admitted Mr. Bennett's contention, for example, that there had been an increase in Canada's trade with the United States and in her exports to that country but he pointed out that in January every item contributing to the \$3,000,000 increase had been free both before and after the Trade Agreement. (*Hansard 1937*, p. 1656).

The Canada-United Kingdom Trade pact, basis for the bulk of the tariff changes, naturally took a prominent place in the Budget Debate.



Mr. Bennett compared it, clause by clause, with the 1932 Agreement and found it virtually identical in principle with his own earlier pact which the Liberals had opposed. One change that he criticized was the elimination of reference to the Tariff Board and the intimation that a special tribunal was to be set up to consider changes whenever necessary (*Hansard*, pp. 1404-5). He pointed out that the Government had bound Canada to a tariff on strip steel, a commodity which did not come from the United Kingdom but from the United States; and that, if that steel could ever enter the Canadian market free to supply motor firms in Canada it would reduce considerably the price of cars in Canada (*Hansard 1937*, p. 1408). Mr. Bennett attacked the concessions which had brought a lowering of the preferential tariff on woollens, stating that under the old Agreement the United Kingdom was given 40 per cent. of the Canadian textile market and the Canadian industry slightly less than 60 per cent. If, as seemed likely, this share were lessened substantially Canadian mills, he said, could not continue to function (*Hansard*, p. 1409). Mr. Bennett warned the Government against using the British cattle market as a market of convenience. He stated that whenever any tariff or other hitch proved bothersome Canadian exports turned from Liverpool to Chicago. "If the Government can do anything to assure a steady market it should be done," he said (*Hansard*, p. 1773). Mr. Dunning agreed. The Hon. H. H. Stevens (Recon., Kootenay E.) supported the contention of the Conservative Leader and added that hog exporters were not making a genuine effort to put the best bacon they could produce on the British market. (*Hansard 1937*, p. 1775).

Social Credit Members were not to the fore in the Debate. Those who did take part, instead of expounding their monetary theories, contented themselves with attacking the growing burden of taxation. In this, as well as in repeated attacks on the Government's wheat policy, they were joined by C.C.F. Members. The familiar cry that Ontario and Quebec were the milch cows of the West was heard from Eastern Members. Mr. C. R. Evans (Lib., Maple Creek) undertook to answer the cry with the retort that "if the West had not produced the feed in the form of wealth the Eastern milch cows would have dried up long ago." On the whole, however, the Budget Debate saw less than usual friction between eastern and western Canada. The Dunning Motion was agreed to on division on Mar. 12 (*Hansard 1937*, p. 1757). Sixty-five speakers in all had participated in the Debate. The Canada-United Kingdom Trade Treaty was given third reading on Mar. 29.

## The Debate on Defence and Foreign Policy, 1937

The overlapping issues of Canada's defence and foreign policy captured a major share of the Sessional debates; the boiling of the European pot and the start of Canada's rearmament were reflected in increased Defence estimates. The Session opened with three isolationist Resolutions which were finally merged into one Resolution by the C.C.F. Leader (Mr. Woodsworth). For the most part the debates centred around this Resolution and the estimates of the Department of Defence themselves which occupied no less than six full days of the Session. An echo, however, was heard during the discussion of the Government Bill to prohibit foreign enlistment in any army at war with a friendly state. Behind these debates was an unusual scattering of Party lines. The Cabinet itself, advised by the newly-formed Defence Council, considered the necessity of immediate rehabilitation of Canada's defences which had been pushed



into the background by the depression years. The largest group of French-Canadian Liberals, led by the Hon. Ernest Lapointe, K.C., Minister of Justice, supported the Government on this stand. Extreme nationalists among the French-Canadians, however, led by such men as Mr. Wilfrid Lacroix (Quebec-Montmorency), Mr. Wilfrid Gariepy (Three Rivers) and Mr. Maxime Raymond (Beauharnois-Laprairie) had temporarily split the Liberal ranks and had been joined by a few other French-Canadian Liberals who seemed suspicious that the Government, in their rearmament programme, were slyly introducing an Imperial War policy. Across the aisle were the C.C.F. Members, including their pacifist Leader, Mr. Woodsworth, with their avowed stand for Canadian neutrality. On common ground on the question of neutrality Quebec nationalists were wary, however, of throwing their support behind any group with definitely Socialistic leanings and they saved the Government no little embarrassment for this reason. On the other side, were the Conservative Members supporting the Government as far as they went on defence but attacking their alleged failure to co-operate with Great Britain.

The Woodsworth Resolution, moved on Jan. 25, called for "strict neutrality," regardless of who the belligerents might be, prohibition of profits from the sale of war materials to any nation and an effort by the Canadian Government "to discover and remove the causes of international friction and social injustice."

The Resolution brought from the Prime Minister (Mr. Mackenzie King) a statement, significant in the light of later events. He said: "Such a Resolution would simply lend succour and support to those forces that are ready to oppose Canada, to oppose the British Commonwealth of Nations, to oppose the English-speaking peoples, and that have their hand out against democracy and democratic institutions (*Hansard 1937*, p. 252). At another stage in the debate Mr. King made a declaration as to the Government's stand in the event of a war involving Great Britain. He stated that the Canadian Parliament would decide whether or not Canada should remain neutral. "We will not be bound in advance as to what position we will take," he added.

Mr. Lapointe declared that the passage of such a Resolution would mean the secession of Canada from the British Commonwealth and her withdrawal from the League of Nations (*Hansard 1937*, p. 545). The Hon. Fernand Rinfret, Secretary of State, pointed out that the Resolution barred Canadian participation even if the Empire were faced with annihilation. "I am too good a Britisher to hold with such language on the subject," he declared. Social Credit Members, with one exception, opposed the Woodsworth Resolution but they introduced, after it was negatived, a Resolution of their own calling for conscription of all wealth in the event of war. This was defeated without the Party leaders taking part in the debate (*Hansard*, p. 564).

Estimates of the Department of National Defence, sponsored by the Hon. Ian Mackenzie (Minister) called for an expenditure of \$34,999,870, an increase of approximately \$11,000,000 over the previous year. On Feb. 15 Mr. Grant MacNeil (C.C.F., Vancouver N.) moved, in Amendment to the Motion of the Hon. C. A. Dunning for Committee of Supply, that "this House views with grave concern the startling increase of expenditures proposed by the Government for purposes of national armament in contrast to the inadequate provision for the social security of all sections of the Canadian people." Mr. MacNeil viewed the increase as a "declaration on the part of the Government that we must now prepare for war"

(*Hansard 1937*, p. 876). The question, he said, was whether the Government were preparing for the defence of Canada or for contribution to Empire defence. The previous war, he said, had increased Canada's National Debt by \$1,900,000,000 and for which Canadians were paying at the rate of \$158,000,000 a year. Poverty, malnutrition, and social insecurity were laying waste more homes, he claimed, than any foe abroad could ever destroy (*Hansard*, p. 882). With the United States as a neighbour he could not believe that Canada stood in any critical danger of attack at home and he submitted that the defence expenditures were unjustified until the Government were ready to bring down a programme which included heavy taxes on incomes in the higher brackets, the drafting of industrial management at military rates of pay, commodity and security exchange control and price regulation (*Hansard*, p. 886). At a later stage in the debate (*Hansard*, p. 1169) Mr. MacNeil attacked the general staff of the Canadian forces whose history, he said, had been one of "retarding development." In the evidence of the Minister of National Defence himself, he said, was clear proof of its incompetency.

Mr. Mackenzie (Minister of Defence) dubbed the charge that peace establishment was being replaced by war establishment as "utter nonsense." The naval programme, he said, consisted of purchase of two four-year-old destroyers from Great Britain, and four mine sweepers to be built in Canada. The Department, he continued, was ordering 100 airplanes, the greater number of which would be replacements in order that the Air Force might be brought up to its pre-depression standing. He gave details of the expenditures to show that of the increase \$6,700,000 would be used for the Air Force, and about \$5,800,000 for increased Militia training (*Hansard 1937*, pp. 891-905).

The first outburst of rebellion in the Liberal ranks came from Mr. J. T. Thorson (Selkirk) who declared that Canada was embarking on a policy of preparation for war and that such a policy would tend to war participation (*Hansard*, p. 926). Three French-Canadian Liberals spoke in support of the Motion although, when it finally came to a vote on Feb. 19, they refrained from voting. Three others opposed the MacNeil Amendment as "Socialistically inclined."

Closing the debate for the Government, the Prime Minister (Mr. Mackenzie King) pointed out that the Dominion, provincial and municipal governments in Canada had spent \$1,799,000,000 on Social Services in the previous five years while Defence estimates for the years 1932-33 to 1936-37, inclusive, had been \$76,000,000, or an average of \$15,000,000 a year (*Hansard 1937*, p. 1041). Mr. King called attention to the European situation which had resulted from the sweeping aside of Parliaments and all democratic institutions in Russia, Germany and Italy and to the collapse of the League of Nations. "So far as looking to the United States or Great Britain for the defence of our coasts or of any part of the Dominion," said Mr. King, "while naturally we are glad to know that we can count on that additional safeguard in any great emergency, that we should depend on it entirely is simply to be lacking in self-respect as a nation. . . . with respect to neutrality, if we are to look to the United States for assistance that is all the more reason why we should be prepared to see that the United States at least is not embarrassed by reason of any failure on our part to safeguard our own neutrality" (*Hansard 1937*, p. 1056). The Amendment was lost on a vote of 191 to 17 with four Social Credit Members voting with the Government and three joining the C.C.F. group. The French-Canadian and C.C.F. Members, however, carried on the battle

in Committee of Supply and it was not until late in March that the last of the Estimates were passed. On Mar. 25 the Prime Minister again entered the debate with the following statement (*Hansard 1937*, p. 2227), "I may be entirely wrong but I doubt very much whether the British Government itself will ever again send an expeditionary force to Europe. I think it is extremely doubtful if any of the British Dominions will ever send another expeditionary force to Europe. Were war to come suddenly I think we would find that the conditions of a world conflict would be so different from what they were in the last war that anything in the nature of expeditionary forces to be sent from one continent to another would occasion a good deal more than second thought."

In the Senate debate the Estimates came in for attack on the grounds of inadequacy. The Hon. C. C. Ballantyne declared that the position of Canada's coastal defences was critical and that greater provision should be made for Naval expenditures. The Rt. Hon. Arthur Meighen denounced the Government for failure to co-operate with Great Britain in defence needs and he declared the existing programme futile. There was no such thing as separate defence for Canada, Mr. Meighen said during the Debate on the Address-in-Reply to the Speech from the Throne; she had to look to Britain in any emergency (*Debates of the Senate, 1937*, p. 13). The Hon. Raoul Dandurand, Government Leader in the Senate, doubted whether Germany would light the match which would set Europe on fire. "Let us not be stampeded," he urged; "let us do our duty by this little nation of 10,000,000 and trust in God" (*Debates of the Senate, 1937*, p. 16).

Debate on the Foreign Enlistment Bill was a reflection of the Civil War in Spain and C.C.F. Members, led by Mr. Woodsworth, pressed an Amendment to ensure that the Bill applied to such cases. The Minister of Justice agreed to an Amendment providing that the Government might, by Order-in-Council, make it applicable wherever it was deemed advisable. The Bill, the real purpose of which was to give the sanction of a Canadian Parliament to a British law which had been enforced in Canada, passed the House of Commons on Mar. 18 (*Hansard 1937*, p. 1962) and the Senate on Apr. 1. A fine of \$2,000 or two years' imprisonment, or both, was the penalty provided for violation of the Act.

### The Debate on The B.N.A. Act

Demands for constitutional reform, for the amendment of The British North America Act, and for abolition of Privy Council appeals were all generously scattered through the Session. This sprang largely from the fact that the Judicial Committee of the Imperial Privy Council early in 1937 (*See The C.A.R. 1935 and 1936*, pp. 87-91) had declared, as *ultra vires* of the Dominion, the social legislation of 1935 (the last year of the Bennett régime); these enactments included The Employment and Social Insurance Act, The Weekly Day of Rest in Industrial Undertakings Act, The Minimum Wage Act, The Limitation of Hours Act and The Natural Products Marketing Act. The Labour legislation was the result of an international convention signed by Canada and had been referred to the Privy Council at the instance of the Liberal Government when it came into office. The Privy Council's decision was reported to the House by the Minister of Justice, the Hon. Ernest Lapointe, K.C. (*Hansard, 1937*, pp. 339-40) and Bills repealing these Acts and amending the Dominion Trades and Industry Act in order to conform with the decisions, were introduced on Mar. 2, 1937 (*Hansard*, pp. 1417-23). On Apr. 5 the whole issue was debated at length with the constitutional triumvirate of the House, Mr.



Bennett, Mr. Cahan and Mr. Lapointe, alternately crossing swords and uniting on the one point of agreement, that the Canadian constitution had to be amended.

Mr. Cahan interpreted the disallowance of the 1935 Acts not only as an attempt by the Judicial Committee to nullify Section 132 of The British North America Act, giving the Dominion Parliament "powers necessary or proper for performing the obligations of Canada or any Province thereof as part of the British Empire towards foreign countries," but as an attempt, by implication, to state that Canada could only remain a part of the Empire so long as she was prepared to accept and perform obligations imposed on her by "a so-called Imperial Executive" responsible to "a so-called Imperial Parliament" (*Hansard 1937*, p. 2581). He urged for the consideration of Parliament the "ominous fact that this question of Dominion subserviency is now again deliberately raised by the Judicial Committee of the Imperial Privy Council." It was Mr. Bennett who came to the defence of the Judicial Committee and attacked the manner in which the questions had been referred to it. He contended, in the first place, that the legislation should have been enforced and that any reference to the Privy Council should have been as a test case, surrounded by concrete facts. It had been referred without concrete facts and without any knowledge of the surrounding circumstances. Misrepresentation of the Statutes by Dominion representatives had been made the basis for an erroneous judgment. The Privy Council's decision of 1932 on the Aeronautics case, he said, had made him believe in 1935 that the Judicial Committee was taking a broader view of The British North America Act and he confessed that he was at a loss to understand the judgments on the 1935 legislation. He believed, however, that the Committee had been misled by the Dominion admission that the measures affected civil rights, without attention being drawn to the fact that The B.N.A. Act gave provincial jurisdiction to matters "in relation to" (not affecting) civil rights (*Hansard 1937*, pp. 2592-94). The Privy Council appeals, he contended, were the right of the individual to present his grievance to his King in civil matters. A judicial committee only considered such grievances and recommended allowance or disallowance. He did not believe Parliament could deprive the subject of such rights with regard to matters under provincial jurisdiction (*Hansard 1937*, p. 2588). He agreed, however, that as matters stood there should be an Amendment to the constitution in order to insure "uniform national laws" (*Hansard*, p. 2595).

Mr. Lapointe was in complete agreement with this opinion. He saw nothing sacred in The B.N.A. Act. He believed that Canadians could still settle these matters as they had done in 1867. He found it hard, however, to reconcile Privy Council appeals from Canada with the existing position of the Dominion. It was, he admitted, a difficult matter for the Dominion Parliament to find a way to abolish the provincial rights of appeal in civil matters (*Hansard 1937*, p. 2599).

Early in the Session Mr. Coldwell (C.C.F., Rosetown-Biggan) moved in the House for the appointment of a standing committee which would prepare the necessary Amendments to the B.N.A. Act enabling the Dominion Parliament to enact legislation for the betterment of conditions. The Privy Council judgments, he believed, might result in grave unrest in the country. He believed that such a committee should study the question of abolition of the Senate or its replacement by an elective senate; that as it was constituted, the Senate, acting to preserve provin-



cial rights, could block completely the supremacy of the will of the people as expressed by the House of Commons. Powers of the Dominion Parliament and of the Provincial Legislatures should be so clearly defined, he said, as to leave the way open for increasing social security legislation (*Hansard 1937*, pp. 425-30).

Mr. Bennett, speaking during a debate on a Motion for Committee of Supply on Jan. 26, urged a non-political and representative assembly to discuss the issue (*Hansard 1937*, p. 267). He drew from the Prime Minister the opinion that the question might be dealt with better by a commission covering the field in general but concentrating on the most urgent questions (*Hansard 1937*, p. 281). This was the first hint of the appointment of the Royal Commission on Dominion-Provincial Relations. The official announcement that such a commission would be set up was made to the House on Feb. 15 (1937). The Prime Minister then made it plain that the Commission's special field would be the study of taxation and division of financial powers and responsibilities. It would hear the representatives of all the Provinces as well as of other organizations before making its findings. (See this Volume, "Commissions of Investigation").

### Legislation of 1937

Two major features of the Government's legislative programme received the brunt of Opposition fire during the 1937 Session, one of them finally emerging from the battle almost unrecognizable. This was the Bill of the Hon. Norman Rogers, Minister of Labour, to amend The Combines Investigation Act. The other, to revise the capitalization of the Canadian National Railways, had better success.

#### Combines Investigation Act Amendment, 1937

The Combines Act Amendment, as originally introduced, was designed to create an effective machine to enforce the principles first laid down by the Act of 1923 not, to quote Mr. Rogers, by "any wholesale series of prosecutions," but by a "vigilant application of the sound principles" (*Hansard*, p. 1351). For the first time a combine was carefully defined as a "combination of two or more persons by way of actual or tacit contract or arrangement, having relation to any article or commodity which may be a subject of trade or commerce and having, or designed to have, the effect of limiting facilities for manufacturing, producing, transporting, supplying, storing or dealing, preventing, limiting or lessening manufacture or production, fixing a common price or a resale price or a common rental, enhancing the price, rental or cost of any article, storage or transportation, preventing, lessening or substantially controlling competition and otherwise restraining or injuring trade or commerce." It was also defined, in order to leave no field uncovered, as any "merger trust or monopoly which has operated or is likely to operate to the detriment or against the interest of the public, whether consumer, producer or others."

Penalties prescribed under the 1937 Bill were raised from a maximum of \$10,000 to \$25,000 in the case of individuals and in the case of corporations from \$25,000 to \$100,000. The Bill provided that the administration of the Act would be turned over from the Dominion Trade and Industry Commission to a Combines Investigation Commissioner, with sweeping investigatory powers which included the right of search of any books or documents and the calling of witnesses who would be required to produce any documentary evidence needed. By the repeal of protective clauses in the existing Act this evidence would become admissible

at the discretion of the Court in any subsequent criminal proceedings. Section 32 gave power to revoke patents if the owner was found to have contravened the Act by being a party to or assisting in formation of a combine. If the Attorney-General of a Province had not prosecuted within three months of the report of an alleged combine the Minister of Justice was authorized to lay a charge.

This last provision was the first criticized by Mr. Bennett who pointed out (*Hansard*, p. 1353) that there could be no such interference with Provincial powers by Parliament. For three full sittings the House of Commons discussed the Bill in Committee. Mr. Cahan (Cons., St. Lawrence-St. George) in attacking Section 32, declared that it upset an international convention to which Canada was a party, that no patent holder could avoid contravening the Act since a patent was necessarily monopoly-producing; that whether enforced or not, the Section could be used for purposes of intimidation (*Hansard*, p. 2410); that the proposed legislation was an attempt to make civil rights criminal or else an attempt to introduce certain civil rights for the purpose of permitting investigation. Later (*Hansard*, p. 2476), he contended that the Commissioner could have no authority and Parliament could give him no authority to investigate any civil matter not specifically under Federal jurisdiction. Mr. Thorson (Lib., Selkirk), former dean of the Manitoba Law School, argued that as the Government were simply setting up machinery to enforce an Act within their jurisdiction these powers became *intra vires* for the purpose.

On the patent-holding Clause, 32, the Government received support from Mr. Stevens (Recon., Kootenay E.) who told the House that patent rights on electrical appliances were being used to keep up price levels in Canada; and that, in some cases, appliances could be brought in, duty paid, from the United States and sold at 50 per cent. less than the Canadian price were it not for patents. Mr. W. K. Esling (Cons., Kootenay W.) said a similar situation existed with radio patents (*Hansard*, p. 2421).

Mr. Bennett objected to the cost of setting up of machinery to perform work formerly done by the Dominion Trade and Industry Commission (*Hansard*, p. 2426). "Some of the Sections of this Bill go further than we have ever gone," he contended, "they make a judge out of a man who is not a lawyer." Mr. Rogers defended the change on the ground that the members of the Dominion Trade and Industry Commission who were also members of the Tariff Board were already overburdened with duties. Mr. Bennett saw a glaring and high-handed invasion of civil liberties in the Clauses dealing with production of evidence. These Clauses were drastically modified later by the Senate when, after Mr. Rogers had agreed to the deletion of the patents Clause and to the modification of definitions, the House of Commons had finally given its blessing on division. This was on Apr. 6, four days before Prorogation and the Senate Banking and Commerce Committee protested strongly that they were not being given time to study properly its provisions. On the day of Prorogation the Government finally agreed to accept the Senate Committee Amendments which, in effect, left the legislation virtually as it was in 1935 with the exception of the change in administration from the Dominion Trade and Industry Commission to a Commissioner under the Department of Labour. Mr. Rogers, however, added the warning that if the amended legislation did not realize the purpose of adequate investigation it would be amended further in 1938.

**C.N.R. Capital Revision Act, 1937**

Legislation for revision of the capital structure of the Canadian National Railways was introduced in the House of Commons by the Hon. C. D. Howe, Minister of Transport, on Jan. 29. It finally passed both Houses after a compromise with the Senate on Apr. 9, the day before Prorogation. The most hostile discussion of this Bill took place in the House of Commons Railway and Shipping Committee and the Senate Railway Committee. Its passage in the House was slow but not as thorny. To the House Committee Mr. Howe gave the most detailed of several explanations of the proposed legislation, emphasizing its threefold purpose: (a) the elimination of duplication of liability between the Canadian National and the Government (Mr. Howe pointed out that if the Net Debt of the Dominion, were added to the railway debt, the total obligation would be shown as \$5,750,000,000, whereas the actual amount was about \$4,250,000,000); (b) the writing off of those capital stocks determined by arbitration tribunals to be worthless; and (c) the preservation, through a securities trust, of the priority rights of the Dominion on capital stock and unguaranteed securities. (See Evidence in Railways and Shipping Committee, Feb. 18, 1937). To accomplish these purposes the Bill provided:

1. That advances from the Government to cover operating deficits amounting to about \$361,000,000 should be written out of the C.N.R. balance sheet. "I think it is obvious to all that an operating deficit is lost capital; that replacement of that capital is not adding to the earning power of the Railway and is not a payment which can properly be funded," Mr. Howe contended (*Hansard 1937*, p. 399).
2. That \$284,000,000 advanced by the Government for capital purposes should be retained on the balance sheet as owner's equity. This move was interpreted as changing the Canadian taxpayer from a bondholder and creditor of the C.N.R. into a common stockholder and owner.
3. That \$165,000,000 of Canadian National Railways' common stock owned by the Government which was issued in exchange for an equal amount of Grand Trunk Railway stock should be returned to the railway and cancelled. Arbitrators had found that the old G.T.R. stock was worthless and the Government contended, therefore, that the existing C.N.R. stock was equally worthless.
4. That of the Government holdings of \$100,000,000 of common stock of the Canadian Northern Railway, \$82,000,000 should be cancelled in order to conform with the arbitrators' view that the total \$100,000,000 was really worth \$18,000,000.
5. That a Canadian National Railways Securities Trust consisting of five trustees should be created to hold the securities of the railway owned by the Government. These trustees would be the Deputy Ministers of Finance, Transport and Justice, the Chairman of the Board of Directors of the C.N.R. and the Vice-Chairman of Finance.

The enumerated changes, Mr. Howe assured the House, involved no change whatever in the Net Debt of Canada. Any claim on behalf of the Government, against the Railway, which was regarded as an active asset, had been maintained in exactly the same position. The total reduction in capital and liabilities was given by Mr. Howe as \$1,119,045,459.

On the Motion for second reading (Feb. 5, 1937) Mr. Bennett charged that the Bill violated principles of sound financing and could not be regarded as honest dealing with the public. Referring to the balance sheet of the C.N.R., Mr. Bennett totalled interest accrued to the Government and other loans from the Dominion to reach a figure of \$1,174,904,072. That, he said, represented the money paid by the people of Canada and he denied the right of Parliament to change this amount



by a single cent. "We want to know what it has cost us to nationalize our railways," he said. "We want to test the value of nationalization plans as compared with others. We want to be able to know just what it has cost us to operate this system as a publicly-owned utility. The only way we can do that is to have the information upon the books." (*Hansard 1937*, p. 604).

Mr. Henry W. Morgan, Chairman of the Canadian Chamber of Commerce, headed a delegation which appeared before the Railway Committee to urge that the people of Canada should be given a complete and continuous record of the accumulating costs, a thing which he did not think had been provided in the Bill. He had no objection, he said, to the adjustments made in the capital stock liability (Proceedings of Railways and Shipping Committee, Mar. 2, 1937). Appearing with Mr. Morgan were Mr. W. McL. Clarke and Mr. D. L. Morrell of Montreal. It was largely in answer to this plea, as well as to similar arguments from both sides of the House that Mr. Howe introduced an Amendment to the Bill providing that the Public Accounts of Canada should carry an appendix showing total grants and other assistance received by the railways.

Mr. Thomas Vien (Lib., Montreal-Outremont) sounded the most serious note of warning, a warning in which he was joined by Mr. W. A. Walsh (Cons., Montreal-Mount Royal). Mr. Vien said that previous attempts to lower freight rates or make extravagant concessions and expenditures had been resisted on the grounds of the System's heavy liabilities; that if those liabilities were reduced that basis would be removed (Railways Committee Proceedings, Feb. 25, 1937).

In its amended form the Bill passed Committee on Mar. 9 and received third reading in the Commons on Mar. 29. The Amendment, however, was not sufficient for the Senate. Mr. Meighen (Cons.) took up the fight which Mr. Bennett had dropped in the Lower House. He fought the Bill in Committee and on third reading. The people, he said, had to be given a fair picture of the railway situation; they were still against absorption of the C.N.R. by the C.P.R., though they were more disposed to it than a few years before. On third reading Senator C. P. Beaubien moved an Amendment, providing for a footnote on the C.N.R. balance sheet, stating that the proprietor's equity represented an aggregate indebtedness of \$1,334,567,414. The Senate adopted the Amendment on a vote of 37 to 26 (*Debates of the Senate, 1937*, p. 346). Mr. Howe in the Lower House, however, refused to accept it. He proposed a compromise Amendment that the footnote should read: "The proprietor's equity is disclosed in the Net Debt of Canada and in the historical records of Government assistance to the railways as shown in the Public Accounts of Canada." To this compromise Mr. Meighen finally acceded (*Debates of the Senate*, p. 363).

### The Trans-Canada Air Lines Act, 1937

Moving the Resolution preceding the Bill for establishment of the Trans-Canada Air Lines, Mr. Howe, Minister of Transport, described the proposed enterprise as an organization designed to perform a national service and which was expected to perform it at or near cost (*Hansard 1937*, p. 2043). The Bill provided for incorporation of a company capitalized at \$5,000,000 in the form of \$100 par value capital stock. Controlling interest was to be held by the Canadian National Railways and the balance of the shares (24,900) were to be distributed among approved airway or aviation companies in Canada. The Canadian National Rail-



ways were authorized to issue securities of their own for the purpose of acquiring their stock holdings. The Government were authorized to enter into contracts for the organization, operation and maintenance of a trans-Canada air service for passengers and goods, and to provide a yearly subsidy until 1940. Airmail charges were to be fixed for the initial period and, after 1940, were to be fixed at a rate sufficiently above such an amount as to pay the deficit of the lines for the preceding year. If the lines earned a surplus the rate was to be reduced by the amount of such a surplus. The following officials of the Department of Transport were named provisional Directors: Mr. V. I. Smart, Deputy Minister, Mr. R. K. Smith, Director of the Marine Branch, Commander C. P. Edwards, Director of Air Services, Mr. E. B. Jost, Superintendent of Canals and Mr. F. M. MacLennan, Accountant.

Mr. Howe told the House that the cost of necessary equipment would be \$1,750,000 with \$2,000,000 held in reserve for expansion. Operation expenses were estimated at \$1,000,000 a year. Mr. Bennett urged the Government to change the legislation in order to provide for a Government-owned enterprise instead of handing over the franchise to a company controlled by the C.N.R. and including other aviation companies (*Hansard 1937*, p. 2211). He foresaw railway history repeating itself in the air: the Government would put up the money for initial operation and then, perhaps, would have to buy up the company at a later date.

The Minister of Transport replied that the Government by the proposed set-up expected to get the best features of Government ownership without the obligations of direct Government operation. After careful study of operations in other countries it was believed, he said, that the railways were the reasonable agents and partners in an air enterprise. The Government, he explained, would have three Directors on the Board to represent their own investment in landing fields and land equipment amounting to \$7,000,000 (the T.C.A. airport chain, when finally completed, cost more than \$16,000,000). The private air interests had not been invited to participate, Mr. Howe said, but had clamoured for a share in the enterprise. To Mr. Bennett's expressed fears that the Government might have to buy their own investment at a high price, Mr. Howe said that the book value of shares (the selling price set in the Bill if the Government appropriated the property) would be the only consideration. If it were taken over shareholders would get back only the earnings allowed for the period they had been operating.

After several minor Amendments the Bill was given third reading on Apr. 2 and sent to the Senate. Senate Amendments, concurred in later by the House of Commons reduced the Board of Directors from nine to seven, three to be appointed by the Government and four by the shareholders.

### **Prairie Farm Rehabilitation Act, 1937**

The rehabilitation scheme for the drought areas of the West, from its small beginnings in 1935, had grown into a mammoth enterprise by 1937. The Hon. James G. Gardiner, Minister of Agriculture, with a view to keeping pace with this expansion introduced an Amendment to the Prairie Farm Rehabilitation Act early in the 1937 Session. He took this opportunity of reviewing for the House the entire situation with regard to the 60,000,000 acres of dried-up Western land, mostly in Saskatchewan, of some 300 municipalities (*Hansard 1937*, pp. 765-780). A debt survey of the area, he said, had shown \$600,000,000 owing by the

farmers. In 1936 with the co-operation of the Provincial and Dominion Governments and of the mortgage companies there had been a write-off on these debts of \$75,000,000. During the six years, 1931-36, the Dominion Government had paid out in relief loans and in other assistance to Saskatchewan some \$50,000,000. Notwithstanding such assistance, Mr. Gardiner stated, the end of each season found the people in the same situation as they were at the beginning. The time had come, he said, when the Dominion, looking back at these expenditures should be prepared to face an expenditure of \$10,000,000 in order to avoid a similar experience in the future. The original Act, he pointed out, had set up one Advisory Committee and limited expenditures to \$1,000,000 a year; the Amendment provided for local advisory committees wherever they were needed and for a general extension of activities; and, in addition, removed the \$1,000,000 limitation, allowing Parliament to make any appropriation it saw fit.

Conservative Members, led by Mr. Bennett, fought the legislation through every stage in the House. As it continued, the debate resolved itself into a duel, one of the most heated of the Session, between the Opposition Leader and the Minister. Mr. Gardiner claimed that the former (Conservative) Government which had put the Act on the Statute book had done little or nothing to implement it, had ignored the Provinces though the original suggestion had come from Provincial sources, and that Mr. Bennett (during the debate) was attempting to take credit for the whole thing (*Hansard*, p. 823). After a final denunciation from Mr. Bennett the Bill passed third reading on Feb. 26.

#### **Home Improvement Loans Guarantee Act, 1937**

The Home Improvement Plan was brought into operation by the Government in the latter part of 1936 but retroactive legislation was necessary during the 1937 Session to provide the Government with a guarantee for bank loans. The Hon. C. A. Dunning, Minister of Finance, explained in the House that the Government guarantee (15 per cent. of any loan not exceeding \$2,000 on single dwellings and repayable in not more than three years) was limited by the Act to an aggregate of \$7,500,000 thus limiting total H.I.P. loans to \$50,000,000; and that the rate of discount was limited to 3¼ per cent., making an effective interest rate of 6.13 per cent. (*Hansard 1937*, p. 387). The Government, he stressed, were compelling no lending institution to lend where they did not think the loan would be repaid. The measure was given second reading on Feb. 2 without a dissenting voice or vote. Mr. Bennett, however, did point out that the Government had given these guarantees to the bank without the consent of Parliament, a policy which the Liberal Party had condemned when in Opposition. There was some mild opposition to the Bill in the Senate where the Hon. William Duff (Lib., Antigonish-Guysboro) tried to get an Amendment on third reading for a six months' hoist. There was no seconder.

#### **Customs Act Amendment, 1937**

On Mar. 31 the Hon. J. L. Ilesley introduced a Bill to amend The Customs Act which enabled the Government to make regulations for the control of importation or exportation of arms, munitions or "any article deemed capable of being converted thereinto or made useful in the production thereof." The Bill provided for the registration or licensing of persons engaged in manufacture, export or import and provided heavy penalties for traffic without a licence. Debate on the Bill brought from

Mr. J. S. Woodsworth (C.C.F. Leader) a demand for Government action in order to prevent profiteering in war materials. The Prime Minister stated that the Departments were working together with that object in view. "Unquestionably," he said, "special legislation would be required in times of war. At the present time, a time of peace, the Government were proceeding on the theory of permitting competition with reasonable remuneration, the work to be subject to inspection and audit." (*Hansard 1937*, p. 2501.) The Bill was given third reading on Apr. 2 and received the Royal Assent on Apr. 10, 1937.

### Miscellaneous Legislation, 1937

The Gold Clauses Act provided for the payment of gold obligations held by Canadians in legal tender. Mr. Dunning (Minister of Finance) pointed out that with gold unavailable to the debtor he might be required to pay as much as \$1.69 on the dollar unless Parliament acted.

The House of Commons and Senate gave unanimous approval to an Amendment to the Old Age Pensions Act providing for payment of pensions to blind people resident in Canada for 20 years who had reached the age of 40 and who were "unable to perform any work for which eyesight is essential" and not in receipt of a pension under the War Veterans' Allowance Act.

The Immigration Act Amendment provided for preservation of the right of domicile of any person absent from Canada for more than the six-year limit as the representative of any Canadian firm, business or charitable or religious organization. More rigid examination of immigrants from Great Britain or Europe was provided for in regard to trachoma.

The Dominion Franchise Act was amended to exempt the year 1936-37 from the provision for annual revision of the Voters' List (See also Special Committee on Elections and Franchise).

The Seed Grain Loans Act provided a Government guarantee to a maximum of \$8,950,000 on loans for seed made to Western farmers.

### Public Acts of the 1937 Session

#### CHAP.

1. Appropriations Act No. 1
2. Appropriations Act No. 2
3. C.N.R. Auditors Act
4. B.C. Divorce Appeals Act
5. Canadian-British Insurance Amendment
6. C.N.R. Financing and Guarantee
7. Red Cross Act Amendment
8. Dairy Industry Amendment
9. Dominion Franchise Amendment
10. Harbours and Piers Amendment
11. Home Improvement Loans Guarantee
12. Militia Pensions Amendment
13. Old Age Pensions (Blind) Amendment
14. Prairie Rehabilitation Amendment
15. Precious Metals Marking Amendment
16. Throne Succession Act
17. Canada-U.K. Trade Agreement
18. Weights and Measures Amendment
19. Business Profits War Tax
20. German Barter Agreement
21. Canada-Uruguay Trade Agreement
22. C.N.R. Capital Revision Act
23. Combines Investigation Amendment

#### CHAP.

24. Customs Act Amendment
25. Customs Tariff Amendment
26. Customs Tariff Amendment
27. National Revenue Amendment
28. Dept. of Transport Stores Act
29. Excise Act (1934) Amendment
30. Feeding Stuffs Act
31. Fisheries Research Board Act
32. Foreign Enlistment Act
33. The Gold Clauses Act
34. Immigration Act Amendment
35. National Parks Act (1937)
36. Halibut Fishery Convention (1937)
37. Dominion-Ottawa Agreement
38. R.C.M.P. Act Amendment
39. Seed Loan Guarantee Act
40. The Seeds Act (1937)
41. Special War Revenues Amendment
42. Supreme Court Act Amendment
43. Trans-Canada Air Lines Act
44. Unemployment Relief Act (1937)
45. Appropriations Act No. 3

### Committees of the House of Commons, 1937

On Jan. 26 the Hon. Ernest Lapointe, K.C., moved for the appointment of a Special Committee (1) to study the Dominion Elections Act and the Dominion Franchise Act; and (2) to make recommendations on (a) pro-



portional representation (b) alternative votes in single-Member constituencies and (c) compulsory registration and voting. Under the chairmanship of Mr. C. E. Bothwell (Lib., Swift Current) the Committee held 18 sittings and made its final Report on Feb. 28 (See *Journals of House of Commons, 1937*, p. 390). It found that annual revision of a permanent Voters' List as provided for under The Dominion Franchise Act had proved unsatisfactory. It recommended repeal of the Act and return to the system of preparing lists only after issue of an Election writ. The time factor in voting returns which had led to election results in the Maritimes becoming known in the West before the polls closed was discussed but the Committee could not agree on a remedy. It was recommended that absentee voting should be abolished owing to the intricacy of the procedure. Other recommendations included: prohibition of radio speeches on polling days and on Sundays preceding elections and the use of bunting or loud speakers on cars or vehicles on election day; penalties for employers who interfered with the two-hour provision for employees to vote; and provision for declaring as urban any area in which large numbers of persons were temporarily employed on any special work. Revision of the Dominion Elections Act, it was urged should be carried out by the 1938 Session. The Committee recommended against proportional representation and the alternative vote. It expressed the opinion that compulsory voting could not be enforced without a large staff of permanent officials and that the cost would be prohibitive. The value of compelling unwilling voters to cast a ballot was doubted. The Committee was unable to complete its study and suggested that the work should be carried on at the 1938 Session.

### **Farm Implement Inquiry, 1936-37**

To continue the Inquiry commenced in 1936 by a Standing Committee on Agriculture, a Select Special Committee was appointed in 1937 to study causes underlying the high price of farm implements. It held 40 sittings. Its 36 findings were based on 1,700 pages of evidence taken during the two years and on 39 exhibits. The Inquiry was the direct result of an increase in farm implement prices announced in January, 1936. The Committee found that these prices were not justified and that since 1891 farm implement prices had been maintained at too high a level. The backlog of farm machinery requirements which would have to be satisfied during the subsequent few years was estimated at \$200,000,000 in addition to an annual demand of \$51,700,000. Financial losses incurred by implement companies from 1931 to 1934, it was found, had been due primarily to the inability of the farmer to purchase, coupled with his inability to pay for previous purchases. They were not due to the fact that farm implement prices had been lower than was justified by the cost of production and distribution.

Lower freight rates were urged by the Committee. Increase in these rates, it was found, had contributed to increased farm implement prices particularly since the three Prairie Provinces absorbed two-thirds of all farm implements sold in Canada. Labour costs had been another contributing factor in increasing prices between 1913 and 1936.

"Reduction in tariffs," said the Report, "should and does tend to lower the price level to the farmer depending on the extent of free price competition in the industry." But the Committee found that, while there was sales competition, there was little effective sales competition between implement firms. After recent reductions in tariff Canadian companies had lowered prices on certain implements but the United States com-



panies marketing in Canada had not lowered prices except where they were effected by the Canadian reductions. The Committee recommended either duty cuts in the materials used in the manufacture of farm implements or drawbacks on the assumption that savings would be passed on to the customer. It believed provisions of the Customs and Customs Tariff Acts had resulted in inequality and recommended simplification. In order to facilitate necessary reductions in cream separator prices it was urged that they be placed on the free list.

Evidence heard in the Committee showed that for the ten-year period, 1926-35 gross sales of four large implement firms had been \$297,857,000 or 76 per cent. of the total Canadian purchases (\$392,000,000) as estimated by Dr. J. F. Booth, Chief of the Economics Branch of the Department of Agriculture. Representatives of each of these firms were heard by the Committee. The International Harvester Company had made a net profit, before income tax, of \$7,500,000 plus retention in the United States of \$17,000,000 or a total of \$24,500,000. Average capital invested in the Canadian company had been \$39,000,000 making a return of 6.3 per cent. The President of the Canadian company told the Committee that their Canadian prices could have been reduced by \$6,000,000 had dumping regulations not required the invoicing at Canadian rather than United States prices. Net loss on Massey Harris Company operations for the 10 years was estimated at \$15,000,000 by Committee auditors, an estimate which was contested by the Company, on the basis that it was too low. Average capital invested was \$36,000,000. Distribution costs had constituted 33 per cent. of total costs. The Canadian Deere Company showed a loss over the ten years of \$1,000,000 after a substantial part of the profits had been retained by the United States parent company. Average invested capital was \$10,000,000. Cockshutt Plow Company and Frost and Wood, affiliated, had a net profit for the period of \$20,760.

Reviewing evidence on the effect of the Income tax the Committee's Report suggested that bad debt losses should be set aside annually as a percentage of sales in terms of actual experience and that such percentage should be allowed Income tax deduction. One immediate result of the Committee evidence was the clearing up of misunderstanding by the United States companies on dumping duty provisions with regard to tractors which had led to the invoicing of tractors at a level 10 per cent. higher than was necessary.

### Miscellaneous Debates and Incidents of the 1937 Session

Only one major Government measure made its debut in the Senate during the Session. This was the Bill to transform the Board of Railway Commissioners into a Transport Board with wide powers to regulate all land, sea and air transportation. The first two sections made all provisions of the railway Act with regard to tolls, traffic (including the fixing of routes) and the filing of returns applicable to water transport and air transport. An Amendment was made in Committee exempting coast shipping. Licensing of truck operations and fixing of tariffs on intra-provincial traffic was provided and was one of the focal points of attack in the barrage which greeted the measure both inside and outside Parliament. Whether the Dominion Government had the constitutional authority to enforce this Section of the Bill was argued but never decided as the Senate, led by Mr. Meighen, voted 30 to 18 to kill the whole Bill on third reading. (*Senate Debates, 1937*). Mr. Meighen believed that only a little more than one per cent. of the highway traffic could come under Federal

jurisdiction; that the Bill would revive the old constitutional war between the Provinces and Dominion (*Senate Debates, 1937*, p. 225); and that the whole principle of seeking control of rates on the Great Lakes was wrong. When the Bill reached the Railway Committee of the Upper House where outside evidence could be taken, every Section brought protests from some quarter. Mr. G. W. Mason, K.C., of Toronto, represented the Provinces of Ontario, Manitoba and Saskatchewan in a protest against Federal interference with highway traffic. The Bill, he argued, would set up duality, public inconvenience and interference with the motor traffic. Regulation of the movement of goods "wholly within a province which forms part of a through movement" provided in the Bill, he claimed was *ultra vires* of the Dominion. The Winnipeg Grain Exchange, vessel charterers and ship-owning companies were heard in opposition to the inland waters Section, while Mackenzie Air Services and United Air Services led the fight against the Air Section. The Hon. C. D. Howe, sponsoring the Bill as Minister of Transport, told the airmen that the chief reason for the Section was regulation of the proposed Trans-Canada Air Lines and that they need not be afraid of interference with legitimate business. Outside support for shipping regulations came from Mr. T. R. Enderby, of Canada Steamship Lines, who said that the proposed rate regulation meant conservation of the revenues of shipping lines. One of the highlights of the debate was the discussion over agreed charges, provided under Section VI of the Bill, with the approval of the Board. Railway representatives supported the provision but a memorandum from the Canadian Manufacturers Association described it as opening the door to the establishment of agreements which would aid the large shippers at the expense of the small shippers and small carriers (See Senate Railway Committee, Mar. 9, 1937).

The Social Credit group were given their opportunity to expound their theories to the House—a perennial interlude—early in the Session on the Motion of Mr. J. H. Blackmore (Lethbridge) "that the Canadian Government should consider the advisability of beginning this year to issue purchasing power and to use the purchasing power for the improvement of the economic conditions of the Canadian people." (*Hansard*, p. 145). Mr. Blackmore, supported by several Members of the group, contended that the depression was financial and that new money must be put into circulation to end it. Ninety per cent. of the business in the Anglo-Saxon world, he said, was transacted by "cheque book" money, which he claimed consisted only in figures in a book. The trouble was that all this money put into circulation was in the form of debt. He claimed that there could be no danger of inflation in issuing new money unless it was more than was needed for production and consumption. Two Liberals, Mr. W. A. Tucker (Rosthern) and Mr. T. J. O'Neill (Kamloops) supported the Resolution. The Resolution brought from the Finance Minister, the Hon. C. A. Dunning a reaffirmation of the sound money policy of the Government. Nothing could do the country more harm, he said, than for the idea to get abroad that the House of Commons favoured currency and credit inflation. Canada was pursuing an easy money policy. Borrowers, individuals as well as corporations, were getting money at lower interest rates than ever before. Creation and spending of new money, he pointed out, could not in any sense be regarded as the creation of new purchasing power since its creation resulted ultimately in a corresponding reduction in its purchasing value. "We could to-morrow," he said, "change the length of a yard and thus increase the number of yards of cloth in the

country." The national income, not the amount of money in circulation was the important factor and was reflected in the velocity of circulation. Total deposits of banks were often as great or greater during a depression than during a boom. (*Hansard, 1937, p. 164*).

One of the few political flurries during the Session came from the Social Credit ranks early in February when Mr. P. J. Rowe (Athabaska) broke from his Party long enough to attack the Prime Minister of Alberta (Mr. Aberhart). He declared that when Mr. Aberhart and his Cabinet promised Social Credit dividends they were either guilty of deliberate misrepresentation or hoping for a miracle. The Social Credit group held several emergency caucuses and threatened to read the rebel out of the Party. Openly at least the breach was finally healed.

### Prorogation, 1937

The Second Session of the Eighteenth Parliament (1937) came to an end on Apr. 10. The House of Commons closed its business as it had opened it with an Address of Loyalty to His Majesty King George VI. The Address was designed to mark the Coronation to be held in a month's time. It read in part: "Justice, civil liberty and ordered freedom—constitute a most precious heritage. These time-honoured principles permeating the relationship of your peoples and their homelands, one with another, have served to create a community of free states, responsible for their own destinies yet resolved to conserve their common inheritance as one of the treasures of mankind."

Parliament was prorogued late in the evening by His Excellency Lord Tweedsmuir. The Speech from the Throne called attention to the progress which had been made during the Session in ensuring "a freer exchange of commodities through lowering of trade barriers." It mentioned the "more effective provision" which had been made for the defence of Canada and reasserted the intention of the Government to appoint a Royal Commission to investigate the allocation of financial powers and responsibilities between the Provinces and the Dominion.

### The Liberal Administration: Mr. King as Prime Minister During 1938

In addition to the activities of a lengthy and eventful Session of Parliament the Prime Minister (Mr. Mackenzie King) and other members of his Cabinet were faced in 1938 with a heavy budget of government business both in the international and domestic fields. Negotiations were proceeding at Washington towards the completion of the Canada-United States trade agreement, demanding the direct attention of three Departments and their Ministers. In Europe the early phases of the Czechoslovakian situation which brought the September crisis, were taking shape and Mr. King, both as Prime Minister and Secretary of State for External Affairs, was in constant communication with the British Government. Later in the year came the announcement of plans for the visit in 1939 of Their Majesties to Canada and again the work of arranging the Royal tour fell mainly on the head of the Government.

In the domestic field the unemployment problem still loomed as the major issue despite a notable general improvement. The situation was aggravated by continued distress conditions in the West, an aftermath of the drought years. The year 1938 saw the Canadian wheat carry-



over at the low point of many years and the return of the Canadian Wheat Board as a purchasing agent. On Aug. 4 a minimum price of 80 cents a bushel was announced for No. 1 Northern at Fort William. At the same time Prime Minister King, in accordance with the recommendations of the Turgeon Report (See this Volume, "Commissions of Investigation") announced: "The policy of the Canadian Wheat Board will not be to hoard wheat nor to speculate upon it nor to seek to establish a monopoly. Canadian wheat will be moved promptly to the market." (*The Globe and Mail*, Aug. 5, 1938).

On June 19, 1938, the Prime Minister visited Niagara Falls and opened the restored William Lyon Mackenzie home at Queenston which had been fitted as a museum by the Niagara Parks Commission. At the same time he unveiled a memorial arch to Canada's pioneers opposite the newly constructed Garden Theatre. On July 1 he unveiled a tablet at Prescott to commemorate the Battle of Windmill Point in the short-lived rebellion of 1836. On Aug. 1 he attended the opening of the rebuilt Fort Henry at Kingston and dedicated the new historic site to the cause of peace. This programme of ceremonials reached its climax on Aug. 18 when the Prime Minister joined the President of the United States at Ivy Lea to open the new international bridge across the St. Lawrence River. A few hours before, the President, receiving an Honorary degree at Queen's University, had promised that if an enemy attacked Canada, the United States would not stand aside. The Prime Minister, welcoming the executive head of the United States to Canada on the fourth official visit, struck the key-note of international friendship. He said: "When we reflect upon the disputed frontiers which threaten peace in all the other quarters of the globe, we cannot but feel that the ceremony in which we are participating has in it something of significance to the world." (*The Globe and Mail*, Aug. 19, 1938).

At Woodbridge, three days later, a political picnic provided Mr. King with the opportunity of answering directly President Roosevelt's offer of co-operative defence. Expressing the appreciation of the Canadian people for words "so frankly spoken and received without reserve," Mr. King said, "At the same time, they know they have their own responsibilities for maintaining Canadian soil as a homeland for free men in the Western hemisphere. They will recognize that there is no room to-day for shirking these responsibilities. Indeed, the times being what they are, they will be quick to see that the assurance given by the President has, if anything, increased rather than lessened our responsibilities." (*The Globe and Mail*, Aug. 22, 1938).

Two days later a severe attack of sciatica banished Mr. King to the seclusion of Laurier House, and he had not completely recovered when the Czechoslovakian crisis in September forced his attendance at a series of emergency Cabinet meetings. From these meetings no official statements were issued, though Conservatives and others throughout the Dominion were loud in their criticism of the Prime Minister for failing to state definitely Canada's stand. The new Conservative Leader, Dr. Manion, however, refused to join in the attack, and subsequently supported the Government in their actions during those tense September days. With the Hitler ultimatum delivered to Czechoslovakia, and war appearing imminent, Mr. King finally broke his silence on Sept. 27. After an all-day Cabinet meeting he announced to the press that the Government were in complete accord with the firm stand taken that day by the Prime Minister of Great Britain (Neville Chamberlain). His statement



continued: "The Government are making preparations for any contingency and for the immediate summoning of Parliament if efforts which are still being made to preserve the peace of Europe should fail. For our country to keep united is all-important. To that end in whatever we say or do we must seek to avoid controversies and divisions that might seriously impair effective and concerted action when Parliament meets." (*The Globe and Mail*, Sept. 28, 1938).

Three days later, the Peace of Munich had dissolved for a time the European war crisis, and the Prime Minister, in a happier mood, unveiled Canada's National War Memorial before representatives of the German as well as other Governments. Shortly afterwards, Mr. King left for a holiday in the West Indies.

The Czechoslovakian crisis had its immediate aftermath in pressure on the Canadian Government to let down the bars to Sudeten and other refugees. From the first, the Government, and Mr. Crerar in particular, were sympathetic, but a desire to keep the refugee issue out of politics kept them silent. Dr. Manion, in Quebec, had, in fact, declared himself opposed to any large-scale Jewish immigration, refugee or otherwise. (*The Globe and Mail*, Dec. 15). The Department of Immigration, at the same time, was working with the League of Nations Committee to assume Canada's share of the refugee responsibility.

### Other Cabinet Activities, 1938

The collapse of Mr. Dunning on the floor of the House of Commons in 1938 and his subsequent critical illness at his Ottawa home led to speculation on his retirement. The Hon. J. C. Elliott, Postmaster General, had been ill also for some months and it was known that he would not be able to resume his post. This meant that from the middle of the Summer until December there were forecasts of a Cabinet shake-up. Mr. Elliott, however, was not replaced until early in 1939 while Mr. Dunning confounded all predictions by returning to Ottawa after a holiday of five months and announcing his intention of carrying on his work. He did not immediately return to his desk but from his Ottawa home kept in touch with his busy Department.

Three large loans floated in the early part of the year 1938 were significant barometers of Canada's credit. On Jan. 10 books were opened for a Canadian National Railways' offering of \$50,000,000 guaranteed by the Dominion. Of this \$20,000,000 were two-per cent. bonds maturing in four years and \$30,000,000, 13-year three per cent. bonds. The issue was fully subscribed in a little over an hour, the four-year bonds selling to yield 2.2 per cent. and the 13-year bonds, 3.2 per cent. Four days later Mr. Dunning announced that a £10,000,000 Dominion refunding loan had been successfully underwritten in London. Maturing in 1963, the loan sold at a price to yield the investor 3.3 per cent. An offering of \$140,000,000 was made on May 18 and over-subscribed in less than half an hour. It sold to yield 2.1 per cent. and 3.07 per cent. Among Tariff Board inquiries of the year the most important was the investigation ordered in January into the radio industry where complaints of a combine and the abuse of patent rights had been brought before the Government.

Mr. Gardiner, not only as Minister of Agriculture but as acknowledged Western champion in the Dominion Cabinet, devoted a good deal of his time during 1938 to the Prairie Provinces where he took a vigorous part in two By-Election campaigns as well as speaking during the Provincial Election campaign in Saskatchewan. During the Summer he made a trip

to British Columbia and from Vancouver by plane into the Cariboo country. At about the same time Sir Henry Page Croft was surveying British Columbia sites for carrying out his scheme for immigration of British settlers to Canada. Mr. Gardiner, in a British Columbia interview, voiced the Government's view that no such scheme would be endorsed unless there was adequate provision for financing the settlers over the difficult early years. (Canadian Press dispatch, Aug. 24, 1938). Later, in Regina he expressed the view that an inflow of capital was Canada's first need before there was any talk of immigration. (*The Leader-Post*, Regina, Sept. 1, 1938).

In October Mr. Gardiner announced plans for distribution of \$300,000 in Canadian commodities to the residents of crop failure areas in Saskatchewan. A. R. Mackie was appointed director of the distribution scheme, which included shipment of apples, beans, cheese, dried cod and haddock as well as canned fish.

Activities of the Department of National Defence were in the spotlight during the year with the European situation boiling up to the September (1938) crisis. In the Spring the Minister, the Hon. Ian Mackenzie, in his home Province of British Columbia, made a survey of work being done to strengthen Pacific Coast defences. In Vancouver on Apr. 21, however, he said Canada could not expect to see "very definite results from her defence programme for another two years." (Canadian Press dispatch). It was about this time that rumours, undenied by Department officials, were indicating possibilities of an "Empire arsenal" plan in Canada and on May 5 came partial confirmation in announcement of the Canadian-British contract for Bren machine guns placed with the John Inglis Company of Toronto. (See "Commissions of investigation, 1938"). On June 1 (1938) Mr. Mackenzie made a significant speech before the Annual Meeting of the Canadian Manufacturers' Association at Ottawa in which he indicated plans for "mobilizing industry for defence." The manufacturing programme, he said, included aircraft orders, equipment for mechanized units, gun conversions, gas masks and ship-building. (*The Gazette*, Montreal, June 2, 1938). The following month two air missions arrived from London. The first, J. M. Robb, Commandant of the R.A.F. flying school, was to study facilities for training pilots in Canada, the second, composed of A. H. Self, Under Secretary of the British Air Minister, and R. F. Handley-Page, aircraft manufacturer, came to study possibilities for aircraft manufacture. They were received by Mr. Mackenzie and his Deputy Minister, General LaFleche, and then toured the Dominion, meeting aircraft manufacturers.

In August a joint R.C.A.F. and naval expedition was sent from Halifax to make a survey of the Gulf and St. Lawrence River with a view to establishing defence bases. The Island of Anticosti and the Gaspé Peninsula were both mentioned as possible centres. On Aug. 5 the Department announced the award of a \$2,000,000 contract to the Canadian General Electric Company for the manufacture of powerful searchlights to be used in coastal defences, particularly in British Columbia.

The same month saw the reorganization of Canada's Militia and the appointment of three Advisory Boards on Army, Navy and Air defences. These were: Naval—Capt. B. L. Johnson, Vancouver, Commander W. B. Armit, Montreal, Commander E. C. Sherwood, Ottawa, Commander E. A. Brock, Winnipeg, Commander J. J. Deslauriers, Montreal; Militia—Lieut.-Col. A. M. Thomas, Toronto, Brig.-Gen. T. L. Tremblay, Quebec,

Lieut.-Col. H. W. Murdock, Truro, Col. H. F. G. Letson, Vancouver and Col. A. E. Potts, Saskatoon; Air Force—Hon. Air Marshal W. A. Bishop (promoted from Hon. Air Vice-Marshal), Hon. Air Commodore B. H. Mulock, Montreal, Squadron Leader A. D. Bell Irving, Vancouver, Capt. H. J. Burden, Toronto and Squadron Leader F. S. McGill, Westmount.

The list of promotions for the year 1938 was sweeping and included Lieut.-Col. L. R. Lafleche to be Major-General, Commodore Percy W. Nelles, Chief of Naval Staff to be Rear Admiral, Commodore G. M. Croil and Brigadier J. Lindsay Gordon to be Air Vice-Marshals.

In the Permanent Force the retirement of Major-General E. C. Ashton, Chief of Staff, brought promotions for a number of high-ranking officers. Major-General T. V. Anderson was elevated from the post of Quartermaster-General to succeed him.

With Mr. Dunning's illness the rôle of Acting Minister of Finance fell to the Hon. J. L. Ilsley, Minister of National Revenue. One of his first public activities in this connection was a duel with the Prime Minister of Ontario (Mr. Hepburn) who was waging war both on Federal rights to income tax and on the recent Amendments to the gift and mining stock trading law. Mr. Ilsley on Aug. 14 (1938) announced plans for a conference between mining men and C. Fraser Elliott, Commissioner of Income Tax, to clarify the situation (Canadian Press dispatch). Shortly after the close of the Parliamentary Session in July Mr. Ilsley had accompanied the Minister of Mines and Resources, Mr. Crerar, on a tour of historic spots and national parks of Nova Scotia and Cape Breton. The aim of the visit was the formulation of plans for the encouragement of tourists.

Among overseas business trips of the year was that of the Hon. Fernand Rinfret, Secretary of State, who, in the early Autumn, visited France, Italy, Great Britain and Hungary. One object of the visit was discussion with Hungarian officials of the question of sequestered Canadian property pending since 1918. He also studied the broadcasting systems in Great Britain and France.

The activities in 1938 of the Department of Fisheries and the Minister, the Hon. J. E. Michaud, were centred largely on the problem of obtaining markets for Canadian fish, a problem to some extent modified by the concessions of the Canada-United States Trade Treaty late in the year. In January Mr. Michaud announced the appointment of O. M. MacKenzie, President of the Halifax Fisheries Limited and F. H. Zwicker of Zwicker and Company, Lunenburg, to survey the market possibilities of the West Indies, Central and South America.

Early in March (1938) the Minister of Trade and Commerce, Mr. Euler, announced plans for the co-ordination and unification of Canadian publicity and advertising agencies in England. The "Canada Calling" advertising campaign had already been carried on with some success under the Canadian High Commissioner. The new plan called for collaboration between the Department, with its appropriation of \$350,000 for overseas advertising, and Canada House. Mr. Euler left early in August to visit the British Empire Fair at Glasgow, a visit which was to be followed by trips to Germany and Italy. The European situation changed these plans and brought him back to Canada at the end of the month. On his return he warned Canadian manufacturers that the Department could not continue advertising campaigns in Britain if manufacturers failed to co-operate by guaranteeing a steady, continuous supply of Can-



adian goods. There had been complaints from British wholesalers that after a demand had been created they could not obtain the necessary Canadian stocks to satisfy it.

In co-operation with the Provinces Dominion efforts were directed during the year to the conservation of wild life. In May (1938) the Minister of Mines and Resources, Mr. Crerar, announced plans for a new game preserve of 7,000 square miles west of the Mackenzie River and near the boundary of the Yukon and Northwest Territories. Plans for another interesting experiment were announced on Aug. 24, the creation of a beaver sanctuary of 13,000 square miles in Northern Quebec. The sanctuary was to be in charge of Indians and no trapping, even by Indians, was to be allowed until its population had reached 4,000.

Though the legislation creating a Penitentiaries Commission in accordance with the Archambault recommendation had died in the Senate, the Minister of Justice, Mr. Lapointe, took steps, after Prorogation, to implement other sections of the Report. On Aug. 15 (1938) changes in prison regulations became effective, including more generous rules regarding remission of sentences and other matters affecting discipline. They were described as the "first step towards reorganization of the penal system." Criminal Code Amendments, some of them also based on the Report, became effective Sept. 1.

In January, 1938, Mr. Lapointe (Minister of Justice) received a petition from the Civil Liberties Union in Montreal urging disallowance of the Quebec Padlock law aimed at Communist activities in the Province. It was one of a number of protests and similar appeals submitted to the Dominion Government and the Minister heard counsel for the petitioners before reporting to the Governor-in-Council on July 6. The Report recommended against disallowance, pointing out that while His Excellency held unlimited powers of disallowance, a precedent had been created which he, Mr. Lapointe, felt disposed to follow. This called for disallowance only in cases where a Province (a) deliberately invaded the legislative field of the Dominion as in the Alberta Acts, (b) was in conflict with Imperial interests or treaty obligations or (c) was creating injurious interference with Dominion property interests or policies. The Padlock Law was not open to objection on any of these grounds and, while there might be question of its validity, he felt that this was a matter for the courts.

## **The Canada-United States Trade Agreement, 1938**

The economic keynote of the year 1938, if not of the entire three-years of the King Administration, was the signing of the Canada-United States Trade Treaty coupled, as it was with the United Kingdom-United States Trade Treaty which involved concessions by Canada and Australia of benefits accruing from the Empire trade pacts of 1932 and 1937. Both Canadian and British agreements were signed at Washington on Nov. 17, 1938, after more than a year of preliminary work and negotiation. Handling the negotiations for Canada under the policy direction of the Cabinet were Norman Robertson, Counsellor for the Department of External Affairs, L. D. Wilgress, Director of Commercial Intelligence, Department of Trade and Commerce, and H. B. McKinnon, Commissioner of Tariffs, Department of Finance. The Treaty was signed on behalf of Canada by the Prime Minister (Mr. King) and, on behalf of the United States, by the Hon. Cordell Hull.



Not only was the field covered wider than in any previous agreement but the significance of the Treaty far exceeded the actual concessions made and benefits gained. To gauge its importance three factors must be taken into consideration.

1. Under most favoured-nation agreements on both sides, tariff concessions were extended to every important trading country of the world. Canada's tariff concessions to the United States were extended automatically to some 27 countries including Germany, Italy and Japan. With these three countries in mind, it is claimed that particular care had been taken during the Washington negotiations to re-define and re-classify tariff items so that Canada would not be deluged with a large increase in low priced imports. This was seen most clearly in the textile group where a new value classification was set up in order to exclude the chief Japanese products.

2. The Treaty marked the most drastic step in a consistent policy of the Liberal Government of making downward tariff revisions through bilateral trade agreements. An accurate summary of these changes would be a difficult task but one Ottawa tariff authority shortly after the Treaty signature estimated that it had left the Canadian schedule as low if not lower than at the opening of the Bennett *regime* of 1930.

3. The three-way Treaty held more than economic significance and was hailed by some in London, Ottawa and Washington as an alliance of three great democratic groups in the interest of world peace.

Under the new Treaty Canada obtained concessions on 202 items and sub-items in the United States tariff schedule. In addition, free entry was bound on 32 items covering a total import from Canada in 1937, according to the Commercial Intelligence Journal, of \$202,680,310. The following summary of concessions is taken from the same official Government publication:

Dutiable List	Number of Items and Sub-Items	Canadian Export 1937
		\$000
Duty reduced on items not included in 1935 trade agreement	100	45,894
Duty further reduced on items reduced in 1935 agreement ..	25	19,769
Reduction in duties on items bound in 1935 .....	4	7,317
Binding of rates on items reduced in 1935 .....	32	48,645
New bindings of existing rates of duty .....	9	3,197
Total .....	170	124,825
<b>Free List</b>		
Bindings included in 1935 agreement and rebound .....	20	186,628
New bindings of free entry not included in 1935 agreement	12	16,052
Total .....	32	202,680
Grand Total .....	202	327,505

It was estimated that Canada obtained the maximum 50 per cent. tariff reduction on items which accounted for \$76,577,000 of her exports in 1937 or 49 per cent. of her total exports to the United States. A few of the main concessions made by the United States to Canada were as follows:

*Agriculture*—Duty on live heavy cattle (700 pounds or more) reduced from 2 cents a pound to 1½ cents and quota raised from 155,799 to 225,000 (this quota was for all imports). Quota limit abolished on dairy cattle. Duty on live hogs cut from 1½ cents to 1 cent; on bacon, from 3¼ cents to 2 cents; on cream, from 35 cents to 28 3/10 cents a gallon; on horses (not over \$150), \$20 to \$15 per head and on others, 20 per cent. to 17½ per cent.; cereal breakfast foods, from 15 per cent. to 10 per cent.;

strawberries, from  $1\frac{1}{4}$  cents to  $\frac{3}{4}$  cent per pound; and fresh apples, from 25 cents to 15 cents per bushel. Potatoes, of particular importance to the Maritimes, got the maximum concession to  $22\frac{1}{2}$  cents per bushel on a quota of 1,000,000 bushels for table potatoes and 1,500,000 bushels for seed.

*Fisheries*—Tariff concessions on cod, haddock, hake, pollock and cusk in almost any form were one of the surprise victories for Canada and were welcomed in the Maritimes. The virtual closing of the United States market had been one of the major factors in bringing distressed conditions to the Atlantic coast. Tariffs were reduced on salmon and herring in fresh or salted form.

*Lumbering*—Of particular benefit to British Columbia, quota restrictions on Douglas fir and hemlock were removed and the revenue import tax removed from pine and spruce. Free entry of red cedar shingles was bound up to an equivalent of 30 per cent. of the average annual consumption. Other shingles were given free entry. Uncoated paper was reduced from  $\frac{1}{4}$  cent per pound plus 10 per cent. to  $\frac{1}{2}$  cent plus 5 per cent.

*Minerals*—Nickel tariff was reduced from 3 cents a pound to  $2\frac{1}{2}$  cents a pound and aluminum, from 4 cents to 3 cents.

*Manufactures*—All agricultural implements, other than tractors, were bound free. Tariff reductions were on patent leather, horse hide, and cowhide gloves, pipe organs and parts, motor boats (not more than \$12,500 from 30 per cent. to 15 per cent.), rubber and fibre hose, iron and steel chains, iron castings, electric stoves and ranges, electric washing machines, textile and fur wastes.

Canadian concessions were in two fields, revision of the British agreement and concessions in the intermediate tariff to the United States. In the first class the most important concessions were: that the agreement was to waive the six-cents a bushel preference margin on wheat and to reduce the margin on apples from 4s. 6d. per cwt. to 3s. Superseding the changes in the tariff schedules Canada's greatest direct concession to the United States was the removal of 3 per cent. Import Excise tax on all imports from the United States. (This was not effected until the necessary measure had been passed at the 1939 Session of Parliament).

Canadian tariffs were reduced on 283 items and sub-items and bound at the previous rate on 146 items and sub-items. United States imports of these products amounted in 1937 to about \$280,000,000 or about 58 per cent. of the total value of imports from the United States.

*Agriculture*—Products were largely reduced to arrive at rates identical with those of the United States schedule. *Ad valorem* rate on fresh vegetables was reduced from 15 per cent. to 10 per cent. with Canada retaining the arrangement for seasonal application.

*Manufactures*—Duty on cream separators was cut in half from 25 per cent. to  $12\frac{1}{2}$  per cent.; mining machinery from 20 and  $27\frac{1}{2}$  per cent. to  $17\frac{1}{2}$  per cent.; Diesel and semi-Diesel engines, from 25 per cent. to 20 per cent.; rates of duty bound on all farm implements; cameras reduced from 25 per cent. to 20 per cent.; dental instruments and X-ray apparatus were put on free list; unbleached cotton fabrics were reduced from 20 per cent. plus  $3\frac{1}{2}$  cents a pound to  $17\frac{1}{2}$  per cent. plus 3 cents; bleached or mercerized fabrics reduced from  $22\frac{1}{2}$  per cent. plus  $3\frac{1}{2}$  cents to 20 per cent., plus 3 cents. The specific duty was removed on clothing and wearing apparel of silk, artificial silk, linen and mixed fibres not otherwise provided for, as well as the specific duty of 25 cents a pound on all

knitted goods. Cigarette duties were lowered from \$4.10 per pound plus 25 per cent. to \$3 per pound plus 15 per cent. Duty on leather footwear was reduced from 35 per cent. to 30 per cent. Substantial reductions were made in the duty on canned fruits and vegetables.

While duty rates on automobiles and automobile parts remained the same (17½ per cent. on automobiles) and was bound at that level, removal of the excise tax made an important change in the Canadian industry. In addition, Canada lost the previous preference margin on cars sold to the colonies. This was reduced from the original rate of 20 per cent. in all markets to 7½ per cent. in Ceylon and 15 per cent. in Hong Kong, British Malaya, Malta, the Bahamas and Barbados. General reductions, ranging from 2½ per cent. to 10 per cent., were made in tariffs on machinery while on machinery not made in Canada the rate was cut from 20 per cent. to 10 per cent. Reductions were made in the tariff on both aeroplanes and aeroplane parts, a fact which inspired one newspaper correspondent to read into the Treaty provisions for reciprocal trade in war supplies. This interpretation was supported to some extent by the provision made between the United Kingdom and the United States concerning access to raw materials.

The new Agreement was effective on Jan. 1, 1939, except with regard to the removal of the Canadian Excise tax and the United States lumber tax. It was for a fixed term of three years but terminable by either country on six months' notice.

Both countries undertook not to impose new quantitative quotas except those which were necessary to control production, marketing, price, etc. Before any such restriction could be imposed the Governments were required to notify the other party to the Treaty and the other country, if not satisfied with the proposal, had the right to terminate the Treaty. The dutiable value of products listed, it was provided, "shall not be so altered as to impair the value of any concession." Either country had the right to terminate the Treaty on 30 days' notice if the rate of exchange between the two countries varied so substantially as to prejudice its industry.

Another important clause provided that if, contrary to expectation, a third country became the principal beneficiary of a concession so as to threaten serious injury to domestic producers the country might withdraw or restrict that concession.

The new Treaty met with approval on the part of many business men while some manufacturers expressed fear and political opponents of the Government reserved judgment until its effect on trade could be seen. The Prairie Provinces had not obtained the full measure of their requests but the new cattle quota, it was acknowledged, was more than had been expected. The loss of the six-cent (Bennett) preference on Canada's wheat in the British market did not raise the outcry which had been predicted. British Columbia and the Maritimes were the chief beneficiaries with the promise of extended markets for two main industries, fisheries and forest products. Ontario and Quebec manufacturers had expected a worse blow at their tariff protection and were on the whole satisfied though early protests were received from the textile, shoe and automobile interests.

### **The St. Lawrence Deep Waterways Plan, 1938**

A new chapter in the Ontario-Dominion-United States power issue opened on May 31, 1938, when the Prime Minister (Mr. King), released



at Ottawa a draft treaty between Canada and the United States for the completion of the St. Lawrence Deep Waterways to take the place of the Treaty signed at Washington in 1932 but afterwards thrown out by the United States Senate. (*The C.A.R. 1932*, pp. 101, 542). The terms offered by the United States were generous enough to inspire the headline in *The Financial Post* "Uncle Sam Bait the Seaways Hook." Briefly, the United States agreed to complete immediately and to bear the bulk of the cost of the double stage power and navigation works on the international section of the St. Lawrence with the exception of the superstructures necessary for power on the Ontario side. This would give the United States 1,100,000 h.p. as soon as the work had been completed while the Ontario share could be developed at any time that the Province saw fit. Canada was allowed until 1949 to complete the Canadian section for navigation from Cornwall to Montreal and to provide the required 27-foot deep channel through the Welland Canal. The United States was to be responsible for the deepening from Lake Erie to the Head of the Lakes. Ontario, under the draft treaty, was permitted to divert water from Hudson Bay into Lake Superior and that water was to remain the property of the Province at Sault Ste. Marie, Niagara and the international section of the St. Lawrence. The United States also agreed to remove its objection to imports of Ontario's surplus power. Diversion from Lake Michigan into the Chicago Drainage Canal was limited in the draft treaty to the amount set by the Supreme Court ruling of 1930. (For comparison of this draft treaty with the treaty negotiated by the Bennett Government in 1932 see *The C.A.R. 1932*.)

In releasing the terms of the draft agreement the Prime Minister said: "The new proposals will be carefully studied and dealt with in due course after necessary consultations on the phases of the proposals which require Provincial co-operation." Mr. Hepburn's (Prime Minister of Ontario) immediate reply was non-committal. "Needless to say", he stated, "I shall take Mr. Hull's treaty proposals under consideration but I want to make it clear that I'm not going to be swept off my feet by any propaganda or ballyhoo." (*The Globe and Mail*, June 1, 1938). Later, in August, Mr. Hepburn declared: "There can be no power development along the St. Lawrence River unless all the Governments concerned consent and there will be no consent from my Government". To President Roosevelt's warning at Ivy Lea, Ontario (August, 1938) of a private interest power grab, Mr. Hepburn replied indirectly by saying "We don't need the power. When the time comes and I do not foresee it for a long time the problem will be handled by an extension of the present policy of public ownership."

### Mr. King and Mr. Hepburn, 1937-38

Throughout 1937 and 1938 there were few issues which aroused more interest in Federal political circles than the almost continuous breach between the Prime Minister of Canada and the Prime Ministers of Ontario and Quebec. There had been dissension over the power issue and the Rowell Commission on Dominion-Provincial relations in which the Liberal (Ontario) and Union Nationale (Quebec) leaders had joined forces against the Liberal Government at Ottawa (See also "Province of Ontario"). With a few minor exceptions, however, Mr. King and his colleagues had refrained up to December, 1938, from taking the initiative in the disagreement. Ottawa had alternated between ignoring and replying to attacks of the Provincial leaders. On Dec. 10 however the



Hon. Norman Rogers, Minister of Labour, and the Hon. C. D. Howe, Minister of Transport, launched the first Federal offensive from Port Arthur where they were attending a local Liberal Convention. They charged an "unnatural political alliance" between Mr. Hepburn and Mr. Duplessis for the purpose of ousting Mr. King from the leadership of the Federal Liberal Party and "setting up a Government at Ottawa which would be largely controlled by the Provincial Governments at Toronto and Quebec." (Canadian Press Dispatch, Dec. 11). The Rogers-Howe bombshell broke a long lull in the Federal-Provincial war. The following day the statements received the support of Mr. King who issued a three-point declaration of war on the Hepburn-Duplessis camp. Search for the motive behind the Ottawa outburst led to hundreds of rumours, among them stories of treachery in the Federal Cabinet which Mr. King intended to unearth. These stories were exploded immediately as the three Ministers mentioned, Mr. Gardiner, Mr. Ian Mackenzie and Mr. Power came forward with expressions of loyalty to the Prime Minister (*The Globe and Mail*, Dec. 13, 1938). Meanwhile, Mr. Hepburn in a Toronto interview declared that he had been approached a few weeks before by Mr. Gardiner. Mr. Gardiner denied that he had approached Mr. Hepburn (*The Canadian Press*, Dec. 14) and disclosed a meeting of Nov. 17 in Toronto at Mr. Hepburn's invitation when Mr. Hepburn had intimated that he would support a Federal Government led by Mr. Gardiner. Mr. Gardiner, in his statement, said that he had thanked Mr. Hepburn for the compliment but assured him of his continued support of Mr. King.

The Federal charges brought a new attack from Mr. Hepburn on the "laissez faire" policy at Ottawa which he coupled with his denial of any conspiracy or alliance with the Quebec leader. At Ottawa, the Port Arthur speeches were followed by the calling of a caucus of Ontario Liberal Members of the House of Commons and the Senate which met on Dec. 19, 1938. The caucus voted unanimous support of the Canadian Prime Minister and at the same time set in motion plans for a peace mission to Mr. Hepburn.

### Supreme Court Judgments, 1938

The judgment of 1938 on the 1937 legislation of Alberta and the question of the Dominion Government's power of disallowance will be found in this Section under the heading "Disallowance of Alberta Legislation".

The last chapter of the famous "Gypsum Queen" case (See *The C.A.R.*, 1935-36 and previous editions) was written in the Supreme Court judgment of Apr. 26, 1938, reducing an Exchequer court judgment against Mr. Hance Logan from \$71,276 to \$34,900. The amount was based on two claims by the Dominion Government, one for fraud and conspiracy in obtaining reparations on the false statement that the "Gypsum Queen" had been torpedoed in 1915; the other for return of the reparations, plus interest. Captain Freeman Hatfield, joint owner, was then serving a prison term from which he was released in September, 1938. With two justices dissenting the Supreme Court found that while the claims against Hatfield should stand there was no proof that Mr. Logan when he made the reparations claim had known that the "Gypsum Queen" had foundered and not been torpedoed. The court therefore struck out the claim for fraud and conspiracy.

Another long standing case was closed in 1938 when the Supreme Court dismissed the appeal of the Walkerville Brewery Limited for return

of \$268,338 paid to the Federal Government in sales and gallonage tax on 734,684 gallons of beer exported between February 1925 and May 1927. The appeal followed a Privy Council decision in the case of the Carling Breweries that the sales and gallonage taxes were not payable. The Walkerville Brewery immediately brought action for refund but the court ruled that since it had paid the tax instead of fighting the claim it was not entitled to such refund.

On Dec. 16, 1938, Mr. Justice A. K. MacLean, of the Exchequer Court, allowed the appeal of the Hon. C. P. Fullerton (since deceased) former Chairman of the Canadian National Railways Board of Trustees, who sought a refund of \$9,711 paid in Income tax on a \$30,000 gratuity from the Government. Mr. Justice MacLean held that the payment was a personal one to Mr. Fullerton, made because of the cessation of his office, and, therefore, was not taxable.

A case initiated in the Supreme Court of Ontario by George P. Lovibond, of Essex, England, against the Grand Trunk Railway and the Canadian National Railways, aroused considerable interest. Mr. Lovibond claimed \$14,000 damages for alleged illegal transfer of £2,000 of Grand Trunk securities to the Dominion Government. The case was of particular importance since it involved the possibility of similar claims from English shareholders of G.T.R. stock, which aggregated more than \$100,000,000. Mr. Justice Jeffrey, of the Ontario Court, dismissed the action on the ground that the case came within the Statute of Limitations, and that the plaintiff had been aware of negotiations at the time that the Grand Trunk was acquired by the Dominion. (Appeals were finally carried in 1939 to the Judicial Committee of the Privy Council, which upheld Mr. Justice Jeffrey's judgment).

### **Dr. Manion as Conservative Leader, 1938**

Activities of the Conservative Party during 1938 were divided into events leading up to and following the Party Convention. Again a Party crisis seemed to have its focal point on the Bennett leadership issue which was actually an uncertainty until the final list of nominations was announced from the Convention platform. On Mar. 4 Mr. Bennett called a conference of Conservative leaders from all Provinces of the Dominion and announced on that date that he would not continue at the head of the Party. This same Conference changed the name of the Party from "Liberal-Conservative" to "National Conservative." It decided on tentative plans for rehabilitation and arranged preliminaries for the holding of a Summer Convention.

Announcement of Mr. Bennett's retirement brought immediate speculation on his successor and not long after the March meeting came the first indications of a movement to support the Hon. R. J. Manion, former Minister of Railways, in a bid for leadership. Georges Heon, new Member for Argenteuil, was appointed French Secretary of the Convention. From the outset he took part in marshalling the Quebec delegates in support of Dr. Manion. On June 3, Dr. Manion addressed the Association of Canadian Clubs in Montreal and coupled a plea for National unity with support of Provincial rights. (*The Gazette*, Montreal, June 4). This speech was well received by Quebec members of the Party while the fact that he was a Roman Catholic strengthened the hope of Quebec support. Meanwhile, in Ottawa, a movement aimed at inducing Mr. Bennett to stay at the

helm, was growing. It was strengthened by the magnificent showing which the Leader was making in an almost single-handed battle with the Government on the floor of the House of Commons.

On June 12, 1938, the National Convention Committee met under the chairmanship of John R. MacNicol and set July 5-7 as the date for the assembly at Ottawa. At that time the leadership race was an open field including the Hon. W. D. Herridge, D.S.O. Speaking in Halifax, Mr. Herridge charged that both Liberal and Conservative Parties were under the thumb of reactionary forces which were trying to bring about a National government. He urged a Conservative programme of reform to fight reaction. (*The Globe and Mail*, June 28, 1938). Threats were being heard from Quebec Conservatives that they would bolt the Party if Bennett were re-elected leader.

By the time the Convention had assembled racial and religious issues were to the fore with Dr. Manion as the focal point. The Rt. Hon. Arthur Meighen, opponent of Manion leadership, had been chosen to deliver the keynote speech and, in an inspiring address, rivalled only by his Winnipeg performance in 1927, called on Canadians to take part in Empire defence measures, at the same time attacking the Government for its unofficial opposition to a recent proposal for R.A.F. training schools in Canada under British control. He described a separate line of defence for Canada as "fantasy". Mr. Heon, the next day, declared that Senator Meighen had no right to dictate the policy of the Conservative Party. (*Winnipeg Free Press*, July 6, 1938). On the same day at a banquet in his honour Mr. Bennett declared his intention of standing by his former decision to retire. In the same speech he attacked the growing "Provincial conception of nationhood." (*Ottawa Journal*, July 6). Up to this point Mr. M. A. Macpherson, a former Attorney-General of Saskatchewan and supporter of Mr. Bennett, had refused to announce his candidature despite overwhelming backing from Western delegates. With Mr. Bennett definitely out he allowed his nomination to go forward and delivered a speech before the Convention which was described later as swinging more votes than any other speech in the history of party conventions.

The first ballot on July 7, 1938, gave Dr. Manion 726 votes; Mr. Macpherson, 475; Joseph Harris (Toronto-Danforth), 131; Denton Massey (Toronto-Greenwood), 128; and the Hon. J. Earl Lawson (South York), 105. The second ballot electing Dr. Manion was: Manion, 830; Macpherson, 648; Harris, 49; Massey, 49.

The following brief summary of the new Party platform is based on a Canadian Press outline of the resolutions passed by the Convention: *Immigration*—approval of selected families from Great Britain, Ireland and France and exclusion of Orientals; *Railways*—opposition to unification or amalgamation; *Defence*—promotion of Canadian defence by consultation and co-operation with other members of the British Commonwealth; *Tariffs*—continuance of the policy of protection especially for the primary industries of agriculture, forests and mining (This was coupled with the pledge to preserve home markets for the Canadian farmer). *Unemployment*—national projects to develop resources, a housing programme, a relief department, apprenticeship subsidies and unemployment insurance; *Trans-Canada Highway*—its completion as a national undertaking; *Tourist Trade*—continuation of the Canadian Travel Bureau and increased appropriations to boost tourist business; *Co-operatives*—continued support pledged to the co-operative movement in Canada in



conjunction with the movement for adult education; *National Fuel Policy*—to support and assist the Canadian coal industry; *Fisheries*—Federal assistance to fisheries equal at least to that accorded to other natural product industries; *Duncan Report*—stand of 1927 reaffirmed; *Natural Resources*—conservation and scientific development pledged with low taxation for the mining industry; *Public Health*—extension of the activities of the Federal Department.

The Convention saw the last appearance in the Conservative fold of Mr. Herridge who threw the assembly into a turmoil with his attack on the Convention's fiscal policy as a "lot of junk". He declared that the Party had managed to do only two things, lose a great leader (Mr. Bennett) and stir up racial strife. (*The Globe and Mail*, July 8, 1938).

On July 21, Dr. Manion made his first public speech as Leader at a banquet of the Ontario Conservative Association in Toronto where he denied an interview appearing in a Quebec newspaper quoting him as attributing his victory to "Duplessis support." On July 26 he spoke at Fort William declaring: "Reactionary rich men are a great danger to democracy. I believe there is too much complacency among our well-to-do people." (Canadian Press dispatch). A few days later at Barry Bay, near Renfrew, he announced that Canada faced "reform or revolution."

On July 26, Dr. J. M. Robb, a former Ontario Minister of Health, was appointed Federal Conservative organizer and at once set about the task of reorganizing the Party machinery in each of the nine Provinces.

### The C.C.F. and Other Groups, 1938

The Co-operative Commonwealth Federation held its 1938 Annual Convention in Edmonton, July 27-30. It re-elected J. S. Woodsworth National President, M. J. Coldwell, National Chairman and named C. Grant MacNeil, M.P. (Vancouver North) as Vice-Chairman. A platform was drafted in anticipation of a General Election and included: (a) Economic Advisory and National Investment Boards; (b) Socialization of banks and industry; (c) heavy corporation, income and succession levies; (d) encouragement of the co-operative movement; (e) an import-export board; (f) extension of farmers creditors arrangement benefits to urban areas. To this was added a resolution calling for a plebiscite before Canada committed itself to war. In August, Mr. Woodsworth, from Vancouver, declared his opposition to suggestions for a merger with the Communists to form a United Front Party.

Adrien Arcand, young French-Canadian Fascist, was busy with his National Unity party during the year, a party formed at an almost secret Convention in Kingston on July 3. Under the direction of J. C. Farr, who had been named organizer, a drive for membership was made with a view to making the movement actually national. William Whitaker of Winnipeg was chosen to lead the western groups.

Social Crediters also made a mild attempt to break from their Provincial orbit, an attempt which received a severe rebuff in the failure to make headway in the Saskatchewan General Election. At a Convention in Edmonton in April the Prime Minister of Alberta (Mr. Aberhart) was chosen "national leader" and a Western Council of 12 members set up with the reservation that it would extend later to include the Eastern Provinces.

### Dominion By-Elections of 1938

The net result of nine Dominion By-Elections during 1938 was the gain of another seat for the Liberals. While there were three acclama-

tions in Queens, P.E.I., Cartier and St. John-Albert the other six ridings saw hard fought contests which attracted more than usual interest. The year started with a three-man fight in St. Henri where Mayor Camillien Houde entered the contest as an independent anti-armament champion, charging that the Government had made a secret war pact with Great Britain. Ottawa, in addition to denying the charges, threw two Ministers into the campaign, Mr. Cardin and Mr. Rinfret. It was this campaign which brought the promise of the expenditure of \$12,000,000 on the suspended C.N.R. terminal project for Montreal—a promise which was credited in some quarters with turning the tide in favour of the Government candidate, J. A. Bonnier.

The death of Sir George Perley, veteran Conservative Member for Argenteuil, brought a By-Election for this seat on Feb. 28 (1938). Georges Heon, Conservative candidate with the support of Mr. Duplessis, held the seat for the Party. The Social Credit group managed to hold Edmonton East in a By-Election on Mar. 21, caused by the death of the Social Credit Member, W. S. Hall. The Autumn of the year (1938), however, saw the three votes which created nation-wide attention. The deaths of F. C. Betts, D. W. Beaubier and A. M. Edwards had left three Conservative seats vacant, London, Brandon and Waterloo South, and By-Elections were all called for the same day, Nov. 14 (1938). It was the first test of strength for the new Conservative Leader and Dr. Manion threw his whole weight into campaign activity. In London, where he had accepted the nomination himself, the Liberal Party extending the usual courtesy to a newly-elected Party Leader, withdrew from the contest leaving him opposed only by the C.C.F. candidate. The Liberals concentrated their forces on Brandon where a son of the former sitting member, George Beaubier, was defending the seat against the Liberal candidate, J. E. Matthews. Five Cabinet Ministers took part in the campaign while the Minister of Agriculture (Mr. Gardiner) and the Minister of Mines and Resources (Mr. Crerar) alternated in taking charge of the activities. Dr. Manion was the only Federal Conservative against the Liberal phalanx. The November vote saw Brandon switch from the Conservative to the Liberal fold by a margin of 980 votes. Karl Homuth, former Provincial Member, held the Ontario seat in South Waterloo by a good majority and Dr. Manion himself achieved a 3,000 majority in London. The following summary has been prepared from the official returns:

#### By-Elections of 1938

Date	Riding	Member-elect	Defeated Candidates	Majority
Feb. 28	Argenteuil	G. Heon (Con.)	J. L. Legault (Lib.) J. M. Navion (Ind.)	1,658
Nov. 14	Brandon	J. E. Matthews (Lib.)	Geo. Beaubier (Con.) J. H. Wood	983
Nov. 7	Cartier	P. Bercovitch (Lib.)		accl.
Mar. 21	Edmonton East	O. A. Kennedy (S.C.)	R. C. Marshall (Lib.) W. W. Clevely	1,984
Nov. 14	London	R. J. Manion (Con.)	E. O. Hall (C.C.F.)	3,198
Apr. 25	Queens (P.E.I.)	J. L. Douglas (Lib.)		accl.
Jan. 17	St. Henri	J. A. Bonnier (Lib.)	C. Houde (Ind.) O. L. Gingras (Ind.)	4,663
Nov. 7	St. John-Albert	A. G. McAvity (Lib.)		accl.
Nov. 14	Waterloo South	K. K. Homuth (Con.)	R. K. Serviss (Lib.) J. Mitchell (C.C.F.)	4,046

### The Third Session of the Eighteenth Parliament

The 1938 Session of Parliament opened on Jan. 27. It saw the Liberal Party more firmly entrenched than when the Government had assumed office three years before. The eight By-Elections of 1937 had left the King Government with one more seat than it had occupied during the previous Session, a seat captured from the official Conservative Opposition.

Three vacancies had occurred leaving the standing of the Parties: Liberal, 170; Conservative, 37; Social Credit, 17; C.C.F., 7; Independent Liberal and Liberal Progressive, 7; Reconstructionist, 1; U.F.O.-Labour, 1; and (other) Independent, 2.

The Speech from the Throne delivered by His Excellency, Lord Tweedsmuir, drew attention to the proceedings of the Imperial Conference of May, 1937, and announced that the Report of the Conference would be considered during the Session.

Expansion in Canada's trade during the year 1937 and an increase in employment were significantly coupled and it was announced that the Government was following "with deep interest" the negotiation of a Trade Agreement between the United Kingdom and the United States. Extension and revision of Canada's Trade Agreement with the United States had been suggested to Washington and exploratory conversations had followed. It was hoped that a new Agreement might be submitted to Parliament before the end of the Session. (The Agreement was not finally signed until November—see elsewhere in this Volume).

The forecast of the legislative programme included the announcement of measures to continue the Prairie Farm Rehabilitation activities (this action was spurred by the Saskatchewan crop failure) and to extend the Youth Training movement. The Transport Board Bill, defeated in the Senate in 1937 would reappear, it was announced. Legislation would be introduced to further the principle of Parliamentary control of power exports. It was also hoped that the co-operation of the Provinces could be obtained in time to introduce unemployment insurance legislation before the end of the Session. Reference was made to the conclusion of the work of the National Employment Commission and to progress already made by the Rowell Commission on Dominion-Provincial Relations.

### The Debate on the Address, 1938

The Address-in-Reply to the Speech from the Throne was moved and seconded by two of the four new Members of the House, Mr. Joseph N. Francoeur (Lib., Lotbiniere) and Mr. R. M. Warren (Lib., Renfrew N.).

The Debate on the Address, which lasted nearly two weeks, was launched with a vigorous political duel between the Opposition Leader and the Prime Minister. A series of personal thrusts aimed at Cabinet Ministers by Mr. Bennett brought a strong counter attack not only from the Prime Minister but from his colleagues. Sixty-one Members joined in the Debate which ended with a vote of 132 to 42 against Mr. Bennett's Want-of-Confidence Amendment that "the Speech from the Throne does not indicate that the Government have taken or contemplate taking efficient measures to deal with unfavourable economic conditions in Canada and that no legislative action is proposed to deal effectively with the prevailing uncertainty and insecurity resulting from the inadequate incomes of large numbers of our people."

Mr. Bennett charged at the outset of one of the longest speeches of the Session that the Prime Minister, at the Imperial Conference, had



undertaken to "interpret the will of the chief executive of a foreign country (Mr. Roosevelt) to those who were assembled with him as representing the British Commonwealth of Nations." The press had suggested that Mr. King had gone to the Conference from Washington as the advocate of Mr. Roosevelt in connection with the pending United Kingdom-United States Trade Agreement. The Prime Minister dealt with the attack later in the Debate (*Hansard 1938*, p. 51) by declaring that the proposed Treaty had never been mentioned in his conversations with the United States President.

Mr. Bennett claimed that the Government had turned over their responsibilities with regard to relief on the Prairies to the Provincial Administrations and that its handling was ridden with politics and political discrimination (*Hansard*). He attacked what he described as the political complexion of the personnel of the Rowell Commission, at the same time paying high tribute to the ability of its Chairman, the Hon. N. W. Rowell. He recalled that the Hon. Norman Rogers, Minister of Labour in a Government which now espouse such tariffs, had once prepared a brief for Nova Scotia showing losses inflicted by tariffs on certain Provinces.

Dealing briefly with the Government proposal for Parliamentary control of power export, the Opposition Leader coupled the move with the proposal for electoral changes. Recalling the Beauharnois Inquiry he charged "that this country is suffering from electoral corruption." (*Hansard*, pp. 35-6). Mr. Bennett called the attention of the Prime Minister to the press report of an interview given by the Hon. R. R. Bruce, at the time Minister to Tokio, in which he (the Minister) was alleged to have defended the Japanese stand on the Chinese war.

The Prime Minister, when replying to Mr. Bennett, deplored the newspaper statement which had been denied by Mr. Bruce. He placed on *Hansard* Mr. Bruce's own version of the interview, that "the statement is entirely misleading. It is a misinterpretation of my remarks . . . ." Mr. King took this opportunity to announce that Mr. Bruce had asked to be relieved of his duties. The Prime Minister paid tribute to the work of Canada's representative while at Tokio.

Introduction to the House on the evening of Mr. Bennett's speech of the new Member for St. Henri, Montreal, Mr. J. A. Bonnier, inspired reference by the Opposition Leader to the part taken by the Minister of Public Works, the Hon. P. J. A. Cardin and the Secretary of State, the Hon. Fernand Rinfret (deceased) in the By-Election campaign and their promise that the C.N.R. terminal at Montreal would be built (*Hansard 1938*, p. 43). This was destined in later months to become a source of bitter political controversy. Mr. Bennett took issue (*Hansard*, p. 39) with the Government's stand that trade restrictions bred war and that freer trade was conducive to world peace. The exact opposite, he said, was true. With free unhampered competition the struggle for markets became notorious and open with resultant difficulties.

The Prime Minister, replying to Mr. Bennett's statements, asked why had the Opposition Leader, if he held such an opinion as he had expressed, even attempted to arrange a treaty with the United States. He declared that Mr. Bennett was attempting to take a good deal of the credit for the negotiations which terminated in the final agreement. "I do not believe," Mr. King told the House, "that he (Mr. Bennett) ever meant to put through an agreement with the United States simply because he believes in economic nationalism and economic Imperialism."

(*Hansard* 1938, p. 67). In 1935, the last year of the Conservative Government, the Prime Minister pointed out, Canada's trade had amounted to \$1,389,000,000; by 1936 it had risen to \$1,663,000,000 and in 1937 had been \$1,934,000,000, an increase of 39 per cent. over the 1935 figure. For 1937 Canada's favourable trade balance had been \$316,000,000. Mr. King condemned the attack on the Rowell Commission personnel as libelling men who were acting in a judicial capacity. There was no more bitter partisan, he believed, than Mr. Bennett himself; yet there was no one more admirably equipped intellectually and by high legal attainments and learning for a position on the bench or on a Royal Commission (*Hansard*, p. 59).

A critical reference by Mr. Bennett to the original Report made by Mr. A. M. Shaw, Director of Marketing in the Department of Agriculture, on his survey of existing methods of marketing in the United Kingdom, brought the announcement from the Prime Minister that this Report had been withdrawn from distribution. The Report had been the basis for newspaper accounts of conflict between the Departments of Agriculture and of Trade and Commerce and their respective Ministers. The Prime Minister said the Shaw Report had contained "some statements that were a bit ambiguous and capable of being misconstrued" and that "strong exception was naturally taken to certain phases" (Sections of the Report criticized activities of the Marketing Services, Department of Trade and Commerce in the United Kingdom).

Mr. Rogers (Minister of Labour) accused Mr. Bennett of misrepresenting his (Mr. Roger's) Nova Scotia tariff brief by reading only the extract which suited his purpose. He explained that his opinion at that time was the view that he since had maintained. Whatever might have been possible sixty years before, he said, abolition of tariffs "to-day" would disrupt Confederation. But, he continued, if tariffs were to be maintained it should be remembered that seven out of nine Provinces obtained the largest part of their incomes from primary products and the Dominion should be prepared to apply such tariff compensations to these Provinces as might be practicable. Against the Bennett Amendment, the Minister held the fact that in the year under review 95,000 men had been removed from the relief rolls and placed on the payrolls of private industry.

Mr. Bennett's charge of Provincial politics in drought relief and also a statement made during a speech at Charlottetown to the effect that the Minister of Agriculture was setting up an enormous political machine through the relief administration, drew from the Hon. James G. Gardiner a comprehensive outline of the Federal administration in drought areas. He said that in 1936 when aid from the Dominion Government became necessary in drought areas they had taken over 105 municipalities in Saskatchewan, 9 in Manitoba, and 60 or 70 in Alberta. Applications at that time had been made through the Provincial Governments and as the Dominion Government had reviewed each case, delays had necessarily occurred. In 1937 after a survey of drought areas, Mr. Gardiner continued, the Dominion Government had informed Saskatchewan that they would accept full responsibility for feed and fodder and direct relief in 170 municipalities. In Alberta they had taken over 52 municipalities. Manitoba's application had been rejected as crops had been good in all but about 10 municipalities of that Province and these were taken over on Sept. 1 and carried until Mar. 31. Other municipalities, however, he stated, had come into the destitute list after the original arrangement and

the Dominion Government, in order to take care of this situation, had given a grant of \$1,000,000 to Saskatchewan and \$100,000 to Alberta. Thus these additional municipalities had been under provincial jurisdiction.

Amongst other speakers in the Debate on the Address were Mr. M. J. W. Coldwell (Rosetown-Biggar); Mr. J. L. V. Mallette (Jacques Cartier); and Mr. Douglas Ross (St. Paul's, Toronto). In the course of his remarks Mr. Ross stated: "It is only through continuous employment that a higher standard of living can be obtained—and it must be obtained. There should be more co-operation between governments and industry and business in general. This is absolutely necessary at least for the sake of the workers."

### Main and Supplementary Estimates for 1938-39

Main Estimates covering the fiscal year ending Mar. 31, 1939, totalled \$418,968,457. They were tabled on Feb. 3, 1938, and voted during the 1938 Session. The Vote for the Department of National Defence, again the feature of the yearly Estimates, was \$34,034,364. An appropriation of \$6,486,357 included \$2,600,000 for the purchase of two new destroyers, the "Crusader" and the "Comet" from the British Admiralty. Estimates of \$10,753,000 for Air Services provided for the purchase of 75 new planes for the Permanent Force and 25 training planes for the Non-permanent Force. Further amounts were provided for coastal defences and appropriations made to allow for a general increase in personnel including an addition of 500 to officers and ranks of the Royal Canadian Air Force. Other features of the Main Estimates included a vote of \$56,690,000 for the Department of Pensions and National Health of which \$40,900,000 was provided for Soldiers' Pensions and a total of \$30,576,000 for the Department of Finance to provide for the Dominion's contribution to Old Age Pensions.

Supplementary Estimates for 1938-39 brought down in May added \$106,509,436 to the total and included the Canadian National Railways' deficit for 1937 of \$42,000,000. Prairie Farm Rehabilitation—resettlement, care of livestock and feed and fodder for the drought areas—accounted for \$5,977,990. Public Works expenditures totalled \$13,731,548. (Main Estimates appropriated another \$12,997,625 for this purpose). The feature of the Supplementary Estimates, however, was the appropriation of \$40,000,000 for the Department of Labour to finance a public works programme of conservation and development for the relief of unemployment. Details of this programme presented to the House by Mr. Rogers (*Hansard*, p. 3093) included \$1,310,000 for mining roads; \$3,500,000 for other highway improvements; more than \$3,000,000 for the building of the Trans-Canada highway, tourist highways and national parks; \$450,000 for the restoration and development of historic sites; \$7,000,000 for harbour and river projects and an additional \$1,000,000 for canal improvements; \$800,000 for construction of airports and another \$500,000 for assistance to municipal airports; \$650,000 for the encouragement of the fishing industry; \$2,250,000 for youth training and \$3,500,000 for Prairie Farm Rehabilitation Act projects.

### The Budget Speech of 1938

It was a mixed economic picture that the Hon. C. A. Dunning, Minister of Finance, presented in bringing down his fourth Federal Budget on June 16, 1938. The secondary depression of 1937 had struck at business in the United States and, to a lesser extent, in Great Britain.



Canada, for her part had capped several poor crop years with a disastrous crop failure in the West which had reduced Western wheat output to the low point of 82,000,000 bushels, only 50 per cent. of the average for the ten preceding years. Saskatchewan had harvested 37,000,000 bushels from an acreage which, in 1928, had produced 321,000,000 bushels. Mr. Dunning was able to report, however, that while the physical volume of business had declined in the last half of 1937 and the beginning of 1938, to a low point in April, 9 per cent. below the preceding year, there had been an increase of 5.3 per cent. since that time; this was in contrast to a continued downward movement in both the United States and Great Britain: "A critical examination of all major factors", he said, "leads me to the firm conviction that, had it not been for economic depression and political tension abroad Canadian business would have continued its upward trend with only a moderate slackening in its rate of advance."

In spite of the economic setback, however, expansion of Dominion revenues resulted in a Deficit for 1937-38 of only \$13,775,000 as compared with Mr. Dunning's Budget Estimate of \$35,000,000. For 1938-39 he budgetted for a Deficit of \$23,000,000.

Canada's external trade for the fiscal year, 1937-38, Mr. Dunning reported at \$1,946,793,413 or 8.6 per cent. above the total for the preceding fiscal year. Total export trade for 1937-38 was \$1,147,723,495 or \$27,000,000 in excess of 1936-37. Imports had declined since January (1938) but registered a total of \$799,069,918, a gain of \$127,194,352 for the whole fiscal year of 1937-38. A breakdown of these figures, placed on *Hansard* by the Minister of Finance, showed the important place which gold production had assumed in the national economy: exports of merchandise, excluding gold, had shown a drop of \$362,713; exports of commercial gold and gold coin (Canada had been following a policy of re-exporting foreign gold coin and replacing it with her own bullion) had shown an increase of more than \$50,000,000, offsetting the drop in merchandise as well as a drop of \$27,000,000 in earmarked gold held for foreign account.

Forty-one per cent. of Canada's total exports, excluding gold, Mr. Dunning reported, had gone to the United Kingdom while 52 per cent. had been distributed among all nations of the British Commonwealth. The following tables placed on *Hansard* show Canada's trade with the Commonwealth and with the United States during the two fiscal years ending Mar. 31, 1937 and 1938 (Merchandise—all gold excluded):

**Trade with the Commonwealth**

	Fiscal Year ended		Increase
	Mar. 31, 1937	Mar. 31, 1938	
Imports from United Kingdom .....	\$129,507,885	\$144,978,493	\$15,470,608
Exports to United Kingdom .....	406,825,443	407,797,610	972,167
Imports from other Commonwealth countries .....	68,657,957	88,194,545	19,536,588
Exports to other Commonwealth countries .....	88,206,497	108,722,853	20,516,356
Imports—Total Commonwealth .....	198,165,842	233,173,038	35,007,196
Exports—Total Commonwealth .....	495,031,940	516,520,463	21,488,523
Total trade with Commonwealth .....	693,197,782	749,693,501	56,495,719

**Trade with the United States**

	Fiscal Year ended		Increase (+) or Decrease (—)
	Mar. 31, 1937	Mar. 31, 1938	
Imports from the United States .....	\$393,720,662	\$487,328,980	+\$93,608,318
Exports to the United States .....	364,354,990	343,250,669	— 21,104,321
Total trade with the United States .....	\$758,075,652	\$830,579,649	+\$72,503,997

For the calendar year 1937 Mr. Dunning gave Dominion Bureau of Statistics figures showing a favourable balance of trade on merchandise alone of \$212,000,000. With gold added this amounted to \$357,000,000. It was estimated that visiting tourists to Canada had spent \$290,000,000 in the country while Canadians outside had spent \$120,000,000 leaving a net favourable balance of \$170,000,000. Adding this to the trade figures, Canada had had a total credit of \$527,000,000, sufficient to enable the country to meet all foreign obligations and, at the same time, to repatriate Canadian securities held abroad to an estimated amount of \$215,000,000.

An encouraging factor in the domestic picture, the Minister of Finance explained, had been employment figures which for the first time since 1929 had risen more rapidly than industrial production in the months preceding December, 1937. Since the downward trend had started in that month employment had declined less rapidly than the business indices. There had been a slight acceleration in the recovery of the construction industry where contract awards had risen 38 per cent. during the year ended Dec. 31, 1937. Even with this increase, he stated, it had been less than half the volume for the calendar year of 1930. The output of industries producing capital goods had shown a gain of 13 per cent. for the calendar year 1937; the output of steel ingots recorded a gain of 26 per cent., while pig iron production was up 32 per cent.; and mining, for the third consecutive year, had shown an increase.

Reviewing the financial situation Mr. Dunning stated that stocks, following the trend of the New York market had declined heavily despite the fact that Canadian business profits had been satisfactory and that 522 Canadian corporations had reported net earnings of \$450,000,000 for the fiscal year ended in 1937. Bonds had given a better account of themselves and the interest yield on Dominion bonds in 1938 was at the lowest point in history with the exception of a short period in 1936. Yields on Canadian bonds of 17 to 19 year terms averaged 3.01 per cent. as against 3.09 per cent. for the United Kingdom, 3.76 per cent. for Australia, 4.31 per cent. for New Zealand and 3.45 per cent. for South Africa. Without using compulsory conversion methods employed in Australia, Canada, Mr. Dunning said, had reduced the average rate of interest on her outstanding debt from 4.98 per cent. at Mar. 31, 1931 to 3.53 per cent. at Mar. 31, 1938: this had shown a decrease of 29.1 per cent. as against a reduction in Australia under the compulsory method of 25.1 per cent. during a similar period. As a result of the rate reductions Canada in 1938 was paying less annually on her Funded Debt than at any time since 1930 despite the fact that the Debt had risen in that time by \$1,031,000,000.

Mr. Dunning gave an emphatic answer to inflationist demands. While Canada's system of taxation might not be the most scientific at least, he said, attempts were being made to make it progressively more equitable. Inflation or debasing of currency on the other hand was not only "the most unjust and iniquitous and inequitable type of taxation that could be devised," but was bound to promote unhealthy speculative activity.

### **Revenues and Expenditures, 1937-38**

Revenues from taxation and other sources for the fiscal year ended Mar. 31, 1938, totalled \$516,692,000, or an increase of \$62,538,000 above the previous year. The total for tax revenues alone was \$448,652,000, with an increase shown in the revenue from every major tax. The Sales tax, producing \$138,054,000 was \$25,222,000 above 1936-37: this increase

was the result both of a heavier turnover in merchandise and a higher price level. Receipts from the Income tax, representing an all-time peak, totalled \$120,366,000 or an increase of \$18,000,000; of this total \$69,769,000 had been derived from the Corporation tax, \$40,445,000 from taxes on individual incomes and \$10,152,000 from the five-per-cent. tax on interest and dividends. Excise duties, for the most part on liquor and tobacco, had amounted to \$52,037,000, or an increase of \$6,080,000. Customs duties at \$93,456,000 were something less than \$10,000,000 above 1936-37. While this total was substantially less than the peaks of 1920 and 1929, Mr. Dunning pointed out, duty-free imports for 1937-38 constituted one-half of the total import trade, while in 1920 and 1929, it had been only about one-third. Special Excise taxes yielded \$42,765,000, or an increase of \$3,124,000.

Revenues derived from investments and various Departmental activities had shown an increase of \$3,169,000, with a total of \$61,647,000. This increase was shown despite the fact that radio licence fees had been transferred to the Canadian Broadcasting Corporation. The largest single item was \$5,546,000 from Post Office receipts, an increase of \$1,271,000.

The fact that there had been no payment, as in 1937, from the Wheat Board, accounted for a decrease in Special Receipts and Credits, which amounted to \$6,393,000, as compared with \$9,125,000 in the previous year. Under the C.N.R. Capital Revision provided for in 1937 legislation the Government had received \$1,023,000 due to adjustments and \$1,700,000 representing interest paid on Capital advances. This interest payment was a new source of revenue.

The grand total of Ordinary, Capital and Special Expenditures for Government as well as Government-owned enterprises was \$530,467,000 or approximately \$2,000,000 less than the total for each of the two preceding years. This, as stated, was \$13,775,000 above revenues, the nearest approach to a balanced Budget in eight years. Mr. Dunning pointed out that this had been accomplished despite unexpected increase in Expenditures resulting from the Western crop failure, as well as an item of \$5,000,000 added to Annuity reserves to allow for the writing-up of Liabilities on the basis of the new increased rates. These rates resulted from a rough survey of the Annuity situation which showed the scheme to be non-self supporting. As Mr. Dunning pointed out, the \$5,000,000 was not really chargeable to the previous year but to all prior years of operation.

Ordinary Expenditures for the fiscal year, 1937-38, totalled \$410,954,000, an increase of \$23,842,000. This left a Surplus on Ordinary Account of about \$100,000,000 although, as the Minister pointed out, it was of little significance in years when substantial increases were necessary in Special Expenditures for relief and other purposes. Defence costs showed the largest increase on Ordinary Account, with a jump of \$9,837,000 to \$32,760,000. Old Age pension contributions had increased \$7,504,000 to \$28,653,000. Increased Post Office business resulted in expenditures of \$33,762,000 or an increase of \$1,856,000. The Post Office continued however to show a surplus on actual operations. Public Works expenditures were \$2,134,000 lower for the year and a reduction of \$1,306,000 was shown by the Marine branch of the Department of Transport. Interest on the Public Debt showed a decrease of \$5,292,000. On Refunding Operations for 1937-38 alone the savings, Mr. Dunning reported, had been \$6,342,000 a year while Refunding Operations since October, 1935, had effected an annual saving of over \$10,200,000.

Capital Expenditures amounting to \$4,430,000 were largely accounted for by public works. As a result of the crop failure in Saskatchewan the



Dominion Government in 1937 agreed to pay 100 per cent. of the direct relief in the Province as well as 100 per cent. of the cost of purchasing feed and fodder. These expenditures were respectively \$11,925,000 and \$11,352,000. An additional \$971,000 was spent in purchase and distribution of foodstuffs and \$337,000 on the marketing of surplus live stock disposed of as a result of the drought. With these additional expenditures, aggregate special expenditures of \$68,532,000 were \$9,472,000 lower than the previous year. Grants in aid to the Provinces had declined from \$28,930,000 in 1936-37 to \$19,493,000 in 1937-38. The Dominion share of Dominion-Provincial projects was down to \$10,165,000 and Dominion public works projects had been cut nearly in half at \$13,911,000.

The net income deficit of the Canadian National Railways to be paid out of the Dominion Treasury in 1937-38 amounted to \$42,346,000 or a reduction of about \$1,000,000. Operating revenues for the calendar year of 1937 had increased 6.3 per cent. to \$198,396,000 in spite of the falling off in the grain traffic. Operating expenditures were up 5.4 per cent. to \$180,789,000, which included an increase in the Company's payroll of \$6,584,000 due to restoration of pay cuts. This left net revenue available to apply on interest charges of \$50,633,000, amounting to \$8,287,000.

Other advances to the C.N.R. during the year were \$11,035,000 for capital purposes and this amount, together with \$41,358,000 advanced in previous years, had been repaid out of the proceeds of a Dominion-guaranteed bond issue of \$50,000,000 marketed in January, 1938. Another \$2,393,000 in temporary loans still unpaid remained on the books of the Dominion as an active asset. Another \$3,390,000 had been advanced by the Government for the construction of the Senneterre-Rouyn railway, \$1,500,000 for the purchase of capital stock of the Trans-Canada Air Lines and \$7,040,000 as a temporary loan to be repaid before the end of the year. The net result of these various transactions, Mr. Dunning reported, was a reduction in the Government loans to the C.N.R. of \$27,429,000 and an increase of \$50,000,000 in Indirect Liabilities of the Government.

The Government received a surplus of \$189,000 from the Canadian National Steamships Limited (West Indies) as a result of 1937 operations. An advance of \$16,000,000 was made for capital improvements while an adjustment entry of \$88,000 had been added to expenditures. Government assistance to Harbour Commissions totalled \$2,272,000, representing deficits at Quebec, Churchill and Prescott, \$367,000 for a deficit on the Jacques Cartier bridge, \$1,269,000 for the retirement of Commission obligations at Halifax and Saint John and \$347,000 for capital expenditures at Saint John, Three Rivers and Churchill. A new item of \$111,000, to cover the first deficit of the Trans-Canada Air Lines brought the total expenditure on Government-owned enterprises to \$44,833,000.

### **New Dominion Issues, 1937-38**

Obligations of the Dominion Government maturing during the fiscal year, 1937-38, totalled \$321,920,508. New bonds were issued to a total of \$295,460,138 and \$26,460,370 supplied directly from the Treasury. This refunding eliminated the last of the tax-free War financing and Mr. Dunning estimated that it would result in an increase in Income tax revenues of more than \$1,700,000. Treasury bills outstanding at Mar. 31, 1938, showed no change from the previous year. The average rate of 24 Treasury bill offerings during the year, 1937-38, was .689 per cent.

Bonds and debenture stocks guaranteed by the Dominion and outstanding at Mar. 31, 1938, totalled \$1,050,608,000. Other Contingent Liabili-

ties included \$2,176,400 on guarantees to the banks for Home Improvement loans. Mr. Dunning reported, however, that losses so far had been 1/60th of 1 per cent.

### Loans and Investments, 1937-38

Total repayment of loans and advances on Active Assets during the fiscal year, 1937-38, exceeded new loans and advances made by \$4,202,000. During this period the Government purchased \$3,550,000 in Farm Loan Board 3½ per cent. bonds and \$282,000 of the Board's Capital stock. Advances of \$16,000 during the year, 1937-38, brought the Government's total investment in the Board, as at Mar. 31, to \$31,598,000. The Dominion share of Dominion Housing Act Loans (20 per cent. of the lending value of the property) was \$1,679,000. A total of \$1,891,000 was advanced for Capital purposes to the National Harbours Board and \$450,000 to the Canadian National Steamships. On the other side, loans to the C.P.R. for relief purposes were reduced by \$211,000, a repayment of \$1,422,000 was made on Provincial Housing Loans. The position of Relief loans to the four Western Provinces is shown in the following table:

Net Loans to Provinces Under Relief Acts

Fiscal Year (ended Mar. 31)	Manitoba	Saskatchewan	Alberta	British Columbia	Total
1931-32.....	\$ 2,788,812	\$10,934,341	\$ 4,097,740	\$ 4,813,124	\$ 22,634,017
1932-33.....	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933-34.....	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934-35.....	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935-36.....	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936-37.....	4,626,000	6,058,879	805,198	3,972,400	15,462,477
1937-38.....	2,959,188	11,604,787	193,000	1,541,636	16,298,611
	<u>\$23,090,044</u>	<u>\$66,032,295</u>	<u>\$26,079,198</u>	<u>\$33,086,716</u>	<u>\$148,288,253</u>
Less reductions as provided by Votes 392 and 393 of further Supplementary Estimates 1936-37 .....	804,897	17,682,158	.....	.....	18,487,055
	<u>\$22,285,147</u>	<u>\$48,350,137</u>	<u>\$26,079,198</u>	<u>\$33,086,716</u>	<u>\$129,801,198</u>

### Taxation Changes

*Income tax*—No changes were announced on rates for individual or corporation Income tax but provision was made for deductions by Canadian companies for lump sum contributions to pension funds for employees. Annuities received under the provision of any will or trust were made taxable and this provision was made retroactive to 1937. Royalties paid by persons outside Canada from royalties received from sources within Canada were no longer allowed as deductions in determining the net royalty for Income tax of the Canadian source. Small loan companies were made subject to normal corporation taxes. Previously they had been able to claim special exemptions under other provisions of the Income Tax Act. Gift tax provisions were amended to allow an exemption up to one-half of a person's taxable income, less the amount of the tax paid. Those who made gifts for the obvious purpose of avoiding the Income tax, however, were discouraged by increased rates on a sliding scale, graduated from 5 per cent. on \$25,000 up to 15 per cent. on \$1,000,000 or over. Provision was made to allow parent companies in Canada an exemption from Corporation tax on dividends received from wholly-owned non-resident subsidiaries in countries which extended the same exemptions to parent companies with subsidiaries in Canada, provided that at least 75 per cent. of the total capital of the parent and subsidiary company was employed abroad. A blanket clause was inserted in the Income Tax Act providing

that, if any person or corporation ordinarily resident in Canada effected any transaction which at any stage made use of anyone abroad to reduce liability for taxation, such transaction would be ignored for the purposes of tax exemption. The Treasury Board was made the judge of such transactions and an appeal from its rulings was allowed to the Exchequer court.

*Excise Tax*—No change.

*Sales Tax*—Mr. Dunning announced exemption of all major building materials from the Sales tax in an effort to stimulate the construction industry. Some 50 items were specially designated (others were added since that time). Other minor changes included exemption of feed for fur-bearing animals, harness and materials used for making harness and materials for the repair of fishermen's boats.

*Special Excise Tax*—The tax was removed on rubber tires and tubes when used for the original equipment of automotive vehicles.

There were no tariff changes in 1938. The Government were still negotiating the Canada-United States Trade Agreement and, pending its completion, Mr. Dunning announced that it would be unwise to make any changes. Unilateral tariff action, he believed, would do little to give Canada wider markets. "Canada cannot give to-day and bargain to-morrow," he pointed out. He saw no reasonable hope of restoring normal trade relations except by vigorous prosecution of tariff reductions through bilateral agreements.

### The Debate on the Budget, 1938

On June 22, six days after he had brought down his Budget Mr. Dunning collapsed in the House of Commons, a collapse which was the forerunner of his retirement from public life a year later. This incident, which brought in its wake tributes from all sides of the House to the Minister of Finance, was a factor in curtailing the Budget Debate which occupied less than a full week. The Hon. J. Earl Lawson (Cons., S. York), as financial critic for the official Opposition, moved in amendment to the Budget Motion "that this House regrets that the financial proposals—fail to make adequate provision for the reduction of the excessive burden of taxation now borne by the Canadian people." He pointed out that the previous year had seen an increase in taxation of \$131,340,000 and an increase in Controllable Expenditures of \$38,415,000. Mr. Lawson attacked the Government's policy of lowering trade barriers to United States products as detrimental to Canadian industry. In the previous eight months, he said, there had been a constant slowing up of industrial employment and this, he believed, would become more apparent as the operations of the United States Trade Agreement became more effective. Canada had opened her markets to a country in which a business recession had prevented the Dominion from receiving any reciprocal benefit. He pointed out that exports to the United States in 1937 had really shown a decrease of \$21,104,000; that imports from the United States in the same period had increased by \$93,608,318; that in October, 1937, Canada's employment index stood at 119.6; and in May, 1938, it was 111.5 (*Hansard 1938*, p. 4072).

The Opposition critic denied that Conservatives advocated economic nationalism. "But," he added, "we have advocated that to the extent that it is possible to consume in our own domestic market the things which we can produce economically the domestic market should be protected . . . .



To the extent that we can produce more than we can consume, Conservatives have advocated negotiation of trade treaties whereby we might accept the products of other countries which we cannot produce economically in exchange for our own surplus." The lateness of the 1938 Budget, Mr. Lawson submitted was a political manoeuvre in order to prevent adverse reactions, before the Saskatchewan General Election (June 8, 1938) to Mr. Dunning's announcement that there were no reductions in the tariff on farm implements. (*Hansard 1938*, p. 4074).

The Opposition Leader (Mr. Bennett) did not take part in the Debate. He had explained to the House that he would refrain from doing so owing to the absence of the Minister of Finance.

Mr. M. J. Coldwell (Rosetown-Biggar), speaking for the C.C.F. group, read a Manifesto which had been issued before the Provincial Election by the Saskatchewan Prime Minister, pledging pressure upon the Dominion Government to reduce the farm implement tariff. Mr. Coldwell supported the charge of the Conservative Opposition that the Government had been careful not to announce their Budget until the Liberals were again safely ensconced in Saskatchewan. "Political parties," he complained, "seek office on specific promises and then, when they have achieved office, forget all about the definite pledges they have made. He moved a Sub-Amendment regretting failure of the Government to live up to the 1919 Liberal platform by reducing "customs taxation."

Mr. J. H. Harris (Cons., Danforth) contended that the Liberals had set up the god of total trade and ignored the more important factor of trade balances.

The demand from the C.C.F. Leader, Mr. Woodsworth, that the Government should take criminal action against textile companies on the findings of the Textile Commission with regard to taxes, brought the announcement from the Minister of National Revenue, the Hon. J. L. Ilsley, that civil actions had been instituted against eight of the companies for an amount totalling a little more than \$1,000,000; that the Government had taken the stand that there had been undervaluation of inventories; that the companies had contended that inventory valuation was at the discretion of directors having regard to business conditions; and that the Income Tax Branch had claimed that they should be valued at cost or market price, whichever was the lower. "If there is deliberate falsification of accounts," he agreed, "it is criminal but that is a thing that has to be established and that will be determined in the civil actions we have taken," (*Hansard 1938*, pp. 4133-4).

Only ten other speakers joined in the Debate which ended on June 23 with three divisions of the House in rapid succession. On the Coldwell Sub-Amendment the vote was 169 to 23, with Conservatives and Liberals voting together to defeat it against a solid C.C.F. and Social Credit vote. The Conservative Amendment, supported by C.C.F. and Social Credit Members, was lost on a vote of 136 to 53 and the Budget Motion carried, 135 to 52. One Liberal, the Hon. W. R. Motherwell, voted against the Government.

## The Debate on Defence and Foreign Policy, 1938

When presenting the estimates of his Department, the Hon. Ian MacKenzie, Minister of National Defence, announced that the Government were concentrating, first, on coastal defences, particularly on the Pacific. He added: "Our defensive buffer on the Pacific is not the Pacific Ocean

alone but the existence there of a friendly fleet." Emphasis, he said, was being placed first on the Air Force, next on Naval Defences and, finally, on rehabilitation of the Land Forces. The arms race in Europe, Mr. Mackenzie told the House, meant that Canada had to rely on her own resources to supply her needs. The Department was still waiting for delivery of anti-aircraft guns ordered from abroad in 1935. (*Hansard 1938*, pp. 2910-12). He outlined briefly to the House the contracts with the John Inglis Company of Toronto for the manufacture of 7,000 Bren guns for Canada and 5,000 for Great Britain (See also "Bren Gun Inquiry" in this Volume). Later, Mr. Mackenzie announced to a deputation from Stratford that idle shops of the Canadian National Railways might be used for armament manufacture and that, with this in view, a survey had already been made by the Department.

Following his own precedent the Prime Minister, on May 24, debated the Motion for Committee of Supply, in order to introduce discussion of Canada's foreign policy. Mr. King dealt with Canada's position as a member of the League of Nations, as an independent nation and as a member of the British Commonwealth. There was little likelihood, Mr. King said, that Canada would become embroiled in a war through her connection with the League. He reviewed the changes since 1936 affecting sanctions and announced: "So far as the Canadian Government are concerned the Sanction Articles have ceased to have effect by general practice and consent and can not be revived by any state or group of states at will." (*Hansard 1938*, p. 3182). On Imperial relations Mr. King repeated the stand of the previous Session, namely, that Canada would decide for herself and that Parliament would be called for that purpose if a war emergency arose involving the Commonwealth. He did not agree with the view that a decision should be laid down in advance. "To force an issue like this upon the country," he said, "would bring out deep and, in some cases, fundamental differences of opinion and would lead to a further strain upon the unity of a country already showing tension through the economic depression and other consequences of the War of 1914-18 and its aftermath" (*Hansard 1938*, p. 3184).

Mr. Bennett drew a sharp distinction between Canada's policy and Canada's position. When any part of the British Commonwealth was at war Canada was at war. That was a matter of fact and not one for decision. Canada's participation was a matter of policy for the Parliament of Canada to decide. He submitted that Canada, as a member of the Commonwealth and subscribing to that "free association" clearly set forth in the Statute of Westminster, had a duty and responsibility of consultation and co-operation with other members in regard to every matter which had to do with the welfare of the Canadian people in connection with foreign nations. As far as participation in a war was concerned it must always be remembered that no action Canada might take would preclude those forces opposing other parts of the Empire from treating her as a belligerent. "We still have the choice," he concluded, "unity in common allegiance to the British Crown freely associated as members of the British Commonwealth or, for a time, an independent nation. And I believe as we preserve and maintain that association so we shall assist in preserving the peace of the world." (*Hansard*, p. 3198).

On July 1st, 1938, in Committee of Supply, during a discussion on National Defence expenditure, the Leader of the Opposition (Mr. Bennett) raised the question of the Government's policy as to the training of British airmen in Canada. He understood, he said, that the Government

of the United Kingdom had made an approach to the Canadian Government in this connection. The Prime Minister (Mr. King), in reply, stated that "No requests have been received from the British Government for the establishment in Canada of training centres for aviators of the Air Force of the United Kingdom. Confidential and informal exploratory conversations with respect to training of British air pilots have taken place, but nothing has been developed which, it was felt, warranted a statement of policy. . . . May I say a word with respect to the idea of having the Imperial Air Force set up flying schools in Canada to train their pilots; in short, a military station put down in Canada, owned, maintained and operated by the Imperial Government for Imperial purposes. I must say that long ago Canadian Governments finally settled the constitutional principle that in Canadian territory there could be no military establishments unless they were owned, maintained and controlled by the Canadian Government. . . . A reversal of that principle and that historical process at this date is something the Canadian people would not for a moment entertain. . . . I need only add that what I have said has, of course, to be sharply distinguished from the case of actual war where a country may have to permit its partners, associates or allies to maintain, operate and control military establishments and forces within its territory."

Commenting on the Prime Minister's reply, Mr. Bennett said: "When the ancient partner upon whom we have leaned all these years is not to be permitted to provide effective means for maintaining, not her life but the life of an Empire and Commonwealth, then I say it is time for us to take stock of the situation. . . . Who stands if freedom falls; who dies if England lives? . . . No Canadian is worthy of his great heritage and his great traditions and his magnificent hope of the future who would deny to the old partner who established us the right in this country to create those centres which she may not have at home to preserve her life and the life of every man who enjoys freedom and liberty under the protecting aegis of the flag."

Mr. Mackenzie King declared that: "This Government have never at any time said that they were not prepared to give, in our own establishments, the opportunity to British pilots to come over here and train, but they will do it in our own establishments, controlled by our own Minister of National Defence who is responsible to this Parliament. That is an entirely different thing from having a branch of the British Forces establish headquarters in this country, direct their own men here and be responsible, not to this Parliament for what takes place in Canada as a consequence, but only to the British Parliament and the British people." . . . Mr. Mackenzie King added that such an arrangement would infringe upon Canadian autonomy.

The discussion was concluded by Mr. Bennett's asserting: "The question has been answered. No British Government, after the statement made this morning by the Prime Minister of this country, will ever apply to his Government for permission to establish an air training school here." (*Hansard*, pp. 4889 to 4897).

After Great Britain's tentative approach to the Canadian Government, Lord Stanley, Secretary of State for the Dominions, had announced in the British House of Commons that exploratory discussions had taken place between the Canadian and British Governments and that, in the light of those conversations, it had been decided not to pursue the matter further.



## The Debate on Charges of Corrupt Practice, 1938

Charges of political patronage, levies for Party funds and vote-buying levelled at all Parties in the House permeated the Session of 1938—which was to be Mr. Bennett's last year in the House. It began when the Opposition Leader, speaking in the Debate on the Address-in-Reply to the Speech from the Throne, declared: "**Never in the history** of this country has corruption been so rampant electorally as it is to-day. It is not a case of \$5,000 or \$10,000 in a constituency, but it is a case of large sums of money for corrupt purposes" (*Hansard*, p. 36). The Minister of Transport, Mr. Howe, retorted that Mr. Bennett had said "either too much or too little." He drew from the Opposition Leader the charge that he knew of levies in connection with Canadian National Railways contracts. (*Hansard*, p. 37). Echoes of the charges were heard as C.C.F. and Social Credit Members entered the Debate with demands for an investigation and for the publication of all sources of political contributions. Mr. R. A. Pelletier (Soc. Credit, Peace River) blocked a Motion for Committee of Supply with an Amendment to refer the Bennett charges to a Select Committee. Mr. King accused Mr. Bennett of stirring up scandal by vague insinuation. He regretted that as Mr. Pelletier's Motion was a Want-of-Confidence Motion the Government could not support it and invited proposals for the tightening of electoral laws. (*Hansard* 1938, p. 464). "I invite Members," he challenged, "instead of wasting their time in doing what they can to defame the institutions of Parliament to come along with practical suggestions." Mr. Bennett retorted that, if there was any besmirching of Parliament, it had its origin in the Beauharnois scandal (*Hansard*, p. 467).

A running fire of patronage accusations by the Opposition Leader marked a long debate on unemployment relief when Mr. Bennett hurled charges of political discrimination in giving work. He touched on alleged occurrences in Kingston (the Labour Minister's constituency) which Mr. Rogers dealt with by reading a number of reports and correspondence in order to disprove the insinuations. He concluded his reply with a reference to Mr. Bennett's "dual personality" (*Hansard*, p. 3840). "For the public-spirited statesman," he said, "I have nothing but the highest respect. For the vindictive partisan I can only say that I have a mixture of sorrow and contempt."

Mr. M. J. Coldwell (C.C.F., Rosetown-Biggar) produced a mild sensation with correspondence showing that a C.N.R. official had circularized employees in Saskatchewan urging them to vote Liberal in the Provincial Election because the Liberal Party was opposed to railway amalgamation. The Hon. Grote Stirling (Cons., Yale), moved an Amendment to a Supply Motion charging that the Minister of National Defence (the Hon. Ian Mackenzie) had used defence expenditures of the Government in an appeal for votes in the Victoria By-Election campaign (*Hansard*, p. 2205). Mr. Mackenzie declared the speech referred to had been made to the Military Institute and had been non-political (*Hansard*, p. 2210).

On June 10, 1938, Mr. Arthur Beaubien (Lib., Provencher) read to the House a letter written to Mr. Bennett by Mr. Ralph Webb, Manitoba Conservative organizer in August, 1935, asking that the Dominion Government provide road work in the ridings of Lisgar and Provencher in order to make these seats safe for the Election. Mr. Webb believed that if the Dominion Government entered into an agreement with Manitoba it would not "cost the Federal Government anything because by the time the work is organized the Election will be over and Winter will be on us . . ."

(*Hansard*, p. 3729). The Prime Minister took up the charge. In the course of his lengthy criticism, Mr. King declared that: "In the whole history of Parliament there has never been anything so disgraceful as that disclosure." While the Prime Minister was speaking Mr. Bennett twice called "Beauharnois" across the floor of the House. Proceeding, the Opposition Leader said that there was no warrant for any such language as that used by Mr. King and that there was no Minister in the House who had not received personal letters about public works and the political effects thereof. Mr. Bennett said that he could accept no responsibility for the letter referred to.

### The Debate on Monetary Policy

On Mar. 8 the Social Credit group leader, Mr. J. H. Blackmore, moved an Amendment to Mr. Dunning's Motion for Committee of Supply which started a series of debates on the Government's monetary policy lasting until the end of the Session. Mr. Blackmore's Amendment which regretted the Government's failure "adequately to use the resources of this country to battle poverty," was the group's method of introducing their Social Credit theories into the debates, thus blocking Supply for nearly a month. Mr. Dunning's answer was a suggestion to the Social Credit group that they open their own bank in Alberta under a charter which, he assured them, the Dominion Government would grant; and that as a group of citizens they were entitled to take this action and to see that the bank was directed and controlled by those who held their views (*Hansard*, p. 1861). The offer was later rejected by the Social Credit group.

Earlier in the debate Mr. Dunning, in a prepared statement, gave a rebuttal to the Social Credit arguments. The statement that there was a chronic shortage of purchasing power because the consumer was never paid the full cost of production ignored the obvious fact that Major Douglas' B payments (those not going directly to wages, salaries and dividends) went to pay those wages, salaries and dividends in other industries that supplied raw or semi-raw materials. In addition, this plan ignored the great bulk of capital goods which the consumer was never required to buy but in the manufacture of which he acquired wages and salaries. If purchasing power, Mr. Dunning said, were issued to the full extent of production costs in any industry the result would obviously be inflation. The third factor that was ignored was the velocity of money, the actual turnover of the dollar, the effect of which was more important even than the number of dollars in circulation. In 1929 Canada's volume of business was 52 billion dollars, and the amount of money in circulation, about two billion dollars. To inflationist cries from other quarters of the House Mr. Dunning pointed out that inflation did not create wealth but redistributed it, giving more to the large property owner and less to the wage earner. (*Hansard* 1938, pp. 1143-58). To answer statements that Canada's monetary policy had been deflationary Mr. Dunning pointed to bank deposits, "the credit that does from 90 to 95 per cent. of the money work of Canada and which were nearly 22 per cent. above the figure for Oct. 31, 1932, and \$117,000,000 higher than at the end of the boom year of 1929."

### Legislation of 1938

Fifty-four Bills received the Royal Assent in 1938. Summaries of the more important Acts and the debates that marked their passage through Parliament will be found in the following chapters. In addition to these

enactments there were Acts ratifying two Trade Agreements, one with Guatemala and the other, with Hayti. The Pelagic Sealing (Convention) Act ratified the North Pacific Pelagic Convention "entered into between the United Kingdom and Ireland, the United States, Japan and Russia, respecting measures for the preservation and protection of the fur seals in the Northern Pacific Ocean (North of the 30th parallel of north latitude including the Seas of Bering, Kamchatka, Okhotsk and Japan) signed at Washington, July 7, 1911." The Indian Act provided for leases and licences to prospect and for advances for assistance to Indians. By The National Parks Act, Wawaskeyes Park was abolished, Elk Island Park was extended and the Park limits of Prince Edward Island, redefined. The usual Appropriation Acts granted the necessary sums of money for the Public Services. The Farmers' Creditors Arrangement Act amended the Act of 1934, providing, amongst certain other items, for Boards of Review, dates of termination for proposals and for extension of time in certain cases. The Excise Act, 1934 and The Income War Tax Act were both amended. The Natural Resources Transfer Act confirmed agreements.

### **Unemployment and Agricultural Assistance Act, 1938**

When introducing the Unemployment and Agricultural Relief Act Bill of 1938, which received the Royal Assent, the Minister of Labour, the Hon. Norman Rogers, told the House that the policy of the Government in their public works programme was to see that the 1938 appropriation was expended on projects which would eventually increase the national income. He condemned the existing conflict between Dominion and Provincial jurisdiction, under The British North America Act, in so far as it concerned the administration of direct relief and relief works. There were, however, he said, under direct Dominion control, developments which would not only merely alleviate unemployment but which would add a permanent and income-producing asset to the country. "I believe," he said, "that this policy will also play its part in counteracting some of the disintegrating forces which exist in this country at present." (*Hansard*, p. 1993). The Government, Mr. Rogers continued, had spent two months discussing with the Provinces the system of grants-in-aid, which since had been established, and had sought to halt the abuses whereby relief rates were in competition with prevailing wages. Progress had also been made in segregating unemployables from unemployed. (*Hansard 1938*, p. 1995-6). Several times during the long debates on Relief estimates (See "Main and Supplementary Estimates, 1938-39") and on the Bill Mr. Rogers was pressed for a stand on Dominion control of relief administration. He stated that the Government were willing to bring, at any time, the whole problem under unified control but only if jurisdiction was extended to such matters as unemployment insurance, hours of work and wages. In opposing a Resolution of Mr. T. L. Church (Cons., Broadview-Toronto) that the Dominion Government should assume the full responsibility of relief, Mr. Rogers pointed out that this would cost the Dominion Treasury \$100,000,000 a year; and that the existing contribution was \$30,000,000. (*Hansard*, p. 977).

### **The National Housing Act, 1938**

Three main attacks were made by the Government during the 1938 Session on the depressed conditions in the construction industry. The first was its Municipal Improvements Bill providing \$30,000,000 for loans to municipalities for self-liquidating projects. The second and most sweeping measure was the National Housing Bill which took the place of the



Dominion Housing Act of 1935. The third was removal of the Sales tax from materials used in construction (See Budget Speech, 1938).

The \$30,000,000 was made available to municipalities for local expansion or improvement projects wherever the Government could be assured that the project would carry the 2 per cent. interest and provide for repayment of the loan from its own revenues. Mr. Dunning met the question of constitutional difficulty by providing that the Dominion would work through the Provinces, and not directly with the municipalities since these municipalities were the creatures of Provincial legislation. For this reason Provincial approval was required for all loans and the Provinces, in return, were required to guarantee repayment. (*Hansard*, p. 3385). The Opposition Leader (Mr. Bennett) foresaw delay in this stipulation. Provincial Legislatures had all prorogued before the Bill was brought down in Parliament and he believed that nothing would be done for at least a year. (*Hansard 1938*, p. 3467). Mr. Dunning replied that it was the Provincial Governments, not the Legislatures with which they would be dealing.

The National Housing Act Bill was divided into three parts; the first was an expansion and revision of the 1935 legislation. Up to a limit of \$20,000,000, the Dominion Government made available to prospective home owners 25 per cent. of any required loan for home building up to 70 and 80 per cent. of the appraised value or cost, whichever was less. Advances already made under the Dominion Housing Act, totalling at that time about \$4,500,000 were included in the \$20,000,000 vote. On this 25-75 basis the loans were to be made jointly by the Government and lending institutions, the Government supplying their money at a 3 per cent. interest rate. Special encouragement was given to the small home builder where the total lending value of the property did not exceed \$2,500. Here a loan up to 90 per cent. of the cost or appraised value was allowed. Loans were to be amortized on a 20-year basis with the borrower paying monthly instalments. The Government guaranteed the lending company against loss on a proportion of its money fixed by schedule, in connection with any loans on single family dwellings where the total value was not in excess of \$4,000. The schedules ran to a maximum of 20 per cent. in the case of 80 per cent. loans, and 25 per cent., in the case of 90 per cent. loans.

Part II of the Act was designed to encourage municipalities in low-rental housing projects. It provided an appropriation of \$30,000,000 for loans to limited dividend housing corporations or to municipal commissions for the erection of dwelling units for rent to small wage earners. Corporations might be set up in any municipality by shareholders who would be required to supply 20 per cent. of the capital needed for the housing project. Dividends were limited to 5 per cent. on the money invested. In all these cases the Government agreed to lend the other 80 per cent. of the required money at a rate of  $1\frac{3}{4}$  per cent. repayable over a period of 35 years. In this class of project the municipality was required to guarantee that taxes would not exceed one per cent. of the cost of the project and to free the corporation itself from Income tax. The alternative or supplementary plan entailed the establishment of Municipal Housing Commissions which were required to put up only 10 per cent. of the cost with the Government lending 90 per cent. at a rate of 2 per cent. Mr. Dunning gave estimates to the House to show that under the legislation it should be possible to provide comfortable and modern accommodation for five adults or two adults and six children at an economic rental of \$18 a month, heated, or \$15 to \$16 a month,

unheated (*Hansard*, p. 3658). The Act provided that in no case were such dwelling units to be rented to families whose income was more than five times the economic rental. It also limited all loans to \$2,400 per single family unit.

Part III of the Act was Mr. Dunning's attempt to solve the problem of high real estate taxation and its depressing effect on the construction industry. On all houses costing not over \$4,000 and on which construction would start before Dec. 31, 1940, the Government agreed to pay a proportion of municipal taxes on the following basis: (a) 100 per cent. of the taxes for the first year in which the house was subject to taxation; (b) 50 per cent. of the taxes in the second year and (c) 25 per cent. of the taxes in the third year. These taxes were to be paid directly to the municipality on condition that the total benefit was passed on to the home builder. In return municipalities, were asked to offer for sale any suitable lots they might have available at a price not exceeding \$50. Taxes were defined as general and school rates but not local improvements.

As in all such Dominion Government projects, Parts II and III of the Act were predicated on three-way agreements between the Dominion, the Provinces and the Municipalities. The Municipal project had to be approved by the Province which, at the same time, guaranteed repayment of the loan. Loans to any one municipality were not to exceed the same ratio to \$30,000,000 which the population of the city, town or village bore to the population of the Dominion.

To the general principles of Mr. Dunning's \$80,000,000 programme the House gave unanimous support and, in return, the Government accepted suggestions for some Amendments to the Bills involved. One of the chief Amendments was on the suggestion of Mr. Bennett that the small wage earner should not be required, as stated in the bill to borrow 70 per cent. of the total cost in order to benefit. A proviso was added, that in the case of a single family dwelling to be occupied by the builder and not exceeding \$2,500 in lending value, the minimum loan could be 50 per cent. To the warning of Mr. A. A. Heaps (C.C.F., Winnipeg N.) that the legislation might bring a wave of profiteering in the manufacture of construction materials Mr. Dunning replied: "There is one way for the whole programme to be killed or to be deprived of its effectiveness and that is for those engaged in it, capital or labour, to regard it as an opportunity for increasing the prices of their commodities. . . . Everything that can be done to prevent anything of that sort will be done" (*Hansard 1938*, p. 3978).

The National Housing Act came into operation in August, 1938. During the year 4,138 loans were made totalling \$14,641,949. This brought the total loans under the D.H.A. and N.H.A. at Dec. 31, 1938, to \$27,678,002 and the number of family units approved, to 7,132. One effect of the new legislation was evidenced by the fact that the average size of loan, \$4,352 under the D.H.A., dropped, by the end of the year, to \$3,881. Of the total number, 2,500 loans were for amounts of \$3,000 or less.

### **The Transport Act, 1938**

The Hon. C. D. Howe's Bill to reconstitute the Board of Railway Commissioners as a Transport Board, killed by the Senate in 1937 (See this Volume: Legislation, 1937), made its appearance this time in the House of Commons. There were two notable changes. The plan to regulate highway traffic had been discarded and, as a concession to the grain trade, carriage of bulk freight on the Great Lakes was exempt. Like its predecessor, the Bill gave the Board power to regulate and license rail,

air and water services and to fix rates and tolls for freight and passengers. It also legalized agreed charges between carriers and shippers coming under the Act. In the case of rail traffic, however, both railways had to be parties to the agreed charges. All such charges were to be subject to approval of the Board which was required to publish them and hear complaints against them within a specified time. Carriers like truckers, which did not come under the Act, had no appeal to the Board. After debate on second reading in which Mr. Bennett attacked the agreed charges and questioned the licensing experiment (*Hansard*, p. 1557) the Bill was referred to the Railway Committee of the House of Commons. Here the Canadian Manufacturers' Association submitted a brief opposing agreed charges on the ground that they would bring chaos in rail transportation and "would make impossible achievement of order and stability in the field of highway transportation where it is recognized there is an equal need." Boards of Trade of Toronto and Hamilton, the Montreal Chamber of Commerce and the trucking interests joined in the opposition, the truckers declaring that even if the railways by "predatory use" of these charges did take all the business from the highways they couldn't hold it. A Maritime delegation asked and obtained the exemption of shipping operating between the Maritime Provinces and the Great Lakes or St. Lawrence ports. A Quebec plea for exemption of routes east of the Isle of Orleans was granted. Another Amendment restricted the scope of the Act by making it applicable only to boats over 500 tons instead of 150 tons. In this somewhat emasculated form the House of Commons gave it third reading after Mr. Bennett and the Hon. H. H. Stevens had made final protests, Mr. Stevens charging that it was an attempt to "blackball" the trucking interests. (*Hansard*, p. 3608). The Senate, however, went further. In response to protests from British Columbia which the Lower House had rejected, it further amended the Bill to exempt shipments from British Columbia to Atlantic ports *via* the Panama canal. It also exempted certain classes of freight on the Great Lakes from agreed charges. In this form, after a two-year effort, the Act was finally added to the Statutes.

### **Criminal Code Amendment Act, 1938**

Mr. Lapointe's Criminal Code Amendments for 1938 were of more than usual importance. The Bill, introduced on May 30, made nine notable additions. There was a general stiffening of penalties for criminal offences in motor car driving. A maximum fine of \$500 or six months' imprisonment was imposed for hit and run drivers and \$1,000 or two years or both for reckless driving. Other provisions included prohibition of publication of divorce court evidence and prohibition of publication of medical evidence in any court case where it might injure public morals. It placed on the Criminal Offence list the salting of a mine or mine sample and the transfer of naturalization certificates where the holder was aware it would be used for illegal purposes. It cancelled car drivers' licences for a period of three years on conviction and at the discretion of the judge, such cancellation to apply in any Province in Canada. Wider definition was made of a common gaming house for purposes of the Act. With only minor Amendments made by the Senate the Bill passed without opposition.

### **The Dominion Elections Act, 1938; Political Expenditures Bill**

Two Electoral Bills made their appearance during the Session of 1938: these were sponsored by the Minister of Pensions and National Health (the Hon. Charles G. Power). The first measure, The Dominion



Elections Act Bill, implemented almost entirely the recommendations of a Special Committee of the 1937 Session; this Committee had studied the Report of a Special Committee of the 1936 Session (See *The Canadian Annual Review 1935 and 1936*). The second 1938 Election measure, a Bill Respecting Political Expenditures, limited receipt or expenditure of money for political purposes to specially constituted corporations under the supervision of an inspector-general of elections. The Bill provided (1) that all expenditures should be made by cheque and returns, which would be published, would be made to the inspector-general; (2) that each corporation would be identified as set up for the purpose of electing a particular candidate and no outside agency would be allowed to spend money for that purpose; that the candidate, for his part, would be limited to an amount fixed on the basis of his constituency and spent through the corporation. Political expenditures were defined as "any money spent to affect public opinion or Government action." (*Hansard 1938*, p. 2024). Mr. Power admitted that this sweeping Bill might have the effect of cur-tailing or stopping large contributions, but he added: "I submit that democracy is in a bad way if we cannot function without secret funds, back-door subscriptions and underground contributions (*Hansard*, p. 2026). The Bill was given unanimous and immediate support by the House. A Special Committee of the House appointed on Apr. 5 (1938), like its pre-decessors of 1937 and 1936, was under the chairmanship of Mr. C. E. Bothwell (Lib.). After sitting for more than a month, it returned the Dominion Elections Bill with its 112 Sections virtually intact but recommended that the Political Expenditures Bill should be held over for a year for further consideration. For the second time a Special Committee recommended against compulsory voting. It also rejected Mr. Power's proposal for a section forbidding political promises but barred the signing of election pledges. As it came back to the House, the Bill contained provision for staggered polling hours in order to prevent publication of election results from the East in the Western Provinces where polls were still open. The House rejected this and replaced it with a provision that no results were to be published in an electoral district where the polls were open. To prevent the telegraphing of votes the new law required distribution of electoral lists to all voters. In this form the Bill became law.

### The Radio Act, 1938

Outside attacks on the Canadian Broadcasting Corporation were brought into the House by the Hon. J. Earl Lawson (Cons., S. York) by a Motion for a copy of all contracts made by the Corporation since Nov. 1, 1937, for commercial programmes originating in the United States. The Minister of Transport, Mr. Howe, refused to divulge the contracts of "an autonomous body" but moved that a Select Committee of the House on Radio Broadcasting be appointed to consider the Annual Report of the Corporation and to review that body's policies. Increase in radio licence fees from \$2 to \$2.50 had been announced before the opening of the Session and Mr. Lawson in the Address Debate had made his first double-barrelled attack by accusing the Corporation, in its use of United States programmes, which necessitated increased licence fees. (*Hansard 1938*, p. 264).

Mr. Howe, in the same Debate reported that United States advertising programmes constituted only 8¾ hours of the C.B.C.'s 96-hour week. For the 17 hours of United States sustaining programmes, he said, the C.B.C. need make no apologies. The increased licence fee, the Minister declared,

was necessary in order to achieve nationalization of Canada's radio chain which would include two new 50,000 watt stations, one in the Maritimes and one in the West. (*Hansard*, p. 245). The C.B.C. was getting a revenue of \$120,000 a year from United States programmes, he said, and had refused another \$250,000 because other programmes were not suitable.

The Radio Broadcasting Committee, under the Chairmanship of A. L. Beaubien (Lib., Provencher) heard a defence of C.B.C. policy from L. W. Brockington, Chairman of the Board of Governors who submitted that advertising revenues were necessary, temporarily, in order, ultimately, to be able to eliminate commercial broadcasting. They were limited to \$500,000 a year. Answering criticism of speeches which the C.B.C. chain had carried Mr. Brockington laid down a policy of uncensored freedom of speech on Canadian radio (*The Ottawa Journal*, Mar. 24). "We believe," he said, "that censorship is undesirable and perhaps impossible beyond the limits of decency and the minor and necessary prohibitions which we have fixed in our regulations."

Major Gladstone Murray, General Manager of the C.B.C., told the Committee that the Corporation in 1937 had employed 2,801 artists and that its advertising revenues for the year had netted \$445,585.

The Committee, on a vote of 9 to 2, rejected the Motion of Mr. Lawson to compel production of the Corporation's minutes, whereupon Mr. Lawson, joined by Mr. Alex. Edwards (Cons., S. Waterloo) and Mr. Harry Barber (Cons., Fraser Valley), dissociated themselves from the Report presented to the House on May 20. There was no Motion for concurrence in the Report that recommended the establishment of a short wave station financed as a national project and controlled by the C.B.C. The Committee endorsed the policy of the Corporation and found that it was being carried out in a business-like manner. They approved ownership of high-powered stations and extension of C.B.C. coverage. "While private stations will continue to serve a useful local purpose, the Corporation urgently requires its own comprehensive facilities for distribution," (See *House of Commons Journal*, 1938).

The Government's Radio Broadcasting Bill, introduced by the Minister of Transport on May 10, transferred powers of search, given in the old Act to police officers, to radio inspectors. This brought a lengthy debate on the Bill in Committee with Mr. Lawson leading the fight against giving such power to an ordinary civil servant. Even stronger objection was taken to a provision which made mere possession of a radio an offence and left no discretion to the magistrate. The Minister declared that clothing radio inspectors with the right of search was necessary to the operation of the Act, that without it, radio licence fees might drop by half. The other Section was amended to provide that no proceedings should be taken against any person under the Act except by order of the Minister of Transport. (*Hansard*, p. 3403).

### **Bank of Canada Amendment Act, 1938**

On June 20 the Minister of Finance introduced a Bill to nationalize the Bank of Canada. As originally created in 1935 the Bank of Canada was capitalized at \$5,000,000 consisting of 100,000 shares issued to the public at par of \$50. In the following year the Government (Liberal) had provided for the issue of 102,000 additional shares to be held by the Minister of Finance giving to the Government the controlling interest. Mr. Dunning's Bill provided for redemption of the 100,000 shares held by the public at \$59.20 per share and reduction of the total capitalization to 100,000

shares to be held by the Minister of Finance. It contained provision for a Governor, a Deputy Governor and eleven Directors to be appointed by the Minister with the approval of Cabinet. Directors were to hold office for three years. The new legislation gave to the bank power to hold Dominion and Provincial securities, a power which had been previously restricted to bonds maturing within ten years.

Answering the fears of Mr. Bennett that the national bank would become a "political" bank, Mr. Dunning said that it was the intention of the Government to keep the bank out of politics. He discounted Mr. Bennett's suggestion that if the Social Credit Party should come into power it would be able under this set-up to use the Bank as the chief credit agency of the country for its own purposes. He admitted, however, that he still favoured the old set-up but felt that the constitution of a bank which would satisfy the people of Canada and eliminate criticism was of primary importance. (*Hansard 1938*, p. 4055).

The monetary reformers of the House, led by Mr. J. H. Blackmore (Soc. Credit., Lethbridge) on the one side and Mr. G. G. McGeer (Lib., Vancouver-Burrard) on the other, waged war on the bank measure. Mr. McGeer demanded measures to make the Bank a real instrument for controlling and regulating the volume of credit.

Despite his warning Mr. Bennett generally supported the measure. He had said in an earlier debate that his original idea when establishing the Bank of Canada had been a national bank but "so strong did the pressure of patronage become, so loud was the clamouring and so great was the demand on Members of this House and upon the Government to find positions for people that we reluctantly decided that it should be a private institution for the time being."

### Miscellaneous Legislation of 1938

The Trans-Canada Air Lines Act Amendment widened the scope of the 1937 Act to allow for the extension of the Air Lines outside Canada. This legislation was preliminary to the creation of the Trans-Atlantic service.

The Opium and Narcotics Drug Act was amended to give the Department control over the growth, cultivation and production of marijuana. The Minister of Pensions and National Health (Mr. Power) explained that production would be prohibited except in a few rare cases where licences would be issued. The Amendment also brought codeine under the regulation of the Act.

The Soldier Settlement Act was amended to reduce interest charges on outstanding payments by veteran settlers from 7 per cent. to 5 per cent. It also extended, until 1941, the dollar-for-dollar bonus plan whereby soldier settlers were given credit for double the amount of any payment made.

The War Veterans' Allowance Act Amendment allowed the Board to make grants to any ex-Service man who had served in a theatre of war and who, by reason of physical or mental disability, was unemployed. The grants, \$20 a month for single men and \$40 a month for married men, were limited, previously, to men of 55 or older. The Amendment also enlarged the War Veterans' Allowance Board from three to five members. Mr. Power told the House that the legislation would add \$1,250,000 to the cost of administration during the current year.

The C.N.R. financing Bill was introduced by the Minister of Finance authorizing the refunding of \$200,000,000 in National Railway securities. This operation, when completed, resulted in a substantial reduction in interest charges on the C.N.R. funded debt.



A Bill sponsored by Mr. W. K. Esling (Cons., Kootenay W.) exempting small business establishments, restaurant owners, hotelmen and a number of other small operators from paying fees to the Canadian Performing Rights Society for music played by radios or gramophones was passed by the House of Commons and the Senate without a dissenting voice. The Amendment also required the Canadian Performing Rights Society to file with the Department a list of some 2,000,000 musical numbers on which it claimed to hold copyrights. This Amendment to The Copyright Act was first introduced by Mr. Esling during the 1936 Session.

## Public Acts of the 1938 Session

CHAP.	CHAP.
1. Appropriations Act No. 1	28. Exchequer Court Amendment
2. Appropriations Act No. 2	29. Excise Act (1934) Amendment
3. C.N.R. Auditors' Act	30. High Commissioner in U.K.
4. Canada Evidence Act Amendment	31. Indian Act Amendment
5. Canada Grain Act Amendment	32. Inspection and Sales, 1938
6. Shipping Act Amendment	33. Self Liquidating Loans Act
7. Civil Service Act Amendment	34. National Harbours (1936) Amendment
8. Franchise Act Amendment	35. National Parks Amendment
9. Narcotics Drug Act Amendment	36. Natural Resources Amendment
10. Dominion-Ottawa Agreement	37. New Westminster Harbour Act
11. Penitentiaries Act Amendment	38. Territories Act Amendment
12. Railway Act Amendment	39. Pelagic Sealing (Conv.) Act
13. Seed Loan Guarantee Act 1938	40. Railway Act Amendment
14. Soldier Settlement Amendment	41. Shop Cards Registration Act
15. T.C.A. Act Amendment	42. Bank of Canada Amendment
16. Veterans Allowance Amendment	43. C.N.R. Financing Act 1938
17. Winnipeg and St. Boniface Harbour Act Amendment	44. Criminal Code Amendment
18. Appropriations Act No. 3	45. Dairy Act Amendment
19. Guatemala Trade Agreement	46. Dominion Elections Act
20. Hayti Trade Agreement	47. Farmers' Cred. Arrang. 1934 Amend.
21. Can.-British Insurance Amendment	48. Income War Tax Amendment
22. C.N.R. Refunding Act, 1938	49. National Housing Act
23. Battlefields Amendment (Quebec)	50. The Radio Act, 1938
24. R.C.M.P. Act Amendment	51. Seeds Act (1937) Amendment
25. Unemployment Relief, 1938	52. Special War Revenue Amendment
26. Shipping Act (1934) Amendment	53. Transport Board Act
27. Copyright Act Amendment	54. Appropriations Act No. 4

## The Electric Power Exportation Bill, 1938

On Feb. 11, with his Motion for leave to introduce a Bill to Amend the Electricity and Fluid Exportation Act, the Prime Minister (Mr. Mackenzie King) stated that "while this Bill, in form, constitutes a general amendment and recasting of the Act which has not heretofore been amended since it was passed in 1907, in substance its object is to transfer to Parliament itself the power, at present legally vested in the Governor-in-Council, to control the export of electrical power from this country."

The Bill provided for applications for power exports in the form of private Bills. The Bills were to be subject to the overriding provisions that such power should be actual surplus, that it should be sold at a price not lower than was charged in Canada and that the legislation could be repealed at any time with notice by an Order-in-Council. There was also provision for approval of the Provincial Governments interested. In a two-hour speech Mr. King reviewed the whole history of power export to the United States from the time that the Conservative (Borden) Government had warned the United States that any such export was on a yearly basis and that there could be no question of vested rights. He recalled the private Bill sponsored in 1929 by the Hon. H. A. Stewart (Cons., Leeds) to invest the right of power export in Parliament, a Bill which had passed the House of Commons unanimously and had been killed in the Senate. Since that time, Mr. King said, he had laid down the policy that, since it

was the obvious desire of Parliament, no power export licence should be granted without Parliamentary sanction. In April, 1937, he had received an application from the Montreal Light, Heat and Power Consolidated for a licence to export 40,000 h.p. to the Aluminum Company of America at Massena, N.Y. He had informed the applicants that the matter would have to wait for Parliament and he had held to this decision through a series of conferences, the last of which had been on Nov. 2, 1937, when the President of Aluminium Limited of Canada had called on him to press the request. It was on this account and "not because the Government of Ontario made an application" (See, also, in this Volume "The Province of Ontario") that the Bill had been introduced, Mr. King said (*Hansard 1938*, p. 1208). There had also been an application for export from a subsidiary of the Montreal Light, Heat and Power Company, Mr. King said, though he believed that both these applications had since been withdrawn. Not until Jan. 21, 1938, he told the House, had the formal application from Ontario been received (See "Province of Ontario"). Mr. King believed that the Bill should be considered without any thought of a particular application.

In spite of the fact that the principle of Parliamentary control of export was accepted unanimously the Bill had a stormy passage. Mr. Bennett, backed by other Conservative Members, including Mr. Stewart, charged that the Government was evading responsibility by putting these applications in the form of private Bills on which they would never have to stake their life. Mr. King replied, that if the Government sponsored each Bill the resulting vote would be a party vote and he wished to leave his followers free to do what they thought right on the merits of each case. (*Hansard 1938*, p. 1420).

With the Bill in Committee, on Mar. 21 Mr. King tabled correspondence from Washington, refusing approval of Mr. Hepburn's Long Lac diversion project as forecast early by the Prime Minister (See in this Volume under "The Province of Ontario"). With the reply was a memorandum stating that whether or not Canada allowed export of power, the United States would not allow the import of power which might be interrupted at any time. Mr. A. G. Slaght (Lib., Parry Sound) announced immediately that it had been Mr. Hepburn's intention that he (Mr. Slaght) should introduce the Ontario private Bill but in view of the stand of the United States there would be no Bill. From this stage The Electric Power Bill lost part of its significance. It was passed by the House of Commons but later shelved by the Senate where the Rt. Hon. Arthur Meighen had taken the same stand in opposition as Mr. Bennett.

### The Penal Reform Bill, 1938

A Bill of the Minister of Justice (Mr. Lapointe) to establish a Commission of three to administer Canada's penitentiary system and to aid in carrying out reform measures was introduced late in the 1938 Session and had a short and stormy life. Passed finally by the House of Commons the day before Prorogation it was killed on third reading in the Senate on a vote of 25 to 9 with Mr. Meighen as chief opponent.

The Penitentiaries Commission as envisioned in the Bill was to be appointed for a period of ten years. It was to be answerable to the Minister of Justice and under him had sweeping powers including "control and management of all penitentiaries and all prisoners and other persons confined therein and over all matters connected therewith." The Bill provided for the appointment of assistant commissioners to perform the

work of inspectors of prisons. The post of Superintendent, then occupied by General D. M. Ormond, was to be abolished. The Bill was the direct result of the Penal Inquiry conducted by the Archambault Royal Commission which had reported a few weeks before (See this Volume: "Commissions of Investigation, 1937-38") but implemented only the one recommendation. The others, Mr. Lapointe said, would be considered by the Government in consultation with the Commissioners and there would be further legislation. He felt however, after publication of the Report, that the Government would be criticized if they did nothing during the 1938 Session. (*Hansard*, p. 4361). It was on the assurance that it was temporary legislation that Mr. Bennett finally withdrew his objection to the Bill after a heated attack on the Archambault Commission which he said had gone outside their powers in recommending the dismissal of General Ormond.

### The Divorce Bill, 1938

A measure designed to widen the grounds for divorce in Canada made its debut in the Senate and had a triumphant passage despite vigorous opposition from Roman Catholic Senators. It met its death, however, in the House of Commons. The Bill was introduced by the Hon. Lendrum McMeans and was patterned on a recent Act of the Parliament of the United Kingdom. The Bill provided three new grounds for divorce, in addition to the existing cause of adultery. At the same time, it restricted the existing machinery with the proviso that no divorce could be granted within three years of marriage. The new grounds provided in the McMeans measure were (a) desertion without cause for a period of three years, (b) cruelty and (c) incurable insanity, which was defined as being under treatment, either voluntary or compulsory, for a continuous period of five years.

Four reasons for decrees of annulment were included in the measure: wilful failure to consummate marriage, insanity or mental deficiency at the time of marriage, venereal disease and pregnancy at the time of marriage. The Bill also stated that absence for a period of seven years might be taken as presumption of death provided the appellant had no reason to believe the husband or wife was living.

On second reading the Senate divided 40 to 29 in favour of the Bill after a two-day debate. The Rt. Hon. Arthur Meighen supported it with reservations. The existing restrictive Canadian law, he said, resulted in many instances of "the most brutal injustices" (*Debates of the Senate, 1938*). He was not sure, however, whether he was willing to support desertion as a ground for divorce. The Divorce Committee, to which it was referred after second reading, reported the Bill intact after a debate on the question of defining cruelty; the Hon. A. K. Hugessen believed that the lack of definition laid the term open to varying interpretation.

The Bill, however, met its first real snag when it returned to the Senate. On the Motion for third reading new opposition developed. The Bill, finally, was referred back to the Divorce Committee, which reported it with several Amendments. In its amended form it was given third reading in the Senate on May 18 by a majority of four, after an Amendment of the Hon. J. J. Hughes of Prince Edward Island, prohibiting divorced persons from remarrying while either was alive, had been voted down.

The debate in the House of Commons lasted less than half an hour. Mr. J. S. Woodsworth sponsored the Bill which had lain on the Order Paper for more than a month. A vote of 102 to 53 supported an Amend-



ment of Mr. Daniel McIvor (Lib., Fort William) to give the measure a six months' hoist. Mr. Bennett, joined by one Cabinet Minister, Mr. Ilsley, supported the Bill. The Prime Minister voted for the Amendment. (*Hansard*, p. 3849).

### Special Committees of the Senate, 1938

The Senate Divorce Bill of 1938 and the question of the Canadian railway situation were each referred to a Special Committee of the Senate for consideration.

The Divorce Committee (See also "The Divorce Bill") reported the Bill twice: first, intact and upon a second reference, with several Amendments which were incorporated in the Bill passed by the Senate and rejected by the Commons.

The creation of the Special Committee to investigate railway affairs was the result of a Resolution moved by the Hon. C. P. Beaubien (Montarville), "that in the opinion of the Senate the Government should be urged to settle the railway problem of Canada at an early date in order to stop the ruinous loss made each year by the Canadian National Railways, which already amounts to several billion dollars," brought a long and, at times, stormy debate. The Government Leader, the Hon. Raoul Dandurand, criticized Sir Edward Beatty, President of the Canadian Pacific Railway Company, for his "generalities" on unification. The Hon. James Murdock warned against any attempts to tamper with the Canadian National Railways. The Rt. Hon. Arthur Meighen stated that "if the present Government policy" were pursued the country would have something much worse than unification on their hands—bankruptcy.

The Special Committee of the Senate was charged to inquire into Railway Conditions in Canada and to suggest means of alleviation. During the Session (1938) the Committee held 42 meetings, heard evidence from 31 officials from both railways and gathered 1,425 pages of evidence and 97 exhibits.

Since 1933, when the Government, on the recommendation of the Duff Royal Commission had passed the Canadian National-Canadian Pacific (Co-operation) Act a Joint Committee of the two railways had been studying schemes for co-operative economies including line abandonments and the pooling of services. The Special Senate Committee started its Inquiry with Mr. S. W. Fairweather, Director of the Bureau of Economics, Canadian National Railways, as a witness reporting on just what economies had been effected in that period. Mr. Fairweather's Report showed that in the five-year period the total estimated savings from co-operative efforts had been \$1,771,635. In a joint Memorandum submitted to the Committee by Mr. Fairweather and Mr. J. E. Armstrong of the Canadian Pacific Railway it was stated: "Apart altogether from the cases in which public convenience was involved, to any substantial extent, it was found that technical difficulties were insurmountable or that the prospective economy depended so largely on density of traffic that it became so highly problematical as to compel rejection." The Joint Committee, it was stated, had under study projects dealing with the pooling of telegraph and express services, terminals, train pooling and line abandonments. The railways had agreed jointly to the abandonment of 517 miles of line in five years, had jointly rejected 419 miles and were studying 830 miles. Sir Edward Beatty (President of the C.P.R.) in a letter to Mr. S. J. Hungerford (President of the C.N.R.) described this method of co-operation as "smacking more of jack-

knife swapping than a spirit of co-operation on the need for economy." Sir Edward, testifying before the Special Committee declared that even if the depression continued the C.P.R. would be able to carry on and meet fixed charges; and that any saving through a plan of unified management would mean possibility of dividends. These annual savings for the two lines, Sir Edward estimated at \$75,300,000. His plan provided for an independent board of directors representing the two roads. There was to be no change in the capital set-up of either road and physical assets were to remain separate under the respective owners with the added proviso that, on no account, were the Government to assume responsibility for Canadian Pacific obligations. The average earnings of each railway were to be determined over a period of years and they were to receive these amounts from the pooled net operating revenues at the end of each year. Anything over and above this would be considered the result of unification savings and would be divided on an equitable basis. Sir Edward claimed, theoretically, that the ordinary railway labour turnover of 5 per cent. would be sufficient to take care of reduction in labour without the necessity for wide-spread lay-offs. He admitted, however, that in practice there were bound to be such lay-offs and added: "I am confident that where every effort fails and any man loses employment public opinion will support the management of the unified system in providing equitable compensation to assist those displaced to find other employment." (*Evidence of Railway Senate Committee, 1938, p. 543*).

Mr. Fairweather, for submission to the Duff Commission, had prepared an estimate of savings from unification, based on 1930 traffic figures which he told the Special Committee was purely indicative or theoretical. He gave it as his opinion that this estimate of savings did not warrant experimentation with monopoly. On the basis of 1938 levels of prices and wages, he submitted an estimate of \$49,000,000 plus \$1,500,000 for savings in interest on capital requirements. In normal traffic, he said, this might increase to \$55,000,000.

Mr. Hungerford told the Special Committee that, in his opinion, no large scale economies were ever produced by consolidation (*Senate Committee Proceedings, p. 1049*). Estimates of savings by unification, he said, were based on the assumption that Canada's railway facilities were greater and that the standard was higher than required. The C.P.R. estimate, he claimed, was unfair because it was based on C.P.R. unit costs, without taking into consideration the difference in geographical distribution of C.N.R. lines, relative traffic, maintenance, and operating problems. He believed that while Sir Edward's plan contemplated "technical preservation" of the properties it would mean fusion. Mr. Hungerford admitted the seriousness of the C.N.R. position if the depressed conditions in the country continued but declared that potential earnings of the lines were "very great". He pointed to the period from 1925 to 1929 when the railway had been averaging \$45,000,000 a year after paying operating costs. The Senate Committee also heard Mr. W. L. Best, Secretary of the Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods and Mr. A. R. Mosher, President of the Canadian Brotherhood of Railway Engineers, both opposed to unification. Sitting until the last day of the Session the Senate Committee failed to reach a report. It recommended that the Committee should be reappointed at the next Session and that, in the meantime, both railways should be urged to speed up co-operative effort. (The Committee was reappointed in 1939. Their Report, favouring continuance of the 1933 Act, was carried by a majority of one. The Senate,

however, rejected the Report and adopted the Meighen proposal, calling for unified management, substantially along the lines suggested by Sir Edward Beatty).

### Special Committees of the House of Commons, 1938

Four Special Committees of the Commons were appointed during the 1938 Session. Two Committees had under consideration affairs of the Civil Service. Another Committee inquired into Election matters; it was the third Special Committee of its kind, the first had been appointed during the 1936 Session and re-appointed during the 1937 Session. The fourth Special Committee of 1938 studied the Report of the Canadian Broadcasting Corporation and its policy. The proceedings of the Election and Broadcasting Committees have been dealt with under "Legislation of 1938" (The Radio Act and The Dominion Elections Act).

One of the Special Committees investigating Civil Service matters studied the operations of The Civil Service Superannuation Act and the other, The Civil Service Act. The first Committee, like its predecessors, made no recommendations and suggested continuation of the Inquiry. The other Committee, under the Chairmanship of Mr. J. F. Pouliot, made an extensive Report, one of the main features of which was a general tightening up of the regulations for appointment to the Service on the merit system.

### Miscellaneous Debates and Incidents of the 1938 Session

Among a collection of private Member Bills during the 1938 Session, more numerous than the usual quota, two apparently routine measures took precedence in the public eye. They were Bills for Dominion incorporation of the Industrial Loan and Finance Corporation and the Central Finance Corporation and changing the name of the second company to the Household Finance Company of Canada. Both ended the Session in the file of unfinished business as the result of Mr. Dunning's reference to the Banking and Commerce Committee of the whole question of small loans and the regulation of their rates by the Dominion Government. "I don't believe we want to give up this question without an effort to get a nation-wide control over this form of business," Mr. Dunning told the Committee. "We can't control small loan companies by fixing maximum rates of interest. They can operate under provincial charters subject to the Moneylenders' Act which involves prosecution by the Provinces." (See "Proceedings of Banking and Commerce Committee, 1938").

Leon Henderson, Director of the Remedial Loans Department of the Russell Sage Foundation of New York, reported on an American survey which showed that 20 per cent. to 30 per cent. of all families were compelled to spend more in a year than their income. They borrowed from small loan companies, sometimes loan sharks for medical bills, household debts, intermittent unemployment and a number of other necessities. Among Canadian bankers who appeared before the Committee were Mr. S. G. Dobson, President of the Canadian Bankers' Association and Mr. James Stewart, Assistant General Manager of the Canadian Bank of Commerce which had recently opened a special small loan department. The charge, Mr. Stewart told the Committee was a 6 per cent. discount while Mr. Dobson estimated the average interest rate on small bank loans at  $7\frac{1}{2}$  per cent. Mr. Dobson did not believe that the banks could adequately meet the small loan need and thought a large field still existed for the legitimate companies. Mr. G. D. Finlayson, Superintendent of In-



insurance, told the Committee of a case in which the effective rate of interest charged by an individual lender had been 91.603 per cent.

Alberta's Attorney-General submitted to the Committee an offer to yield Provincial jurisdiction over small loan companies to the Dominion. The Hon. Gordon Conant, Attorney-General of Ontario, cited six cases which he had prosecuted in Ontario where rates of interest were from 45 per cent. to 400 per cent. In contrast to this picture the Committee heard a statement that profits of the Central Finance Corporation averaged 10 per cent. on its capital. Armed with this evidence the Committee submitted a Report and draft Bill to the House setting a maximum over-all charge of 2 per cent. per month up to 15 months and one per cent. thereafter, on all small loans. The Report stated: "Much of the abuse connected with personal finance has plainly arisen from the incapacity of the borrower to decipher the arithmetic of the credit contract. The confusion has been confounded by specious advertising with combinations of charges so intricate that even mathematicians have trouble in arriving at the borrower's actual burden."

A Bill introduced by the British Columbia member, Mr. A. W. Neill (Ind.) to exclude the immigration of Japanese to Canada, occasioned a long debate and brought from the Prime Minister the announcement that Canada should not at such a critical moment in international affairs pass a measure which might add fuel to the flame. He recalled the *furor* in Tokyo when the United States had passed an exclusion measure and feared what might be the result if it were announced that a part of the British Empire had taken similar action. One of the most regrettable features of the international situation, he said, was that attempts were being made to foment differences between Japan and Great Britain (*Hansard 1938*, p. 573). Mr. King took the unusual action of moving the adjournment of the debate in order to prevent a division on such a delicate issue.

The Bill of the Hon. C. H. Cahan (Cons., St. Lawrence-St. George) prohibiting appeals to the Privy Council, was used to provide a full dress debate on the constitutional issue which followed much the same line as that of the 1937 Session (See this Volume: under "The 1937 Session"—The British North America Act). Mr. Cahan contended that these appeals were being used by the Privy Council to nullify the Canadian constitution (*Hansard*, p. 2150). The debate brought an important contribution from the Minister of Justice in which he clearly indicated the Government's policy in favour of abolition of appeals, an indication which was interpreted in some quarters as a promise of Government legislation (*The Globe and Mail*, Apr. 9). Mr. Lapointe had no doubt of Parliament's power to abolish appeals, a power clearly given by the repeal in the Statute of Westminster of the Colonial Laws Validity Act. He believed, however, that the question should be given very careful study by all parties; that action, when taken, should be sweeping and all-inclusive; and that it should not permit, although no appeals could be taken from the Supreme Court of Canada, such appeals to come from Provincial courts on matters where Provincial jurisdiction was exclusive. (*Hansard 1938*, p. 2160).

Another private Member's Bill, which found some favour in the eyes of Government leaders, was that sponsored by Mr. J. S. Woodsworth (C.C.F. Leader) to establish the right of the worker to join trade unions and to make it an offence for an employer to dismiss an employee because of such action (*Hansard*, p. 2971). The Minister of Labour, however, believed that the particular Bill might be outside the jurisdiction of the Dominion.

The almost perennial appearance in the House of a Resolution urging state medicine—in 1938 it was sponsored by Mr. D. McIvor (Lib., Fort William) gave the Members who belonged to the medical profession a debating field-day before it was withdrawn.

Another perennial debate received more than ordinary attention when both the Prime Minister and the Leader of the Opposition supported a motion for a Committee to study the adoption of a distinctive Canadian flag. Mr. King believed the adoption of a Canadian flag was the logical consequence of The Statute of Westminster which had sought to remove anachronisms in intra-Imperial relations. "In considering the development of the status of this Dominion," he said, "we are justified, even obligated, in thinking of every aspect of nationhood and what is essential to its expression," (*Hansard*, p. 439). "There has never been a time," Mr. King concluded, "when the relations between Canada and the Mother Country were so completely cordial and co-operative in every way. . . . To-day there is no possible danger of misunderstanding on the part of anyone in this country, in Great Britain, in Europe or elsewhere as to what Canada has in mind in seeking to have a distinctive Canadian flag" (*Hansard 1938*, p. 441). Mr. Bennett did not think that any visitor to New Zealand or Australia or South Africa would discern any less devotion or loyalty to the British Crown in those countries because they had adopted their own flags. He thought it was thoroughly desirable that Canada should have a distinctive flag stipulating that the Union Jack should have a conspicuous place in such a flag (*Hansard*, p. 441). Opposition from the back benches resulted in the death of the Resolution which had been sponsored by Mr. C. R. McIntosh (Lib., North Battleford).

Towards the end of 1937 and in the early months of 1938 Fascist groups had been particularly active, especially in the Province of Quebec where military drills of uniformed bodies were being held (*The Gazette*, Montreal, Jan. 31, 1938). Several complaints had been received by the Dominion Government urging them to put a stop to these activities and, on Feb. 4, the Minister of Justice, Mr. Lapointe, read a statement to the House which, in effect, warned the Quebec Government that if they did not take action the Dominion Government would step in. Drilling without lawful authority, Mr. Lapointe pointed out, was prohibited under Section 99 of the Criminal Code which had been enacted in 1917 and was still in force. "The question of unlawful drilling and military training and exercises by political groups," he told the House, "is one that may involve the Dominion as a whole and, therefore, the Dominion Government will, in addition to any steps which may be taken by any Provincial authority, cause an investigation to be made. If . . . it is considered that an offence against the Criminal Code is being committed by Fascists, Communists or others the Government will cause the necessary proceedings to be initiated." (*Hansard 1938*, p. 174).

### Prorogation, 1938

The long Session came to a close on July 1 and the House of Commons finished its business on a note of peace and amity. A few days before, Mr. Bennett had intimated that he would not continue in the leadership of the Conservative Party. The Prime Minister, before the closing ceremony paid tribute to the man opposite whom he had sat in the House for eleven years. He was followed by Mr. Lapointe. "At the first Session after he was selected as Leader of his Party," said the Minister of Justice, "I said he was a fine type of Canadian manhood and I wish to repeat

those words on this, his last day as Leader of his Party." Mr. J. H. Blackmore, Social Credit Leader, and Mr. A. A. Heaps, speaking for the C.C.F. group, added their words of eulogy. Mr. Bennett's valedictory was brief. He spoke of the "rough and tumble of public life" as a wearying task and an ungrateful task but a public duty which someone must discharge. He wished that Canadian universities could be endowed in order to enable more young men to undertake public service for the state. Whether one was in office or out of office mattered little, he said, if one could preserve always some thought of the nation as a whole. "He would be a bold man indeed," Mr. Bennett concluded, "who would say that the sense of Canadian unity is anything like as great as we should like to have it; and he would be a bold man who would say that there were not in operation forces which we would fain destroy, that do not conduce to that unity of thought and action which is essential to the development of a national outlook in this Dominion" (*Hansard*, p. 4554).

The Speech from the Throne laid blame for a "somewhat retarded recovery" in Canada at the door of "conflict, disorder and tension in different parts of the world" and upon the unprecedented drought in Western Canada. It added, however, that "the outlook for agriculture in the West is more hopeful than it has been for some years." Housing legislation, Prairie Farm Rehabilitation, youth training and other recovery measures of the Session were described as "a long range nation-wide programme of conservation and development designed to stimulate employment and enlarge the national income. Early operation of a coast to coast air service was forecast as well as an early conclusion with the United States of "a comprehensive agreement which will facilitate the development of trade between the two countries."

### Dominion Finances, 1937 and 1938

Following is a statement showing the financial position of Canada at the close of each of the fiscal years ended Mar. 31, 1937 and 1938 compiled by the Department of Finance:

	Liabilities							
	1937		1938		1937		1938	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.
<i>Funded Debt</i> —								
Unmatured—								
Payable in Canada ..	2,478,491,235.07		2,455,690,435.07					
Payable in London ..	409,867,596.79		409,867,596.79					
Payable in New York	449,000,000.00		449,000,000.00					
	3,337,358,831.86		3,314,558,031.86					
Less—Sinking Funds ...	61,815,007.93		65,657,699.66					
	3,275,543,823.93		3,248,900,332.20					
Matured and Outstanding—								
Canada .....	3,570,056.62		2,650,862.12					
Canada and New York	5,736,600.00		890,500.00					
London .....	17,490.17		17,490.17					
New York .....	198,700.00		118,700.00					
					3,285,066,670.72		3,252,577,884.49	
Outstanding Cheques .....					6,116,454.01		9,884,659.35	
Interest Due and Outstanding .....					3,351,843.66		1,679,928.31	
Bank Circulation Redemption Fund .....					7,019,898.37		5,967,226.77	
Post Office Savings Bank .....					21,879,593.13		22,587,233.09	
Post Office Account .....					4,074,163.69		3,664,725.59	
Government Annuities, Insurance and Superannuation Funds					176,973,747.15		201,332,555.58	
Indian Trust Funds .....					13,997,644.13		14,081,905.63	
Other Trust Funds .....					6,936,349.22		7,416,098.00	
Contingent and Special Funds .....					7,480,945.26		11,968,380.96	
Province Debt Accounts .....					9,623,816.77		9,623,816.77	
<b>Total</b> .....					<b>3,542,521,126.11</b>		<b>3,540,784,414.54</b>	



		<b>Assets</b>	
<i>Investments—</i>			
Canadian Broadcasting Corporation .....			500,000.00
Bank of Canada Stock .....	5,100,000.00		5,100,000.00
Loans and Advances—			
Canadian Farm Loan Board .....	27,760,378.76		31,598,255.99
Dominion Housing Act, 1935 .....	1,076,492.12		2,754,512.56
Provinces—			
Housing Programme, 1919-23 .....	4,730,387.72		3,308,000.00
Relief Acts .....	113,971,336.91		130,269,948.42
Foreign Governments—			
Greece .....	6,525,000.00		6,525,000.00
Roumania .....	23,969,720.00		24,329,262.40
Canadian National Steamships .....			450,000.00
National Harbours Board .....	83,475,654.21		85,366,058.65
Soldier and General Land Settlement .....	42,477,773.66		42,232,502.01
Canadian National Railways—			
Financing Acts .....	41,357,710.00		14,323,354.60
Betterment and Repairs to Equipment .....	789,061.77		394,530.89
Canadian Pacific Railway—			
Advances for Wages .....	554,700.00		443,760.00
Betterment and Repairs to Equipment .....	1,270,000.00		1,170,000.00
Acquisition of Railway Equipment .....	12,363,750.01		12,453,250.01
Discount Amortization Account .....	39,637,231.20		41,208,587.86
Miscellaneous and Banking Accounts .....	53,509,727.86		36,689,820.90
<b>Total</b> .....	<u>458,568,924.22</u>		<u>439,116,844.29</u>
<b>Total Net Debt</b> (no credit has been taken for non-active assets) .....	<u><b>3,083,952,201.89</b></u>		<u><b>3,101,667,570.25</b></u>

#### Ordinary Revenues 1937 and 1938

	Total		Total	
	April 1, 1936 to March 31, 1937		April 1, 1937 to March 31, 1938	
	\$	cts.	\$	cts.
<i>Taxation Revenue—</i>				
Customs Duty .....	83,771,090.52		93,455,750.12	
Excise Duty .....	45,956,857.39		52,037,332.55	
War Tax Revenue—				
Excise Taxes (sales, stamps, etc.) .....	152,473,422.30		180,818,767.47	
Income Tax .....	102,365,241.75		120,365,531.48	
Miscellaneous Taxes .....	1,984,257.46		1,973,679.18	
<b>Total Taxation Revenue</b> .....	<u>386,550,869.42</u>		<u>448,651,060.80</u>	
Interest on Investments .....	11,231,034.85		13,120,522.93	
Post Office .....	34,274,552.00		35,546,161.25	
Canada Grain Act .....	1,192,099.40		679,926.94	
Miscellaneous .....	11,780,399.38		12,299,909.52	
<b>Total Ordinary Revenue</b> .....	<u>445,028,955.05</u>		<u>510,297,581.44</u>	
Special Receipts (incl. Misc. Receipts and Credits to Consolidated Fund) .....	8,463,997.61		3,009,879.32	
Capital Accounts (Credits and Refunds) .....	616,069.00		1,543,135.23	
Other Credits—Non-active Assets (write-down to Consolidated Fund, etc.) .....	44,725.73		1,842,153.47	
<b>Total</b> .....	<u><b>454,153,747.39</b></u>		<u><b>516,692,749.46</b></u>	

#### Ordinary Expenditures 1937 and 1938

<i>Debt Charges—</i>		
Interest on Public Debt .....	137,410,344.54	132,117,421.58
Cost of Loan Flotations .....	3,839,481.43	4,555,437.01
Charges of Management .....	196,064.30	201,474.93
Subsidies to Provinces .....	13,735,196.44	13,735,335.64
Old Age Pensions .....	21,149,351.52	28,653,005.48
Finance—General Expenditure .....	10,353,235.65	14,264,232.36
Agriculture .....	8,741,069.88	9,016,838.80
National Defence .....	22,923,092.62	32,760,306.84
National Revenue .....	11,205,101.42	11,870,198.67
Pensions and National Health .....	55,253,007.07	55,306,229.10
Post Office .....	31,906,272.05	33,762,269.19
Public Works .....	14,518,757.52	12,382,072.73
Trade and Commerce .....	9,381,017.62	7,774,058.83
Transport .....	13,071,435.71	14,916,061.62
Other Departments .....	33,428,644.57	43,576,467.63
<b>Total</b> .....	<u><b>387,112,072.34</b></u>	<u><b>414,891,410.41</b></u>

**Special Expenditure**

Relief Projects, Grants-in-aid to Provinces and other works..	69,252,711.29	44,070,213.39
Western Drought Area Relief .....	8,750,990.48	24,464,150.69
<b>Total</b> .....	<b>78,003,701.77</b>	<b>68,534,364.08</b>

**Government Owned Enterprises**

<i>Consolidated Fund—</i>		
Canadian National Railways Deficit .....	43,303,393.82	42,345,867.99
Trans-Canada Air Lines Deficit .....	.....	111,005.07
National Harbours Board Deficit .....	249,718.56	288,917.58
Total Losses Charged to Consolidated Fund ...	43,553,112.38	42,745,790.64
<i>Loans and Advances Non-active—</i>		
Canadian National Steamships .....	—1,753,778.90	103,838.96
National Harbours Board .....	2,419,192.70	1,983,758.60
<b>Total</b> .....	<b>44,218,526.18</b>	<b>44,833,388.20</b>

**Capital Expenditure**

Public Works .....	3,236,563.75	4,358,698.46
Railways .....	203,035.22	71,453.51
Canals .....	51,944.87	.....
<b>Total</b> .....	<b>3,491,543.84</b>	<b>4,430,151.97</b>

**Other Charges**

<i>Consolidated Fund—</i>		
Write-down of Assets, etc. ....	692,473.49	1,579,242.28
<i>Non-Active Accounts—</i>		
Write-down of Active Assets, Sundry Loans and Advances, etc. ....	18,487,114.63	139,560.88
Total Other Charges .....	19,179,588.12	1,718,803.16
<b>Grand Total Expenditures</b> .....	<b>532,005,432.25</b>	<b>534,408,117.82</b>
<b>Excess of Expenditure over Revenue</b> .....	<b>77,851,684.86</b>	<b>17,715,368.36</b>

**Commissions of Investigation (Dominion) in 1937 and 1938**

Several of the Royal Commissions of Inquiry which reported in 1937 and 1938 had been appointed during the year 1936. Two of these, one dealing with the history and problems of Canada's Grain Marketing and the other, conditions in the Canadian Textile Industry, had the Hon. W. F. G. Turgeon of the Court of Appeal, Saskatchewan (later appointed

Chief Justice) as Commissioner. A third Commission also appointed in 1936 investigated the Penal System of Canada. Another Inquiry set up in 1936, studied the Anthracite situation and presented its Report early in 1937. (For this Report and for preliminary information as to the other Commissions mentioned, see *The Canadian Annual Review 1935 and 1936*, pp. 154-156).

Commissions of Inquiry reporting in 1937 and 1938, other than those reviewed in the following chapters, included one concerning illegal fishing and the other, political partisanship in the Civil Service.

Mr. Justice A. T. LeBlanc of Moncton, N.B., given, in 1936, a Royal Commission to investigate illegal fishing in the Gulf area and the South shore of the St. Lawrence River, reported to the Minister of Fisheries in May, 1938. In his Report the Commissioner absolved officials of the Department of Fisheries of accepting bribes but found that they did not efficiently

discharge their duties. Better prices for lobsters in 1936 was found to have been an important factor, coupled with the fact that large buyers often co-operated with the poachers. The system of appointment of guardians and other officers of Fisheries, he said, often resulted in a man alternating as poacher and official. He recommended an educational campaign to teach the fishermen that continuance of illegal fishing of lobsters would result in destruction of the industry.

In 1937 Mr. Albert Gordon was appointed Commissioner to investigate any charges of political partisanship in the Civil Service that might be referred to him. Two Inquiries were conducted, one in the Department of Agriculture and one in the Department of Mines and Resources; but no reports were made public.

### **The Textile Industry Inquiry, 1936-38**

The Textile Commission was created by an Order-in-Council of Jan. 27, 1936, and held its first sitting in March of that year. There were 135 days of public hearings in Sherbrooke, Three Rivers, Montreal, Quebec, Montmagny, Louiseville, Valleyfield, Toronto, Dunnville, St. Catharines, Paris, Cornwall and Ottawa before the Report was finally tabled in the House of Commons on Mar. 31, 1938. The incident which had precipitated the Inquiry in the first place, the closing by Dominion Textiles Limited of their rayon mills at Sherbrooke occurred on Jan. 17, 1936 and was the sequel to action by the King Government in modifying the prohibitive dumping duties on Japanese artificial silk. The Commissioner dealt at length with the incident and the duties which he found had been lowered from an effective tariff of 368  $\frac{4}{5}$  per cent. to 191  $\frac{1}{3}$  per cent. He reviewed evidence at an interview of Jan. 14, 1936, between members of the Cabinet and representatives of the Canadian textile industry: it had been contended that the concessions to Japan would mean the languishing of Canadian industries. Three days later, Mr. G. Blair Gordon, Managing Director of Dominion Textiles and Montreal Cottons Limited, had ordered the closing of the Sherbrooke Mill, employing 400 workers, and had notified the Government of his action. The mill was re-opened on Jan. 23 but the Commissioner noted that Mr. Gordon had not informed the Government of this decision nor had he made any effort to publicize it in the newspapers (Textile Report, page 22). He found (page 24) that the demands of the textile delegation to Ottawa had not been justified and that the closing of the mill "calculated to impress the Government with the necessity for acceding at once to the request" had been hasty and had caused distress and alarm.

Several chapters of the 180,000 word Report are devoted to the development of the textile industry in Canada under a protective tariff from the National Policy of 1879 to the date of the Inquiry. It traced the upward revisions of tariff schedules to 1930 when drastic increases were made in all three classes of textile tariffs, cottons, silks and wool. While the Report admitted that tariff reductions after 1930 (largely the result of United Kingdom and United States Agreements) might have had some influence in increasing imports after 1933 it alleged that a larger factor had been a general recovery in Canadian purchasing power as well as better prices.

The Commissioner found that textile manufacturing in Canada, so far as male workers were concerned, was a low wage industry, a condition which was prevalent wherever there was a large proportion of female workers and where employers tended to consider wages, "not in relation



to the requirements of a worker with dependants but on the basis of joint income which may be secured by a family". Other findings were as follows: that of the male workers in Quebec's cotton industry only 11.6 per cent. received more than 40 cents an hour and in Ontario 18.1 per cent.; that the same situation existed in the silk industry in Quebec though the percentage in Ontario was 27.2 per cent.; that the hosiery division in both Quebec and Ontario had the highest proportion of male workers receiving more than 40 cents with 42.7 per cent. and 50.8 per cent. respectively; that the carpet division had more than 40 per cent of the male workers in this wage class; and that a comparison between wages of cotton workers in the United States and Canada showed that average hourly wages for Canada were considerably lower than in the United States, the difference being greater for females than for males. The Report of the Commission compared weekly earnings of male workers in the textile and other industries; this is shown in the following table:

Industry	Canada		Quebec		Ontario	
	Male	Female	Male	Female	Male	Female
Cotton .....	\$16.15	\$12.21	\$15.61	\$11.80	\$17.26	\$13.13
Woollen .....	17.29	12.30	14.23	11.23	19.58	12.55
Broad Silk .....	15.02	10.93	14.30	10.24	18.40	12.72
Artificial Silk .....	20.32	12.67	18.62	12.75	23.24	12.60
Hosiery and Knit .....	19.67	12.86	18.10	12.00	20.85	12.21
Average for industry .....	17.32	12.41	15.95	11.62	19.62	13.06
Average, other leading industries .....	21.28	11.82	20.16	10.66	22.60	12.69

The Commissioner further found: that the textile industry in Canada was lagging behind other countries in hours of labour and working conditions; generally, the textile industry in Quebec was operating on a 55-hour week; and that the knit goods industry was the only branch in which more than one-quarter of the workers had a normal 48 hours a week or less.

Recommendations of the Commissioner on labour conditions and wages included: (a) elimination of dust from work rooms; (b) general improvement in ventilation and safeguards against gases in the artificial silk industry; (c) adequate changing and wash rooms; (d) a 48-hour week without reduction in earnings; (e) wage increases to bring low-wage mills at least up to the average for all divisions; (f) recognition of the right of employees to free association in trade unions.

The Report of the Commission contained a review of trade unionism in the textile industry since the inauguration of the Canadian Federation of Textile Workers in 1906 which later became internationalized as an affiliate of the United Textile Workers of America. The union movement had dwindled in the late '20's, becoming even weaker after 1929, during the economic depression. There had been a revival, however, in 1935, with strikes in 1935, 1936 and 1937. "Employers," the Report stated, "who have failed to give sympathetic consideration to the demands of labour for collective bargaining have adopted a very short-sighted policy and one that in the long run will be contrary to their own interests." . . . The situation in Canada calls for recognition of collective bargaining within the textile industry.

A tariff protected industry, in view of special privileges given to it, said the Commissioner, had obligations to the communities in which it was situated, and these obligations often had to be given precedence of the rights of shareholders. He stated that the Government should make it clear to companies that arbitrary action by management, detrimental to

the interests of a community, would result in withdrawal of such privileges. In 1931 Parliament, he recalled, had adopted Sub-section 2 of Section 17 of the Customs Tariff Act, providing a penalty in the form of an offsetting Excise tax where it was found that tariffs were being abused by any one company. He recommended consideration of an extension of this precedent to provide for withdrawal of tariff privileges "not only if they act unfairly in the fixing of selling price but if they fail in any other material respect in the discharge of their duties."

Finally, he recommended measures designed to assure (a) that full information on tariff protected industries should be available at all times to Parliament, the Government and the tax-paying community; (b) that the element of secrecy should be removed in such practices as the setting up of inventory reserves and the ploughing back of profits through capital expenditures.

As the direct result of the Commissioner's reference of evidence to the Income Tax Department claims were instituted in the Exchequer Court of Canada for an aggregate of more than \$2,000,000 for arrears in Income tax against seven companies: Canadian Cottons Limited, Shawinigan Cotton Company, Wabasso Cotton Company, Cornwall and York Cotton Mills Limited, Dominion Textiles Limited, Sherbrooke Cotton Company and Drummondville Cotton Company. (These cases were still pending at the end of 1938).

### The Grain and Grain Products Inquiry, 1936-38

The Order-in-Council appointing a Royal Commission of Inquiry into the production, buying, selling, transporting and exporting of Canadian grain and grain products was passed on June 27, 1936. It was not until December, however, that Mr. Justice Turgeon opened the public sittings at Winnipeg and Saskatoon. (See *The C.A.R. 1935 and 1936*, p. 155). The sittings were resumed on Jan. 5, 1937, at Winnipeg and closed at Ottawa on Nov. 22. In addition to the three cities mentioned the Commission had visited Regina, Edmonton, Calgary, Vancouver, London, Eng., Liverpool, Glasgow, Paris, Brussels, Antwerp, Rotterdam, and Chicago.

The effects of the evidence of the 260 witnesses heard were: (a) to place on record the history of Canada's wheat marketing, particularly from the first departure from the open marketing system with the creation of the Board of Grain Supervisors in 1917; (b) to disclose activities on the Winnipeg Grain Exchange and their effect on the grain producer and (c) to gather expert opinions as the basis for future policy.

As summarized very briefly from the Commissioner's Report, the history of grain marketing from 1917 falls into four divisions: the *régime* of the Board of Grain Supervisors (1917 and 1918) the Canadian Wheat Board, (1919 and 1920); resumption of open market and futures trading and the rise of the wheat pools (1920-1930) and the price stabilization era (1930-37). The Board of Grain Supervisors had been appointed as a War (1914-18) measure with the object of making supplies of wheat rapidly available to the United Kingdom and Allied countries. It had suspended futures trading on the Exchange, had bought and sold cash wheat at prices ranging from \$2.21 to \$2.40 a bushel. On July 31, 1919, with prospects of an unstable market ahead it had been replaced by the Canadian Wheat Board which, instead of buying wheat outright, had given a fixed price to the farmer plus an agreement to pass on any selling profits. This fixed price for 1919-20 was \$2.15 a bushel and additional payments of 30 cents and 18

cents were made. In 1923 and 1924 the three Prairie Provinces had organized Wheat Pools which the evidence showed, had marketed about 50 per cent. of the Canadian wheat crop from the time of their inauguration to 1930. These had led to the establishment in 1924 of the Canadian Co-operative Wheat Producers Limited, the (Central Selling Agency) under the management of John I. McFarland. Unlike elevator companies, which follow the practice of selling futures to insure against loss on the cash wheat price given to farmers the Pools and their Central Agency did not hedge. Instead, they had made initial payments below cash wheat prices to their members, plus participating certificates. With the bumper crop of 1928 the Selling Agency had had large surpluses left on its hands in a falling market. The decision to hold rather than sell was described as "speculation." With its bank loan margin eliminated by the price slump after overpayments to members it had appealed to the Dominion Government which responded (1930) by guaranteeing the bank loans and assuming charge of the carryover. This separated the Selling Agency from the Pools whose activities subsided into the background. From 1930 to 1935 the Central Selling Agency, still managed by Mr. McFarland, had held large quantities of wheat off the cash market and at the same time had bought futures in an effort at price stabilization. In December, 1935, when the second Canadian Wheat Board, under James R. Murray, had been set up, it received a legacy of what was known as stabilization wheat—a total of 205,187,000 bushels. At current prices this represented a loss of \$15,856,645, an amount which had been advanced by the Canadian Government and which had been carried in the Budget of 1936 Expenditures. In addition, there had been a loss on the 1935 crop of \$11,858,104 and, in 1936, of \$49,574. The Government had fixed a price on the 1936 crop to the producer of 87½ cents and, at the same time, had stipulated that there would be no purchases unless the price dropped below 90 cents. The price did not drop below the 90-cent limit during 1936-37 or 1937-38 and at July 31, 1937, the Board had disposed of all but 6,964,000 bushels. From its original legacy it had realized a total of \$25,485,526 leaving a net loss of \$2,278,797. (The Dominion Treasury was reimbursed by \$8,000,000).

The Turgeon Report, tabled in the House of Commons on May 9, 1938, recommended generally open marketing of Canadian Wheat and found that a compulsory Government Wheat Board was not practical. The stabilization era of 1931 to 1935 it described as an exceptional incident resulting from conditions which, it was hoped, would not occur again and as "injurious to the sale of Canadian wheat." It noted that in the period of market depression the United Kingdom and non-European countries had shown little reduction in their imports of wheat. Of the 19 European importing countries 12 were trading under Government monopoly or had monopoly powers vested in a state-supported company. The other seven all had some form of importing regulation. Reasons for the decrease in Canadian exports were cited as short crops and relatively low exportable surpluses which had destroyed continuity of supply; pool announcements of policy tending towards an international selling monopoly; the withholding of Canadian wheat from the world market and the stabilization measures of 1934-35. In the light of Overseas evidence, the Commissioner concluded: "What is looked upon with more disfavour than anything else is the idea of a Government monopoly in a producing country whose object might be suspected to be the exacting of high prices, perhaps by the withholding of supplies in time of scarcity."



Other recommendations were: (1) Continuance on the Winnipeg Grain Exchange of the futures marketing, under supervision, in order to protect the interests of producers. The Commissioner dealt with the two phases of this marketing: speculative—the buying or selling of futures for profits—and hedging—the buying and selling to protect against loss in actual transactions. The speculator, he found, was necessary to the proper functioning of the market. “Experience,” he said, “seems to show that, in the long run, speculators as a body lose and this loss helps to make business easier for the hedging trader and is, therefore, of benefit to the producer and consumer. (2) Encouragement of voluntary and flexible wheat pools selling in line with and not against world markets. Here the Commissioner suggested adoption of the Australian principle where pools asked members to deliver 50 per cent. of their crop instead of demanding that they turn over the whole crop to the Pool. (3) Continuance for a time of the Canadian Wheat Board in view of uncertain world conditions. (4) Appointment of a technical expert under the Board of Grain Commissioners to supervise the Winnipeg Grain Exchange and report on any conditions prejudicial to the public interest. (5) Appointment of a Canadian representative in London, England, to investigate complaints arising out of Canadian grain shipments.

### The Penitentiaries Inquiry, 1936-38

A Royal Commission, appointed in February, 1936, to investigate Canada's penal system (See *The C.A.R. 1935 and 1936*, p. 156) made its Report to the Minister of Justice in April, 1938. Its Chairman, Mr. Justice Joseph Archambault and his two associates, Messrs. J. C. McRuer, k.c. and R. W. Craig, k.c. had travelled across Canada holding public hearings in Toronto, Vancouver and other cities and visiting all Federal prisons. They had also made a trip Overseas to study the British penal system. The Report, made public on June 14, 1938, recommended a complete revision of the penal system in Canada with the appointment of a Prison Commission of three members to administer the system and abolition of the positions of prison superintendent and inspector. This recommendation together with proposed Amendments to the Criminal Code were implemented immediately by the Government (See “Legislation of 1938”).

The Report recommended the immediate retirement of General D. M. Ormond, Superintendent of Penitentiaries, who, the Report found, had failed to grasp the fundamental principles of penal administration and had intensified militaristic control of penitentiaries. Riots and disturbances, it stated, had marked his *régime*. The Report of the Superintendent on the Kingston riot of 1932, it described as “misleading and an attempt to justify what had taken place.” It found that at this time shots had been fired into the cell occupied by Tim Buck, Communist leader “either with the deliberate intention of injuring Buck or wilfully reckless as to whether they did or not.” There had been a general misuse of firearms during the riots.

Other recommendations contained in the lengthy Report of the Commission were: (1) centralization of the penal system under Dominion jurisdiction with the Provinces retaining only sufficient institutions to look after violations of Provincial Statutes and for short sentences; (2) abolition of corporal punishment except for mutiny or assaulting an officer; (3) general simplification of prison rules and institution of a court of appeal for prisoners; (4) scientific classification and segregation of prisoners and special treatment of youthful offenders, including a grades

and merit system patterned on the English plan; (5) distribution of more literature including, weekly papers, and provision for sports, games and outdoor exercise for all physically fit; (6) a remodelling of the educational system along the lines used in England; (7) encouragement of visits by chaplains but abolition of compulsory attendance at religious services; (8) extension of workshops and a survey to ascertain what products were needed by the Government which could be manufactured in prisons—this, it was stated, should be accompanied by revision of the pay system on a basis that would encourage industry and not be merely “a negative check on idleness”; (9) removal of all women from the Kingston penitentiary and their establishment in reformatories nearer to their homes; (10) segregation of habitual offenders in a separate institution where regulations and punishments should not be severe enough to discourage a judge from sentencing recidivists to them; (11) creation of machinery to make case histories available for consideration of judges before passing sentences; (12) institution of the Borstal system in Canada with units in Quebec, Ontario, the Maritimes, the Prairie Provinces and British Columbia; and (13) an agency under the Prison Commission to assist in the rehabilitation of prisoners after their release.

### The Bren Gun Contract Inquiry, 1938

An article by Lieut.-Col. George A. Drew, K.C., appeared in the August, 1938, issue of *Maclean's Magazine*, entitled “Canada's Armament Mystery.” As a result, the Hon. Henry Hague Davis was appointed as a Royal Commission on Sept. 7, 1938, to investigate the contract made by the Department of National Defence with the John Inglis Company of Toronto for the manufacture of 7,000 Bren machine guns. The Inglis Company also had a supplementary contract with the British War Office for the manufacture of 5,000 Bren guns, both on a cost plus 10 per cent. basis. The Commissioner sat daily from Sept. 19 to Nov. 24 with the Hon. J. L. Ralston, K.C., L. A. Forsyth, K.C. and Jacques Dumoulin, K.C. as Commission counsel; I. F. Hellmuth, K.C., representing the Maclean Publishing Company and Colonel George Drew; and Aime Geoffrion, K.C., and J. C. McRuer representing the John Inglis Company.

The assets of the bankrupt John Inglis Company had been purchased by a syndicate composed of Major James E. Hahn, Herbert Plaxton (a brother of Hugh Plaxton, M.P., Toronto-Trinity) and the three partners in the brokerage firm of Cameron, Pointon and Merritt in the Autumn of 1936 for \$250,000. A new company was formed (actually three new companies were involved in an intricate financial arrangement) which later took the Inglis Company name. Capitalization was more than \$1,000,000 and Major Hahn and his associates divided 191,000 shares of vendor stock, for which no cash was paid, and they committed themselves to purchase another block of stock the proceeds of which were to provide the purchase price. Negotiations for a Canadian contract for the manufacture of Bren guns were started in 1936 and involved a trip to England by Major Hahn at the expense of and as a representative of the Canadian Government before the contract was finally signed on Mar. 31, 1938. On the same date the Hahn company made its final payment for the old Inglis plant and became, for the first time, owners of the property. The contract under which the Government paid the cost of installing machinery as well as other preliminary expenses was examined by an inter-Departmental Committee at which protests were heard against the signing of such a contract without tender and without consulting other Canadian manufacturers.

They were overridden largely by the statement of Major-Gen. L. R. LaFleche that the Government of the United Kingdom had picked the Hahn company and would deal with no other and that there would be considerable saving (estimated at \$1,300,000) by joint manufacture. The Commissioner found in his Report that General LaFleche and the Department had exerted pressure on the Government of the United Kingdom before the U.K. contract was finally signed in July, 1938. Evidence was heard from all Departmental officials as well as from the Hon. Ian Mackenzie, Minister of National Defence, who, it was charged, had failed to disclose to the House of Commons the true facts about the Bren contract. Mr. Mackenzie, in evidence, admitted that he had not read the contract in detail before signing it.

Hugh Plaxton's participation in the deal, which had included correspondence on behalf of the company with the Prime Minister, a trip to England at the company's expense and the introduction of Major Hahn to General LaFleche and Mr. Mackenzie, was the subject of long investigation. The Commissioner, after stressing that his was a fact-finding commission, left to "the Government and Parliament" the responsibility of judging the conduct of all concerned. He found no evidence that any Member of the Senate or House of Commons "was admitted to any share of the contract or any benefits therefrom." He also found no evidence that the Minister, Deputy Minister or any Department official had been "guilty of any act of corruption or anything in the nature of corruption." The Commissioner also passed on to Parliament the responsibility of saying whether "the procedure adopted in making the contract was that best calculated to protect the public interest and to secure the confidence of the people that there would not be improper profiteering in the private manufacture of war armaments."

The one definite recommendation in the Report was for the establishment of a defence purchasing board to take from the Department of National Defence the making of armament contracts. (The Report, dated Dec. 29, 1938, was not submitted to the Government until early in January, 1939, and the purchasing board recommendation was implemented at the following Parliamentary Session, 1939).

## **Dominion-Provincial Relations Inquiry, 1937-38**

The Royal Commission to examine Dominion-Provincial relations and the status of Confederation, under the chairmanship of the Hon. N. W. Rowell, Chief Justice of Ontario, started its long itinerary of public hearings in November, 1937, and closed it in Ottawa in June, 1938. This was only one part of the tremendous task which had been allotted to the Commission of five men appointed by Order-in-Council, August, 1937, and composed originally of Mr. Rowell, the Hon. Thibaudeau Rinfret, Supreme Court Judge, Mr. J. W. Dafoe, President and Editor-in-Chief of the *Winnipeg Free Press*, Mr. R. A. Mackay, Professor of Government and Political Science at Dalhousie University, and Mr. H. F. Angus, Professor of Economics at the University of British Columbia. The other task, that of preparing an economic history of Confederation, was allotted as follows: (1) to make regional surveys of Canadian wealth and income—Dr. W. W. Mackintosh, head of the Economics Department of Queen's University, Mr. D. C. MacGregor of the University of Toronto, Dr. Henry Laureys of the University of Montreal, Mr. Frank A. Knox of Queen's University, Dr. Paul LeBel, Quebec High School of Commerce, and Mr. S. A. Saunders of Halifax; (2) to make a survey of taxation—Dr. W. H.



Wynne, Prof. Francois Vezina and Mr. Carl Goldenburg; and (3) to prepare a financial history of Confederation—Mr. J. C. Thompson of Montreal. Among others appointed to assist in these studies were Dr. A. E. Grauer, Director of Social Science, University of Toronto, Prof. Esdras Minville, University of Montreal, Prof. Alex. Corry, Queen's University, Dr. Leon Gouin, Montreal lawyer and Professor of the Faculty of Commerce, University of Montreal, and Mr. Vincent C. Macdonald, Dean of the Law School at Dalhousie University. This economic library was completed and approved by the end of 1938 and distributed to Provincial Governments.

Before the end of 1937 ill-health forced the retirement of Mr. Justice Rinfret and his place on the Commission was taken by Dr. Joseph Sirois of Quebec City. Chief Justice Rowell himself was in poor health and in the early part of May, 1938, was forced to retire. In September, Dr. Sirois was appointed Chairman. The Commission, after the close of public hearings, continued private sittings until the end of 1938 when it was understood to be ready to start work on the preparation of its Report.

With the exception of Alberta, which refused to submit a brief, the Canadian Provinces prepared and presented lengthy submissions and recommendations outlining their respective needs and their views on re-allocation of taxing powers and constitutional Amendments. Generally, the briefs asked the Dominion to assume new responsibilities. In some cases the Provinces were willing to grant concessions in taxation in order to provide new revenues. In others, they went to the extent of demanding the transfer of taxing powers to the Provinces in addition to increased Provincial subsidies. From the Maritimes and the West came the unanimous proposal that the Dominion should collect Succession duties and apportion them to the Provinces on an equitable basis—an attempt to get a share of such taxes accruing to Ontario and Quebec. The two central Provinces on the other hand joined in a protest against infringement of their taxing rights. Ontario eventually withdrew from the deliberations without answering a list of questions submitted to it by the Commission. Quebec refused to recognize the right of the Commission to investigate and denied the request that Provincial Department heads should be heard as witnesses. Summaries of the Provincial briefs are given in the following paragraphs.

The Province of British Columbia submitted that its existing position required special consideration and that it had not received from Confederation the benefits accruing to other Provinces. It proposed (a) a larger share of available revenues from Income tax and the right to levy any other tax that the Province saw fit; (b) assumption by the Dominion of full responsibility for unemployment relief, Old Age Pensions, Mothers' Allowances and labour regulation as well as a national unemployment insurance; (c) financial assistance from the Dominion for health and welfare services to be administered by the Province; (d) re-allocation of Dominion-Provincial revenues designed to assist municipalities; (e) elimination of alleged inequalities suffered by British Columbia as a result of tariff and freight rate structures; (f) absorption by the Canadian Pacific and Canadian National Railways of the Pacific Great Eastern Railway. Associated with the Prime Minister, the Hon. T. D. Pattullo, was the Hon. J. W. deB. Farris, Member of the Senate, who argued that British Columbia was contributing more to the Dominion Treasury in Income tax than Saskatchewan, Alberta and the Maritime Provinces, together, and was getting little in financial assistance from the Dominion. Mr. H. R. MacMillan, on behalf of the Vancouver Board of Trade and 32 business

organizations of the Province, presented a plan for the strengthening of the Central Government through immediate reduction of membership in Provincial Legislatures and their eventual abolition. It proposed placing Municipal and Provincial borrowing under the supervision of the Dominion, elimination of duplication between Provincial and Dominion Services and elimination of duplication in the trans-continental railway service. The Provincial representatives attacked the plan and challenged the support claimed for it. They were supported by the Chairman in their assertion that abolition of Provincial Legislatures was impractical. British Columbia relief costs since 1929 were set at \$58,536,559, of which the Dominion Government had paid \$20,278,059, the Provincial Government, \$30,943,840 and the Municipalities, \$8,234,012.

While the Province of Alberta refused to submit its 40,000-word brief to the Commission it forwarded a copy to Ottawa and at the same time released it for publication. It announced that Alberta was prepared to put its Social Credit theories to the test and asked for the appointment of a Provincial Credit authority for each Province and the distribution of a "social dividend," to be supplementary to any individual earnings. It also asked cancellation of outstanding Treasury bills, issued by Alberta to the Dominion for relief expenditures and for a refunding of Alberta's remaining Debt by an underwriting arrangement with the Bank of Canada. Seven Alberta cities, Edmonton, Calgary, Lethbridge, Medicine Hat, Red Deer, Wetaskiwin and Drumheller asked for a Dominion-Provincial debt-refunding plan, in order to cut interest rates on municipal debt, and for a redistribution of taxation to lighten the load now carried by real estate. Edmonton and Calgary Chambers of Commerce urged vigorous use by the Dominion of the right of disallowance in order to curb Provincial Legislatures from infringing on the rights of citizens. John R. Imrie, speaking for the Edmonton body, submitted that tariff concessions were being made allowing the import of agricultural products in order to gain markets for industrial products from Eastern Canada.

The Province of Saskatchewan proposed (a) an increase in the unconditional subsidy to the Province (\$2,100,000) to meet increased fiscal need; (b) a refunding of the Provincial Debt (nearly \$200,000,000) at a rate of 3½ per cent., bondholders to be given the option of exchanging bonds or receiving cash which would be contributed by the Dominion; (c) that the Province should be given the power to extend the scope of taxation to any field within its borders with the exception of tariffs and to tax Provincial revenues of Dominion companies; (d) that a grants commission should be established by the Dominion to administer conditional grants to the Provinces for social services; (e) that the Dominion should collect Succession duties and distribute them on an equitable basis among the Provinces; (f) that the Dominion should be given powers to establish national plans of unemployment insurance, health insurance, crop insurance, national labour legislation and the administration as well as financing, of direct relief. Constitutional change was suggested allowing any Province to delegate legislative jurisdiction to the Dominion or *vice versa* in order to allow the working out of any plan agreed to by both Governments. Elimination of tariffs on instruments of production was asked as well as reductions in tariff on all necessities of life. In the review of its finances the Province submitted that curtailment of Ordinary Expenditure had been carried to a point where further reduction was impossible, while a tremendous backlog of capital expenditures now faced the Province. Ordinary Expenditures had grown from \$2,394,000 in 1911 to \$19,394,000

in 1937 and Revenues from \$2,395,000 to \$18,265,000. Uncontrollable Expenditures were 84.47 per cent. of this as compared with 55.89 per cent. in 1911, including Debt charges which had grown from \$193,000 in 1911 to \$7,039,000 in 1937. Relief costs from 1929 to 1937 had totalled \$110,600,000, of which the Provincial share was \$70,582,000 (cancellation and write down of Dominion loans reduced the Provincial relief debt to \$42,000,000 at Apr. 30, 1937). Cost of social services had increased from \$681,916 in 1911 to \$6,172,150 in 1936. It was submitted that the "sound money" policy of the Dominion, as well as "high and discriminatory freight rates," had weighed heavily on Saskatchewan farmers whose total debt at the end of 1936 was given as \$525,000,000. Even in a normal crop year the Province submitted that it could not balance its Budget owing to the impossibility of collecting more revenue on the present basis. The brief was read by the Hon. T. C. Davis, Attorney-General with a foreword by the Prime Minister, the Hon. W. J. Patterson.

The Province of Manitoba proposed (a) assumption by the Dominion of \$52,400,000 of Manitoba's debts in return for cancellation of the Provincial subsidy of \$1,703,000 a year. (The Prime Minister, the Hon. John Bracken, declared that the subsidy, given originally in return for recognition of the right of the Dominion to set up tariffs, had dwindled from 88 per cent. of the Provincial Expenditures in 1875 to 12¼ per cent. in 1931, while tariff Revenues had risen from \$18,000,000 in 1880 to \$214,000,000 in 1931); (b) cancellation of \$19,250,000 owing to the Dominion on account of unemployment relief and transfer of future relief charges to the Dominion; (c) cancellation of relief debts of \$4,365,000 owed by the municipalities to the Province and Dominion assumption of other municipal relief debts including Winnipeg's debt of \$7,000,000; (d) the refunding of the balance of Manitoba's Debt (\$49,000,000) at 3¼ per cent.; (e) the transfer to the Dominion of Old Age Pension costs, and 50 per cent. of the cost of highways, hospitalization, mental institutions and child welfare, as well as Dominion contribution to other social services; transfer to the Dominion of certain Provincial revenues including Succession duties. The plan, it was stated would add \$1,941,673 to Dominion expenditures annually, exclusive of relief costs. The Province's additional undertakings would call for \$2,300,000 and would include increased grants to education, industrial development and tourist traffic. The proposal was worked out on the basis of a balanced Provincial Budget of \$10,745,000 a year. Dr. A. R. Upgren, economist of the University of Minnesota and author of the brief, declared that the Dominion's failure to depreciate currency had cost the Western farmer \$47,000,000 through lower wheat prices while Mr. Bracken declared that, following 1930, 290,000 farmers had been forced to give two bushels of wheat instead of one, as previously, to their creditors. He urged a system of managed currency. On the request of the Commission he outlined a plan for the division of Canada into five instead of nine Provinces on the basis of the existing five economic areas. Roughly the re-division would be (1) the three Maritime Provinces; (2) Quebec; (3) Ontario; (4) the three Prairie Provinces; and (5) British Columbia and the Yukon.

The Province of Ontario's brief was submitted by the Hon. Mitchell F. Hepburn, Prime Minister, the Hon. Gordon Conant, Attorney-General, and the Hon. Eric Cross, Minister of Municipal Affairs. It called for a *status quo* so far as the British North America Act was concerned. It charged that an effort was being made by the Dominion Government to invade the field of Provincial taxation, particularly with regard to income taxa-



tion and mining taxes. It challenged the submission of the Western Provinces that the tariff structure was costing the Prairies from \$47,000,000 to \$58,000,000 a year. Mr. Hepburn declared: "I do not believe that we should be called upon to remake a fiscal policy that was established long before most of them ever turned a furrow." Re-arrangement of the Public Services to eliminate waste and decentralization of Government which had fallen into the hands of a few men at Ottawa were recommended. Social service codes, it stated, should be arranged by compacts between the Dominion and the Provinces. Mr. Hepburn, who earlier had committed Ontario to co-operation with the Dominion on unemployment insurance, declared later events had made him believe it should be left with the Provinces (*The Globe and Mail*, May 3, 1938). Mr. Conant attacked the "tendency" of the Dominion Government "to take money from one section of the country and give it to another."

The Province of Quebec, endorsing the stand of Ontario for decentralization, challenged the right of a Federally-appointed Commission to investigate the financial affairs of the Provinces. The brief, presented by Counsel for the Province, Mr. Emery Beaulieu stated: "In the opinion of this Province Confederation was a compact voluntarily entered into and it cannot be modified except with the consent of all parties."

The Province of New Brunswick contended that Dominion-Provincial relations could be adjusted without Amendments to The British North America Act and proposed a "Department of State for the Provinces" at Ottawa to bring about closer co-operation. It endorsed the principle expounded by its sister Maritime Provinces of subsidies based on Provincial fiscal need and urged Dominion grants sufficient to maintain uniform standards of service in all Provinces. It submitted that New Brunswick would need \$600,000 a year to place its educational facilities on a par with Ontario, and another \$300,000 to give adequate Health service. Other recommendations included: (a) assumption by the Dominion of part of the New Brunswick highway debt; (b) regional tariffs in order to protect industries of the Province against the tendency of a national tariff to centralize industry in Ontario and Quebec; (c) reduction in freight rates as an alternative compensation if national tariffs were continued; (d) compensation to New Brunswick for losses through "preferred treatment given to other Provinces with respect to debt allowances and apportionment of new territory"; (e) protection for the sardine canning industry and compensation for the coal industry which, it was claimed, had been hurt rather than helped by the existing system of coal subventions; (f) payment by the Dominion of \$15,000,000 claimed by New Brunswick as its share of money paid under the Washington Treaty of 1871 in return for United States fishing rights. The brief was prepared and submitted by Mr. W. P. Jones, K.C.

The Province of Nova Scotia proposed transfer to the Dominion of full responsibility for Old Age Pensions, Mothers' Allowances, Marketing Control and all forms of insurance including unemployment and conferring on the Dominion the exclusive right to Income and Inheritance taxation. It suggested Amendments to The B.N.A. Act in order to allow the Dominion to legislate in these matters as well as in the field of wages and hours of work. Another suggested Amendment would give the Dominion Parliament power to make changes in the constitution affecting only the Dominion. Declaring that an additional \$1,500,000 annually was needed to modernize Nova Scotia's Government Services, the brief supported the plan for Provincial subsidies based on fiscal need. Readjustment of tariffs

and freight rates was asked to "reduce economic disabilities suffered by the Maritime Provinces and where this could not be done additional compensatory subsidies." The brief was presented by the Prime Minister, the Hon. Angus L. Macdonald and the Provincial Attorney-General, the Hon. J. H. MacQuarrie.

Prince Edward Island submitted that it had been able to maintain solvency only through frugality and self-denial. It asked capitalization of provincial subsidies and the placing of \$15,000,000 to its credit at Ottawa bearing interest at 3 per cent. A national loan council was also proposed. The Conservative Leader, Dr. W. J. P. MacMillan, associated himself with the Prime Minister, the Hon. Thane Campbell, in presenting the brief.

Representatives of many Canadian cities, in addition to those in the Province of Alberta, and municipal bodies were heard during the sittings, the municipalities generally presenting a picture of an over-burdened municipal administration resulting in excessive taxation of real estate. Typical of these was the Ontario Association of Real Estate Boards which proposed consideration of the English system of property assessment based on earning value. There had been no housing shortage in Canada, it was pointed out, when average tax rate was 15 mills instead of the current average of 40 mills. Taxation, it was contended, was forcing home owners out and the case of Toronto where in 1926 there had been 64,984 owner-occupied houses and 36,269 tenant-occupied houses as compared with 59,093 owner and 48,972 tenant-occupied homes in 1936 was cited. Several municipalities urged rigid supervision and the limitation of municipal debenture issuing. Dominion responsibility for social services was also urged in some quarters. The Canadian Federation of Mayors and Municipalities proposed (a) a municipal debt adjustment Act and the establishment of uniform interest rates for municipalities; (b) exemption of municipalities from Sales, Excise and Stamp taxes; (c) reduction of overlapping Government Services; (d) increased Dominion grants for technical education; (e) a biennial conference of Dominion, Provincial and Municipal representatives; and (f) a commission to study urban trends.

The Canadian Bankers' Association (S. G. Dobson, President) urged elimination of the special levies on banks and establishment of the British system of taxing them as ordinary corporations. The brief pointed out that in 1937 profits had been 24 per cent. lower than in 1930 and that banks had paid 13 per cent. more in taxes. In 1930 levies had been equal to 29.7 per cent. of profits. Exclusive Dominion Government taxation of banks was favoured.

The Canadian Manufacturers' Association proposed one business income tax collected by the Dominion and apportioned to the Provinces on the basis of total sales. It suggested co-ordination and standardizing of Provincial and Dominion taxes so that one return could be made. If Government expenditures in Canada were reduced 10 to 20 per cent., the brief contended, Canada's problems would disappear. Given adequate tariff protection and reduction of taxation to a basis of capacity to pay, Canadian industry could and would solve the financial and economic problems facing the country. The brief opposed unemployment insurance and urged a compulsory contributory scheme for Old Age Pensions to replace the existing system. Another important recommendation given in a supplementary brief was unification of the two railway systems. The Canadian National Railways, the brief stated, "must be regarded as a public property, mostly acquired of necessity, which is not self-supporting and which requires an annual subsidy averaging 10 per cent. of our

national revenues." It regarded the "self amortizing conception" of the unemployment problem submitted by Sir Edward Beatty as "essentially accurate and sustainable."

The Dominion Mortgage and Investment Association answered Western submissions to the Commission, that interest rates on Prairie mortgage loans were \$5,000,000 to \$10,000,000 a year higher than those in Eastern Canada, by showing that interest rates in Manitoba between 1917 and 1931 had been 41/100 per cent. higher than those in Ontario, Saskatchewan 84/100 per cent. and Alberta 89/100 per cent.; that the average rates on Manitoba loans left a gross profit to companies of 2.26 per cent. to pay operating costs of 1.5 per cent. and losses amounting to .44 per cent. leaving a net profit of .32 per cent.

The Canadian Life Officers' Association suggested an Amendment to the British North America Act establishing clearly defined division of control over life insurance: the Provinces to continue control over contracts and the licensing of agents; and the Dominion, to supervise companies. G. D. Finlayson, Dominion Superintendent of Insurance, later suggested elimination of all Provincial control.

The Peace River Chamber of Commerce asked separation from Alberta and fusion with the Yukon and Northwest Territories in order to form either a tenth Province or, at least, an autonomous area.

The Canadian Electrical Association asked taxation of hydro-electric properties in Ontario, claiming that exemption was giving Ontario an unfair advantage over Quebec with regard to industries.

Mr. C. Fraser Elliott, Commissioner of Income Tax, expressed the opinion that taxation in Canada had reached the point where it was a consideration in investment and that before it was increased further the law of diminishing returns would have to be considered.

Dr. E. S. Archibald, Director of Experimental Farms at Ottawa, told the Commission that there was little room for growth of population in the West and that the 20,000,000 to 30,000,000 additional population picture was a myth. In Saskatchewan he estimated that 80 per cent. of the good land was under cultivation. The same condition, he said, applied in Manitoba and in Alberta, south of the main line of the C.P.R. and up to the main line of the C.N.R. near the Saskatchewan boundary. Otherwise Alberta still held possibilities for settlement.

## Reports of the Administrative Services for 1937 and 1938

The following chapters are summaries of the Reports of the various Departments of the Government. The periods covered by these Reports are mainly for the fiscal years, 1936-37 and 1937-38. For the sake of brevity comparative summaries are used wherever possible. The new Department of Mines and Resources embraces the several Branches of the former Department of the Interior, with the three additions of Mines, Indian Affairs and Immigration, each formerly a separate Department. The Report of Soldier Settlement of Canada is also included under Mines and Resources

## Administration of Justice

The total number of offences disposed of by the Criminal Courts of Canada during the year ended Sept. 30, 1938, was 50,998, as compared with 43,968 in 1936-37. Of these numbers, 7,399 were acquitted in 1937-38



and 6,820 in 1936-37, leaving convictions in 1937-38 at 43,599, as compared with 37,148 in 1936-37. Increases were recorded in five out of the six main classes of crime in 1938, whereas increases occurred in only four classes in 1937. Classes which showed increases during the two years 1938 and 1937, respectively, were as follows: offences against the person, 16.6 per cent. and 8.23 per cent.; offences against property without violence, 6.4 per cent. and 8.69 per cent.; and forgery and offences against currency, 6.3 per cent. and 13.53 per cent. Offences against property with violence recorded an increase of 19.7 per cent. in 1938 and a decrease of 4.89 per cent. in 1937. Malicious offences against property showed a decrease in 1938 of 1.2 per cent. and an increase of 20.12 per cent. in 1937. Various indictable offences had an increase of 47.7 per cent. in 1938 and a decrease of 10.89 per cent. in 1937.

Convictions for non-indictable offences in 1938 were 414,664, as compared with 420,212 in 1937, a decrease of 5,548 or 1.32 per cent. Twenty-two non-indictable offences showed increases for 1938 over 1937; offences relating to stray and impounding animals recorded the largest increase. Thirty non-indictable offences showed increases for 1937 over 1936; breaches of traffic laws with an increase of 52,209 or 24.85 per cent., accounting for the marked increase. Decreases were shown in 28 types of offences for 1938 and in 20 types of offences for 1937; a reduction of 26,310 or 64.69 per cent. in gambling being out of the ordinary. Total convictions by Provinces for 1938, 1937 and 1936 were as follows:

	1938		1937		1936	
	Indict.	Non-Indict.	Indict.	Non-Indict.	Indict.	Non-Indict.
Prince Edward Island ..	225	1,497	98	1,438	75	956
Nova Scotia .....	1,269	6,552	1,081	6,249	1,147	5,593
New Brunswick .....	912	5,299	759	5,706	744	4,691
Quebec .....	10,277	89,443	7,781	99,404	9,497	111,254
Ontario .....	17,248	238,224	14,569	237,309	13,594	204,744
Manitoba .....	3,041	32,748	2,839	28,500	2,631	17,476
Saskatchewan .....	2,555	7,113	3,083	7,580	2,194	5,750
Alberta .....	3,619	10,973	3,589	10,910	3,138	8,810
British Columbia .....	4,443	22,695	3,331	22,997	3,021	18,349
Yukon and N.W.T. ....	10	120	18	119	18	83

The total number of juvenile delinquents brought before the courts during the year ended Sept. 30, 1938, was 8,929, as compared with 9,675 in 1936-37, a decrease of 746 or 7.71 per cent. Major delinquencies showed a decrease of 3.24 per cent., while minor delinquency convictions decreased 20.55 per cent. during 1938. Approximately 96 per cent. of major delinquents during the two years, 1937 and 1938, were born in Canada.

### Royal Canadian Mounted Police, 1936-37 and 1937-38

The Report of the Royal Canadian Mounted Police for the year ended Mar. 31, 1937, was submitted by the Commissioner, Maj.-Gen. Sir James H. MacBrien and that for the year ended Mar., 1938, by Brigadier S. T. Wood, who was promoted to command this Force on Mar. 6, 1938, following the death of Sir James on Mar. 5, 1938. According to the 1936-37 Report agreements were in force with the Provinces of Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Prince Edward Island for the services of the Royal Canadian Mounted Police to enforce Provincial laws within the respective Provinces concerned, outside incorporated towns and cities. A major Amendment was made to The R.C.M.P. Act, providing for the training of young men for the Force; the Report stated that it was hoped that a reserve of approximately 300 men might be formed.

On Mar. 31, 1937, the Force numbered 92 officers, 2,130 non-commissioned officers and constables, 131 special constables, and 220 members of the Marine section, or a total of 2,573 of all ranks. The total decrease in the strength from the previous year was 144, or, approximately, 5.3 per cent. On Mar. 31, 1938, the Force numbered 91 officers, 2,154 non-commissioned officers and constables, 123 special constables and 230 members of the Marine section, or a total of 2,598. The increase in strength over Mar. 31, 1937, was 25, or a little less than 1 per cent. The Statutes which were the major concern of the R.C.M.P. were Excise, Customs, Indian, Juvenile Delinquents, and Opium and Narcotic Drug Acts. The aggregate of true cases under the heading of Federal Statutes in the year ended Mar. 31, 1938, was 8,970, as compared with 8,804 in the previous year, representing an increase of 166. True cases under the Criminal Code in the year ended Mar. 31, 1938, numbered 21,367, as compared with 21,754 in 1936-37, or a decrease of 387. The number of true cases under Provincial Statutes in the year ended Mar. 31, 1938, was 19,396, as compared with 15,473 in 1936-37, making an increase of 3,923. The Statutes responsible for the increase under this heading were those dealing with liquor and the control of traffic on the highways. The total number of true cases under the three categories combined was 49,733 in the year ended Mar. 31, 1938, as against 46,031 the preceding year, representing an increase of 3,702.

#### **Penitentiaries, 1936-37 and 1937-38**

Outstanding features of the Reports of the Wardens of the seven Penitentiaries in Canada for the years ended Mar. 31, 1937 and 1938, were the lack of serious disturbances, with the exception of a few individual incidents; the effective work of Classification Boards, segregation of youthful convicts; and training in trades undertaken. Regular religious services were held throughout the two years, under the auspices of the various denominations. (For Report of the Inquiry into Canada's Penal System, see this Volume under "Commissions of Investigation, 1937-38").

The Reports of the Superintendent of Penitentiaries for the fiscal years ended Mar. 31, 1937, and 1938 showed that there were in custody at the beginning of the year Mar. 31, 1937, a total of 3,264 individuals, of which number 3,232 were male and 32 were female. The number on the registers on Mar. 31, 1938, was 3,580, of which number 3,541 were males and 39 females.

The Report for the year ended Mar. 31, 1938, furnished more elaborate statistics than that of the previous year. Greater detail was given of the records of convicts, the nature of offences and the circumstances surrounding offenders at the time crimes were committed. As at Mar. 31, 1937, there were 171 life prisoners and 35 with terms of 25 years or more. The number sentenced to 8 years or less was 2,616, and to 2 years, 1,101. The Report for the year ended Mar. 31, 1938, was computed differently in respect of sentences imposed. Offences and duration of terms of the males admitted during the year were given. Of the 1,447 admitted 1,113, or 77 per cent. received terms of 3 years or under; 202, or 14 per cent. terms of 4 or 5 years; 81, or 5.5 per cent., terms of 6 to 10 years; 20, or 1.3 per cent., terms of 10 years or over; while 10 received life sentences. Of the 1,447 guilty of major offences no fewer than 1,167, or 80.6 per cent. were guilty of offences against rights and property. Robbery, breaking, entering and theft in their various forms constituted 82 per cent. of offences under this section.

Of the total of 3,264 inmates on Mar. 31, 1937, 317 were under 21 years of age; 606 between 21 and 25 years of age; 909 between 25 and 30 years

of age; 806 between 30 and 40 years of age; and 378 between 40 and 50 years. Of the 1,447 male convicts admitted during the year ended Mar. 31, 1938, 239, or 16.6 per cent. were under 21 years of age at the time of commitment and 896, or 62 per cent. under 30. The majority of convicts in both periods, therefore, were young men. A total of 349 had no previous record, of which number 77.9 per cent. had received terms of 3 years or under, and of the 1,098 with penal records 76.4 per cent. had also received similar terms of sentence. Of those with previous penal records, 500, or 45.5 per cent., had previously served sentences in penitentiaries, 417, or 38 per cent., in reformatories and 879 or 80.1 per cent. had received jail sentences. The Report showed that 73.2 per cent. of those committed under 21 years of age were reported as unemployed at the time of crime. Of 1,447 who entered penitentiaries in the year ended Mar. 31, 1938, 984, or 68 per cent. were single; 364, married; 39, widowed; 17, divorced; and 43, separated. Of 3,264 in penitentiaries at Mar. 31, 1937, 2,034, or 62.3 per cent. were single; 1,039, married; 140, widowed; and 51 divorced or separated.

Gross expenditures for the year ended Mar. 31, 1938, amounted to \$2,577,319 and revenues to \$56,526, leaving a net cash outlay of \$2,520,793. This compared with gross expenditures of \$2,371,932 in the previous year, revenues of \$64,216 and net cash outlay \$2,307,716. Net cash outlay per convict per day in 1937-38 was \$2.04, as compared with \$2.04 in 1936-37. Per capita expenditures per day at the different institutions, during the two periods under review were as follows (the 1936-37 figures are enclosed in brackets): In 1937-38: Kingston, \$1.75 (\$1.84); St. Vincent de Paul, \$1.71 (\$1.68); Dorchester, \$2.05 (\$2.24); Manitoba, \$2.55 (\$2.60); British Columbia, \$2.41 (\$2.59); Saskatchewan, \$2.15 (\$2.35); and Collin's Bay, \$2.98 (\$3.67). Average daily population in 1937-38 was as follows (the 1936-37 figures in brackets): Kingston, 771 (714); St. Vincent de Paul, 931 (927); Dorchester, 407 (351); Manitoba, 303 (280); British Columbia, 314 (273); Saskatchewan, 412 (365); and Collin's Bay, 233 (193).

Incidents of concerted insubordination, which had occasioned considerable trouble in 1934-35 and 1935-36, did not occur during 1936-37 and 1937-38 at Kingston Penitentiary. The only serious trouble reported occurred on July 11, 1936, when an assistant hospital officer and a guard were attacked by a convict. The guard died two days later as a result of wounds. The dental clinic set up early in 1935 functioned most satisfactorily during the two succeeding years. During both these years also the school functioned to capacity. On Mar. 31, 1937, there were 155 convicts in attendance. Of these, 63 were graded lower than third class. Twenty-seven convicts tried the high school entrance examinations, 25 passed, 6 with honours. Special attention was given to young convicts throughout the year 1937-38. The Classification Board functioned very satisfactorily during the year and proved a decided asset to the authorities. One attempt to escape from Kingston Penitentiary in 1936-37 and three attempts in 1937-38 were all unsuccessful.

There were no notable offences against the rules and regulations at St. Vincent de Paul Penitentiary during the year ended Mar. 31, 1937. Out of 499 convicts reported for prison offences, 494 had no charges made against them. The Report for the year ended Mar. 31, 1938, stated that, with the exception of the incident which had taken place in the quarry in June, 1937, during which a convict was shot, behaviour of the convicts had been satisfactory and discipline well observed.



A convict escaped from the Dorchester Penitentiary wood lot on Apr. 25, 1936, and was recaptured by penitentiary officers on May 2, 1936. An entertainment fund was commenced in the Penitentiary, under the authorization of an approved policy that permitted convicts to a diversion from peculium allowed to them.

The Warden of Manitoba Penitentiary reported that during the year 1936-37 the conduct and industry of the convicts had been satisfactory. The Report for the year ended Mar. 31, 1938, stated that a lively interest had been shown in school work, eagerness having been shown by the young convicts. On Mar. 10, 1938, three convicts made their escape over the wall. One convict was captured the same evening, one on Apr. 2, 1938, while one was still at large.

Conduct and industry of convicts at British Columbia Penitentiary were reported satisfactory during the year 1936-37. Thirty-one convicts were in regular attendance at the school and approximately 100 pursued a variety of studies in their cells. The 1937-38 Report stated that the segregation of a number of the more anti-social convicts had resulted in a general raising of the institutional tone.

The young convict segregation policy continued to show excellent results at Saskatchewan Penitentiary. Vocational instruction in building construction, wood and metal work and motor mechanics was keenly followed by many of the youths, and accommodation in the department had to be increased. Scarcity of employment available for men on discharge continued to hamper the rehabilitation of many. The Report said that the establishment of an industry to furnish work during the year for 25 per cent. of the population would provide a reformatory agency of great effectiveness.

The Reports of the Warden of Collin's Bay Penitentiary for 1936-37 and 1937-38 stated that the behaviour of convicts during both years had been good; that the only incident of mass insubordination had occurred in September, 1937, when 80 convicts had refused to work. All had been permitted to return to work, at their own request, within one week.

The transfer of fifty convicts to Manitoba Penitentiary and eighty to Saskatchewan Penitentiary, where accommodation was available, from Kingston, which was overcrowded, took place in July, 1938, under custody of a detachment of Royal Canadian Mounted Police and members of the Kingston and Collin's Bay Penitentiary staffs.

### Divorces Granted in 1937 and 1938

Reports issued by the Dominion Bureau of Statistics covering divorces granted in Canada in the calendar years, 1937 and 1938, showed that in 1937 there were 1,870 divorces granted. Of these 1,825 were granted by the courts of the seven Provinces, while 45 were granted by the Dominion Parliament; allotting these to Provinces according to the legal domicile of the petitioner, 43 were in the Province of Quebec and 2, in Prince Edward Island. The number granted in 1938 was 1,883, of which 1,798 were granted by the courts of the seven Provinces and 85 by the Dominion Parliament. Of the latter, 83 were in Quebec and 2 in Prince Edward Island. The increase in 1938 over 1937 was 13, or 0.7 per cent. The number of divorces granted in the various Provinces in each of the two years was as follows:

	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	P.E.I.
1937.....	36	54	43	596	200	109	241	589	2
1938.....	51	39	83	813	205	120	261	309	2

## National Revenue, 1937 and 1938

The Report of the Department of National Revenue for the fiscal year ended Mar. 31, 1938 (the Hon. James Lorimer Ilesley, Minister) showed that Customs duty collected was \$103,719,951, as compared with \$92,282,058 in 1936-37 and \$200,479,505 in the peak year ended Mar. 31, 1929. The total volume of imports for home consumption was \$799,069,918, as against \$671,875,566 in the year ended Mar. 31, 1937; and the total volume of exports, \$1,084,821,204, as compared with \$1,074,244,220 in 1936-37. The peak peace year for exports was 1928-1929 when the aggregate was \$1,393,445,534, while 1928-1929 was also the peak period for imports, the total being \$1,265,679,091. Dutiable goods imported for the year ended Mar. 31, 1938, amounted to \$434,165,898, as compared with \$369,933,634 in 1936-37. Goods imported free of duty in 1937-38 had a total value of \$364,904,020, as compared with \$391,941,932 in the 1936-37 period. The percentage of duty on the total value of goods entered for home consumption, dutiable and free, was 12.98 in the period ended Mar. 31, 1938, as compared with 13.73 in 1936-37. In 1932 the percentage was 19.71.

The total of dutiable goods, free imports, total imports and percentage of dutiable goods imported to total imports from the United Kingdom, the British Empire and the United States, for the fiscal years (ended Mar. 31) 1938 and 1937 were as follows:

	Dutiable	Free	Total	P.C. Dutiable To Total
1937-38				
United Kingdom .....	\$ 67,298,713	\$ 77,710,058	\$145,008,771	46.4%
British Empire .....	95,387,984	137,817,432	233,205,416	40.9%
United States .....	288,760,479	198,533,531	487,294,010	59.2%
1936-37				
United Kingdom .....	60,294,614	69,229,484	129,524,098	46.6%
British Empire .....	87,267,210	110,914,845	198,182,055	44.0%
United States .....	236,804,904	157,614,108	394,419,012	60.0%

The total Excise revenue for the fiscal year 1937-38 was \$237,614,497, as compared with \$202,498,882 in the 1936-37 period. Details of Excise duty in 1937-38, as compared with 1936-37 were: spirits, \$9,844,227 and \$8,316,669; validation fee, \$918,607 and \$1,055,719; malt, \$8,852,924 and \$8,050,380; beer, \$363,208 and \$390,277; malt syrup, \$132,210 and \$160,175; cigars, \$409,101 and \$372,058; tobacco, \$32,428,275 and \$28,334,748; licences, \$38,557 and \$38,891. The totals of these items were \$52,987,018 and \$46,718,917. Excise taxes collected during the years, 1937-38 and 1936-37, respectively, were: licences, \$51,958 and \$44,734; stamps, \$4,824,751 and \$5,543,480; matches and lighters, \$1,633,578 and \$1,522,468; tires and tubes, \$1,258,590 and \$1,317,560; Sales, \$121,348,801 and \$99,421,015; playing cards, \$233,000 and \$222,500; sugars, \$10,549,056 and \$10,306,170; cigars, \$124,632 and \$121,106; wines, \$239,787 and \$207,190; toilet preparations and soap, \$1,157,111 and \$1,112,021; transportation and telephones, \$1,727,434 and \$1,582,222; interest, \$120,637 and \$103,763; domestic total, \$143,648,851 and \$121,757,132. Sales tax on importations was \$20,514,447 and \$16,717,786; Excise tax on importations, \$1,842,731 and \$1,889,730; Special excise, 3 per cent., \$18,621,448 and \$15,415,315; and grand total, \$184,627,479 and \$155,779,964.

The Shipping Report of the Customs Division for the fiscal year ended Mar. 31, 1938 (Dominion Bureau of Statistics: Transportation and Public Utilities Branch), as compared with the year ended Mar. 31, 1937 (compiled by the Department of National Revenue) gave the following statistics: vessels built 13,074 tons against 10,423 in 1936-37; vessels registered, 46,944 tons, as against 29,801 tons in 1936-37; vessels entered and cleared (ex-

clusive of coastwise), 91,369,266 tons, as against 94,586,746 tons; vessels entered and cleared (coastwise), 88,731,613 tons, as against 91,421,172 tons; vessels sold to other countries, 12,725 tons, as against 15,595 tons and values \$260,497, as against \$432,975.

The amount collected under the Income War Tax Act during the fiscal years ended Mar. 31, 1938 and 1937 is shown in the following statement supplied by the Commissioner of Income Tax (C. Fraser Elliott); the amount is classified as to individuals, corporations and 5 per cent. tax by Provinces, including the Head Office:

Year, 1936-37							
Provinces	Individuals		Corporations		5% Tax Amount	Totals	
	No.	Amount	No.	Amount		No.	Amount
P.E.I. . .	567	\$ 37,486.90	229	\$ 333,181.81	\$ 502,315.82	796	\$ 872,984.53
N.S. . . .	6,391	642,121.65	407	683,068.29	50,083.65	6,798	1,375,273.59
N.B. . . .	4,641	450,947.70	368	447,986.83	12,005.65	5,009	910,940.18
Que. . . .	49,373	11,519,245.66	2,740	15,815,135.94	1,967,220.99	52,113	29,301,602.59
Ont. . . .	101,506	18,427,058.01	5,110	33,794,708.03	5,940,309.00	106,616	58,162,075.04
Man. . . .	13,355	1,105,572.85	705	1,322,070.61	56,821.00	14,060	2,484,464.46
Sask. . . .	6,427	227,615.40	373	169,687.06	12,092.74	6,800	409,395.20
Alta. . . .	11,180	635,016.41	552	1,165,482.30	50,206.23	11,732	1,850,704.94
B.C. . . .	23,170	2,145,383.83	1,662	4,274,644.12	318,958.42	24,832	6,738,986.37
Yukon . .	439	19,267.78	(*)	4,250.99		439	23,518.77
H. Office		232,669.08		2,627.00			235,296.08
TOTALS	217,049	\$35,442,385.27	12,146	\$58,012,842.98	\$8,910,013.50	229,195	\$102,365,241.75

Year, 1937-38							
Provinces	Individuals		Corporations		5% Tax Amount	Totals	
	No.	Amount	No.	Amount		No.	Amount
P.E.I. . .	589	\$ 44,445.31	180	\$ 538,101.42	\$ 387,731.85	769	\$ 970,278.58
N.S. . . .	7,302	779,120.71	499	785,366.02	49,845.31	7,801	1,614,332.04
N.B. . . .	4,970	515,898.69	409	570,176.51	14,652.52	5,379	1,100,727.72
Que. . . .	55,083	13,174,726.01	2,954	18,411,818.74	2,525,362.57	58,037	34,111,907.32
Ont. . . .	108,025	21,005,781.61	6,282	40,550,723.42	6,697,199.18	114,307	68,253,704.21
Man. . . .	14,007	1,283,411.45	758	1,661,614.92	63,357.23	14,765	3,008,383.60
Sask. . . .	7,225	289,677.82	383	240,382.46	7,460.79	7,608	537,521.07
Alta. . . .	11,583	709,159.56	618	1,164,500.20	48,968.21	12,201	1,922,627.97
B.C. . . .	27,739	2,619,356.97	1,861	5,842,506.98	357,510.04	29,600	8,819,373.99
Yukon . .	541	23,260.48	5	3,414.50		546	26,674.98
TOTALS	237,064	\$40,444,838.61	13,949	\$69,768,605.17	\$10,152,087.70	251,013	\$120,365,531.48

## Pensions and National Health, 1936-37 and 1937-38

The Annual Report (issued June 30, 1938) of the Department of Pensions and National Health for the year ended Mar. 31, 1938 (the Hon. Charles G. Power, Minister), included reports of the work of the Canadian Pensions Commission, the Pensions Appeal Court, the War Veterans Allowance Committee and National Health Division.

Pensions Division—During the fiscal year 1937-38 admissions to hospital were 9,223, as against 9,486 in the previous year, while 194,791 received treatment in 1937-38, as compared with 206,233 in 1936-37. Of those in the hospital on Mar. 31, 1938, 1,453 were in Department hospitals and 652 in civil institutions, while comparative figures for 1936-37 were 1,535 and 685, respectively. The supply, renewal and repair of surgical appliances, excepting minor orthopaedic appliances, totalled 18,477 in 1937-38, as against 17,447 in 1936-37. This is an important phase of the Department's work. Pensioners granted relief in 1937-38 numbered 11,179 and the amount \$2,232,397, as compared with 12,322 and the amount \$2,435,285 in 1936-37. The number employed in Vetcraft Shops was 116 in 1937-38 and 121 in 1936-37. The net applications for pensions of record at Mar. 31, 1938, were 3,333, as compared with 3,532 in 1936-37. Net payments by the Depart-



ment for the year ended Mar. 31, 1938, with the fiscal year 1936-37 in brackets, were shown as follows: European War pensions, \$40,774,880 (\$41,424,432); war veterans' allowances, \$3,903,007 (\$3,178,616); unemployment assistance, \$2,232,397 (\$2,435,285); sheltered employment, \$57,879 (\$18,420); probational training allowances, \$67,209 (not recorded); hospital treatment, \$2,754,776 (\$2,732,087); employers' liability compensation, \$39,997 (\$18,590); Last Post Fund, \$60,000 (\$60,000); Canadian Legion, \$9,000 (\$9,000); transportation—pensioners, patients, etc., \$71,017 (\$84,945); after care and transportation of blinded ex-soldiers, \$6,093 (\$6,310). Other expenditures included \$1,445,028 (\$1,356,181) Militia pensions; \$843,813 (\$852,548) for returned soldiers' insurance; aggregate expenditures, apart from administration costs, including other minor items, were \$55,351,102 (\$55,268,880). As the period in which applications for insurance could be received had expired in August, 1933, after that date no further policies were issued. The number of policies in force as at Mar. 31, 1938, was 23,880, as compared with 24,801 at the end of the previous year, while the value of insurance in force was \$50,677,795, as against \$52,802,684 the year before.

The Reports of the Canadian Pensions Commission for the year ended Mar. 31, 1938, showed an increase of 87 in the number of disability pensions in force, as against the end of the previous fiscal period, while the number of dependent pensions in force had declined by 81. Disability awards in payment on Mar. 31, 1938, totalled 79,876 and dependent awards, 18,105, as compared with 79,789 and 18,186, respectively, at the end of 1936-37. The total number of beneficiaries under The Pensions Act was 242,261, as compared with 251,335 in 1936-37. Total liability in respect of pensions for the fiscal year ended Mar. 31, 1938, was \$40,682,055, as compared with \$40,783,023 for the previous year.

Pension Appeal Court—The Court rendered the following decisions during the fiscal years ended Mar. 31, 1938 and 1937 (figures for the year ended Mar. 31, 1937 in brackets): applications, 2,363 (2,525); allowed, 36 (46); appeals remaining unheard, 207 (274).

The National Health Division—The Laboratory and Inspection Services, provided for the administration of the Food and Drugs Act and related Statutes, continued activities throughout the years (ended Mar. 31) 1937 and 1938. In the Laboratories, in 1936-37, 19,324 samples were examined and 23,408 in 1937-38. Adulteration and misbranding were reported in many samples. In the Drug Section greater attention was paid to scrutinizing labels and advertising with a view to modifying and eliminating unwarrantable therapeutic claims. The Reports stated that in no country of the world other than Canada were the pockets and the health of the people as zealously guarded against the insinuating pretences of the medicine-selling charlatan. Strict surveillance was maintained not only over domestic products but over all foods and drugs that passed through Customs. The number of import samples examined at Customs and released on inspection in 1937-38 was 52,374; the number of import samples examined in laboratory, 13,078; the number adulterated or misbranded was 4,600. Figures for the previous year were 42,146, and 10,965 and 4,261, respectively. The Reports included the Public Health Engineering Service and the Narcotic Branch.

In connection with the Narcotic Branch, the situation improved. In a number of the larger cities where addiction was more frequently encountered, the shortage of illicit narcotics was very marked. The price of a 7-ounce tin of first grade opium reached the remarkable height of \$360 in July and August, 1937, believed to be a record in any country in the

world. Ten years previous the price was less than half this level. This result has largely been achieved by the steady pressure applied by the Royal Canadian Mounted Police to traffickers, many of the most important of whom have been sentenced to long terms of imprisonment. Convictions in the judicial year ended Sept. 30, 1937, numbered 161, as compared with 168 in the previous year.

Immigration Medical Service—Medical examination of prospective immigrants is carried on at the principal ports of entry in Canada and also in England and on the Continent. The number examined in Canada in 1937-38 was 8,892 and Overseas, 9,387. Comparative figures for the previous year were 6,072 and 6,407, respectively.

### Hospitals in Canada

Exclusive of 58 mental hospitals with a bed capacity of 37,798 and 38 sanatoria with 9,053 beds, there were 858 other hospitals in operation during the year 1937 (latest Report available in February, 1940), according to the Institutional Statistics Branch of the Dominion Bureau of Statistics. Of this total 584 were public, distributed as follows: general public, 469; women's, 11; paediatric, 11; isolation, 16; convalescent, 9; Red Cross, 36; incurable, 18; and other, 14. Besides the public hospitals there were 32 hospitals operated by the Dominion Government and 241 private hospitals. Of these 858 hospitals, returns were received from 857, showing an aggregate bed capacity of 54,574 beds and cribs, distributed as follows: public hospitals, 48,345; private hospitals, 2,811; and Dominion hospitals, 3,418. Patients under care numbered 907,305, one person out of every thirteen of the general population receiving hospital care in the above institutions in 1937. Admissions totalled 872,519, of which 786,751 were adults and children and 85,768 were infants born in hospital. Still-births totalled 2,968 and formed 3.4 per cent. of the total live births reported. Discharges numbered 836,062 and deaths totalled 34,744, or 3.8 per cent. of total patients. The total patient days was 13,731,309.

The total personnel of all hospitals reporting was 37,026, comprising 700 salaried doctors, 733 interns, 7,440 graduate nurses, 8,895 student nurses and probationers, 404 graduate and student dietitians and 18,854 others. Approved schools of nursing were conducted by 180 hospitals, of which number 176 were in public hospitals and 4 in private hospitals. These schools had a total of 8,895 student nurses and probationers, showing an average of 2.8 patients to each student nurse.

### Mental Patients

At the close of the calendar year 1937 (latest Report available) there were in Canada 57 institutions for the care and treatment of patients suffering from mental diseases. The number of registered patients was 44,731, of whom 24,558 were males and 20,173 were females. Patients in institutions totalled 41,667: 23,048 males and 18,629 females. Patients on parole totalled 3,054: 1,510 males and 1,544 females. The proportion of the resident insane of both sexes per 10,000 of the general population was 29.25, while the proportion of the total resident population in the mental institutions was 37.3. The normal bed capacity was 37,798.

### Vital Statistics

The following table contains a condensed summary of births, deaths and maternal mortality, and marriages in 1938, as compared with 1937

and 1936, as given in a preliminary Report for 1938 and final Reports for 1937 and 1936 of the Dominion Bureau of Statistics. Yukon and the Northwest Territories are not included. The figures for all deaths and for infant mortality both exclude still-births:

Provinces	Population in Thousands	Living Births		All Deaths		Infant Mortality		Maternal Mortality		Marriages	
		No.	Per 1,000 Population	No.	Per 1,000 Population	No.	Per 1,000 Population	No.	Per 1,000 Population	No.	Per 1,000 Population
P.E.I.	94	1,971	21.0	1,029	10.9	113	57	5	2.5	591	6.3
N.S...	548	12,189	22.2	6,063	11.1	748	61	51	4.2	4,084	7.5
N.B...	445	11,418	25.7	4,882	11.0	845	75	52	4.6	3,368	7.6
Que...	3,172	78,145	24.6	32,609	10.3	6,486	83	408	5.2	25,044	7.9
Ont...	3,731	65,501	17.6	36,879	9.9	3,245	50	251	3.8	30,080	8.1
Man..	720	13,478	18.7	5,893	8.2	750	56	39	2.9	6,262	8.7
Sask..	941	18,162	19.3	6,060	6.4	933	51	46	2.5	5,857	6.2
Alta...	783	15,881	20.3	5,870	7.5	813	51	68	4.3	6,973	8.9
B.C...	761	12,438	16.3	7,458	9.8	555	45	48	3.9	6,139	8.1
Canada 1938a	11,195	229,183	20.5	106,743	9.5	14,497	63	968	4.2	88,398	7.9
Canada 1937	11,106	220,235	19.8	113,824	10.2	16,693	76	1,071	4.9	87,800	7.9
Canada 1936	11,014	220,371	20.0	107,050	9.7	14,574	66	1,233	5.6	80,904	7.3

a. Preliminary.

The total number of illegitimate births in the registration area of Canada for 1938 was 9,196, an increase of 622 over 8,574 in 1937. The total in 1936 was 8,633. The decrease in 1937 from 1936, therefore, was 59. The percentage of illegitimate births to all live births in 1938 was 4.01, as compared with 3.89 in 1937 and 3.92 in 1936. Figures for 1938 are preliminary and those for 1937 and 1936, final. By Provinces, illegitimate births were as follows:

	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1936.....	68	723	405	2,469	2,788	493	703	607	377
1937.....	63	693	381	2,451	2,796	478	651	626	435
1938a.....	88	777	435	2,525	3,054	503	626	682	506

a. Preliminary.

Still-births in 1938 (preliminary figures) amounted to 6,419, as against 6,275 in 1937 and 6,350 in 1936, the latter two figures being final. The percentage of still-births to total births was 2.7 in 1938 (preliminary), as against 2.8 in each of the two previous years (final figures).

Among the causes for death in each of the three years, diseases of the heart were most numerous, the total casualties from this cause being 17,368 (preliminary figures), as compared with 16,840 in 1937 and 16,424 in 1936, the last two figures being final. Deaths from cancer and other malignant tumours ranked second in point of numbers in all three years, the preliminary figures for 1938 being 12,029, as against final figures for 1937 of 16,840 and 11,694 for 1936. The major causes of death and the rate per 100,000 of population in 1938, 1937 and 1936 are indicated in the following table:



	1938(1)	1937(2)	1936
Typhoid fever	1.8	3.0	2.3
Smallpox	(3)	(3)	(3)
Measles	2.2	7.5	3.4
Scarlet fever	1.8	2.4	2.2
Whooping-cough	4.4	6.9	5.4
Diphtheria	3.9	3.3	2.3
Influenza	21.1	47.4	28.3
Erysipelas	0.9	1.4	2.1
Poliomyelitis and polioencephalitis	0.7	1.8	0.9
Epidemic cerebrospinal meningitis	0.8	0.8	0.9
Tuberculosis, respiratory	45.1	49.5	50.2
Tuberculosis of other organs	9.5	10.6	11.2
Syphilis	4.1	5.8	5.3
Purulent infection septicaemia	0.9	1.4	1.9
Cancer and other malignant tumours	107.4	107.7	106.2
Tumours, non-malignant, not specified	7.2	7.7	7.5
Diabetes mellitus	13.8	14.0	13.1
Diseases of the thyroid and parathyroid glands	3.4	4.3	3.8
Anaemia	5.8	5.6	5.9
Leukaemia and aleukaemia	3.5	3.4	3.1
Alcoholism	1.5	1.8	1.7
Simple meningitis	2.6	3.1	3.0
Progressive locomotor ataxia	0.5	0.7	0.5
Cerebral haemorrhage, cerebral embolism and thrombosis	18.0	18.1	20.4
General paralysis of the insane	1.5	2.0	2.0
Dementia praecox and other psychoses	3.2	3.6	3.6
Epilepsy	2.3	2.7	2.5
Diseases of ear and mastoid process	3.9	4.0	3.9
Diseases of the heart	155.1	151.6	149.1
Diseases of the arteries	89.0	86.5	82.7
Bronchitis	2.9	3.0	3.1
Pneumonia	66.4	69.6	66.4
Pleurisy	2.0	2.8	2.7
Congestion of the haemorrhagic infarct of lung	3.9	3.4	3.5
Asthma	4.3	5.0	4.3
Diseases of the buccal cavity and annexa and of the pharynx and tonsils	4.1	4.4	5.3
Diseases of the stomach	11.0	11.3	11.8
Diarrhoea and enteritis	23.1	38.0	21.6
Appendicitis	11.6	12.7	13.0
Hernia, intestinal obstructions	9.5	9.7	9.5
Cirrhosis of the liver	4.3	3.6	4.1
Other diseases of the liver	9.4	9.1	8.7
Nephritis	58.0	58.8	58.1
Diseases of the prostate	11.6	11.3	10.5
Puerperal causes	8.6	9.6	11.2
Congenital malformations	12.9	13.3	13.1
Diseases of early infancy	58.9	59.8	60.0
Senility	15.8	15.7	15.4
Violent deaths	64.3	66.3	67.8
Other specified	49.5	52.0	50.0
Unspecified	5.4	7.0	6.5

(1) Preliminary.

(2) Final.

(3) Less than 0.1 per 100,000 of population.

Deaths from cancer and other malignant tumours, by Provinces in 1938, 1937 and 1936, respectively, were as follows: Prince Edward Island, 138 and 137 and 108; Nova Scotia, 686 and 717 and 687; New Brunswick, 461 and 466 and 459; Quebec, 3,191 and 3,033 and 2,939; Ontario, 4,469 and 4,547 and 4,441; Manitoba, 774 and 738 and 775; Saskatchewan, 641 and 689 and 710; Alberta, 682 and 598 and 611; and British Columbia, 987 and 1,038 and 934. Figures for 1938 were preliminary and for the previous two years, final.

The number of violent deaths in 1938 (preliminary figures) was 7,196, a decrease of 162 from 7,358 in 1937, which in turn showed a decrease of 105 from 7,463 in 1936. The rate per 100,000 of population in 1938 was 64.3, as against 66.3 in 1937 and 67.8 in 1936. The lowest record in Canada during the period from 1928 to 1938 was 58, in 1933, while the highest record for that period was 73, per 100,000 of population, in 1930. The number of suicides in 1938 totalled 946, as compared with 978 in

1937 and 928 in 1936, while homicides in 1938 were 127, as against 138 in 1937 and 137 in 1936. Violent deaths other than suicides and homicides in 1938 numbered 6,123, as against 6,242 in 1937 and 6,398 in 1936. Drownings totalled 873 in 1938, 880 in 1937 and 786 in 1936 (these were exclusive of those occurring in land and air transportation); fatal accidents in mines, 193 and 152 and 138, respectively; railroads, 197 and 251 and 238; street car accidents, 29 and 32 and 28; automobile, 1,545 and 1,633 and 1,316; other land transportation accidents, 134 in 1938 (not specified in 1937 or 1936); fatal air accidents, 23 and 29 and 16. In 1938, drownings were equal to 14.2 per cent. of all violent deaths other than suicide and homicide, against 14.1 in 1937 and 12.3 in 1936. The percentage of fatal land transportation accidents to the total was 28.9 in 1938, 30.7 in 1937 and 24.7 in 1936. The percentage of fatal automobile accidents to the total was 25.2 in 1938, 26.2 in 1937 and 20.6 in 1936.

### Old Age and Blind Pensions

During the fiscal year ended Mar. 31, 1938, the total estimated expenditure in Canada for Old Age Pensions was approximately \$39,000,000. The Dominion Government's contribution to the Provinces aggregated \$28,524,587 (\$21,149,352 for the year ended Mar. 31, 1937). At the close of the fiscal year 1937-38 a total of 175,673 persons were in receipt of Old Age Pensions in Canada, as compared with 146,524 in 1936-37 and 108,415 in 1935-36.

The average monthly pensions paid in the Provinces for the fiscal year 1937-38 were: Alberta, \$18.30; British Columbia, \$19.18; Manitoba, \$18.66; New Brunswick, \$13.68; Nova Scotia, \$14.64; Ontario, \$18.43; Prince Edward Island, \$10.63; Quebec, \$17.84; Saskatchewan, \$16.45; and Northwest Territories, \$19.20.

The Old Age Pensions Act was amended in 1937 to provide for the payment of pensions to Blind Persons who had attained the age of forty years and who met the other requirements set forth in the Act and the regulations made thereunder. The Act provided that pensions for Blind Persons should be administered by the Provincial authorities under agreements made by the Governor-in-Council with the Lieutenant-Governors-in-Council of the Provinces. In each Province the pension authority appointed by the Provincial Government to administer Old Age Pensions was to administer also Pensions for Blind Persons.

The maximum pension payable to a blind person under the Act was two hundred and forty dollars yearly except where a blind person married another blind person after the coming into force of the Amendment to the Act. In such a case the maximum pension was one hundred and twenty dollars a year, subject to certain reductions.

The dates on which the Act became effective in the Provinces and in the Northwest Territories were as follows: Alberta, Mar. 7, 1938; British Columbia, Dec. 1, 1937; Manitoba, Sept. 1, 1937; New Brunswick, Sept. 1, 1937; Nova Scotia, Oct. 1, 1937; Ontario, Sept. 1, 1937; Prince Edward Island, Dec. 1, 1937; Quebec, Oct. 1, 1937; Saskatchewan, Nov. 15, 1937; and Northwest Territories, Mar. 30, 1938.

### Public Works, 1936-37 and 1937-38

The Report of the Minister of Public Works (the Hon. P. J. Arthur Cardin) for the fiscal year ended Mar. 31, 1938, showed total expenditures on works of construction, maintenance and operation of \$19,603,130, as

compared with \$24,699,442 in the previous year and \$31,098,862 in the year ended Mar. 31, 1936. The details of this outlay are classified as follows:

March 31	1938	1937	1936
Harbour and River Works .....	\$ 6,146,627	\$ 5,807,293	\$ 3,428,445
Dredging, plant, etc. ....	2,141,826	2,220,533	1,208,231
Roads and Bridges .....	123,546	521,197	50,701
Public Buildings .....	9,873,182	14,892,504	7,323,677
Telegraphs .....	521,354	517,964	563,646
Miscellaneous .....	207,360	221,975	99,782
Civil Government .....	589,230	547,971	533,338
Public Works Construction Act .....			17,891,039

## The Secretary of State, 1936-37 and 1937-38

The Report for the year ended Mar. 31, 1938, of the Secretary of State (the Hon. Fernand Rinfret) showed that 10 new Boards of Trade were registered as compared with 7 in the previous fiscal year. The number of new trade unions registered was 5, as compared with 4 in 1936-37. No elections were held, under The Canada Temperance Act, in 1937-38 or 1936-37. Under The Ticket-of-Leave Act, the Remission Division dealt with 2,426 criminal cases in the criminal year ended Sept. 30, 1937, as against 2,624 the year before. The cases dealt with in 1937-38, with 1936-37 figures in brackets, were as follows: ticket-of-leave, 569 (685); unconditional release, 545 (635); deportation, 30 (42); temporary ticket-of-leave, 21 (32); conditional release, 14 (14); other cases, 91 (87); and non-interference cases, 1,156 (1,129). In addition, the total number of capital cases was 18, as against 14 in 1936-37. Executions totalled 12, as against 8 in 1936-37; commutations 4, as against 4; and new trials, 2, as against 2. It was reported that the library of the Department comprised over 102,000 volumes in the year 1937-38, as compared with 100,500 in the year 1936-37. The primary function of this library is to serve as a source of information on the legislation of the Dominion and its Provinces as well as the political history of the country, together with considerable data on the legislation of the other members of the British Commonwealth of Nations and protectorates. A further decrease occurred in the number of applications for naturalization in the year 1937-38, as compared with 1936-37, and in 1936-37, as compared with 1935-36, the totals being 17,401 and 14,441 and 11,552, respectively. Certificates issued in 1937-38 numbered 21,933, as against 25,330 in 1936-37, while persons naturalized totalled 27,455, as against 31,744. The number of companies incorporated was 358, as compared with 410 in 1936-37, and the total capitalization of new companies having shares with par value only, was \$35,268,300, as against \$47,833,605 in 1936-37. The aggregate capitalization of new companies, together with the increased capital of existing companies, amounted to \$126,972,681, as compared with \$274,365,046 in 1936-37.

## National Defence, 1936-37 and 1937-38

The Annual Report of the Department of National Defence for the fiscal year ended Mar. 31, 1938, gave a full account of Navy, Militia and Air Forces. Expenditure on these Services amounted to \$32,835,289 representing an increase over \$26,669,942 spent in 1936-37 of \$6,165,347. Militia and Air Services contributed mainly to the increase. No central camps were held for units of the Permanent Force during either year under review. Training was carried out at Permanent stations and personnel were employed in instructional work and in administrative duties in connection with the training of the Non-Permanent Active Militia. With certain exceptions, Non-Permanent units were trained for a period of ten



days with pay, while a large number of units carried out additional training for which no pay was drawn. The total number of Non-Permanent Active Militia, trained in 1937-38, included 4,978 officers and 36,651 other ranks, as compared with 5,190 and 34,802, respectively, in 1936-37. The number of enrolled Cadets on Aug. 31, 1937, was 80,339, as against 82,554 in 1936. In both years the organization of six new Corps was authorized.

The most important work of the Historical Section, in the years ended Mar. 31, 1937 and 1938, was completion of the first general volume in English of an historical account of the Canadian Forces in the War of 1914-18. Translation into French was under way. Meanwhile, work was progressing on the second volume. Much other historical material was assembled.

Increasingly important as an arm of National Defence is the Air Staff Division, which during the fiscal years (ended Mar. 31) 1937 and 1938 were reorganized on Service lines, with notable progress. In 1936-37 No. 6 (Torpedo Bomber) Squadron added to it another flight, and with the receipt of some of its equipment organized as a unit at R.C.A.F. Station, Trenton. The Technical Training School was moved from Camp Borden to Trenton and continued its training programme there, while the Air Navigation and Seaplane School, hitherto an enlistment only, was also moved from Camp Borden to Trenton as soon as the seaplane hangar at the latter unit was completed and the organization of personnel and equipment commenced. The Report for 1937-38 stated that progress had been made in the selection and provision of bases and advanced bases on the Pacific and Atlantic coasts, including Vancouver, Patricia Bay, Alliford Bay and Prince Rupert, B.C. and Dartmouth, Yarmouth, Sydney and Truro, N.S. Further progress was made in the organization on service lines. Two squadrons were moved from Trenton to Ottawa, making room at Trenton for the Air Armament School and the Flying Training School. Another flight was added to the Flying Training School to take care of the training of pilots for the Royal Air Force, and a second Technical Training School was opened at Camp Borden for the training of recruits which could not be accommodated at Trenton. An Equipment Training School was added to the Trenton establishment. R.C.A.F. Station, Vancouver, was placed on a station basis by the organization of a station Headquarters. A new formation headquarters was also established there, while two technical detachments were organized, one at Montreal and one at Toronto, to account for and inspect work in manufacturers' plants where contracts for manufacture of aircraft for the Department of National Defence had been placed. Fourteen squadrons had been organized up to Mar. 31, 1938, with two in process of organization. Service training was done by five Permanent Squadrons and seven Non-Permanent Squadrons. Equipment for practice in air firing and bomb ranging were under construction. Delivery was made of some of the latest makes of Vickers guns and the year saw the change to a new weapon, the Browning gun, an order for the latter having been placed.

Strength of the Air Force at Mar. 31, 1938, comprised 411 officers and 2,252 non-commissioned officers and airmen, a total of 2,863, as compared with 1,452 in the previous year. The Reports of the Adjutant-General stated that on Mar. 31, 1938, the strength of the permanent active militia in warrant officers, non-commissioned officers and men was 3,655, as compared with 3,612 in the previous year.

The Quartermaster-General reported on the Engineer Service. Additions were made to the staff in order to expedite the preparation of the

plans and specifications necessitated by the construction programme. Extensive works were carried out by contract at Valcartier, P.Q., for the Dominion Arsenal and improvements were made at the camp and airdrome. Construction and other work was also undertaken at Esquimalt, Winnipeg, Shilo, Dundurn and Kamloops. A considerable amount of reconstruction work on the fortification walls at Quebec was done. Other services included supplies and transportation, equipment and ordnance.

The Report of the Naval Service as at Mar. 31, 1938, stated that the following ships were in commission during the year: H.M.C. destroyers *Saguenay*, *Skeena*, *St. Laurent* and *Fraser*; H.M.C. minesweeper *Armentieres*, H.M.C. auxiliary training schooner *Venture*, H.M.C. depot ships, *Stadacona* and *Naden*. All ships were employed on fleet exercises, drills and for training. The authorized complement of the Royal Canadian Navy during the year was 117 officers and 1,222 ratings, an increase of 240 ratings over the previous year. The increased complement was required to provide trained personnel for the four minesweepers under construction, and to relieve ratings for training abroad. The Royal Canadian Naval Reserves as at Mar. 31, 1938, had 70 officers and 430 ratings, unchanged from the year before.

### **Mines and Resources, 1936-37 and 1937-38**

The Department of Mines and Resources (the Hon. T. A. Crerar, Minister; and Charles Camsell, C.M.G., LL.D., Deputy Minister) came into being on Dec. 1, 1936. The functions of the new Department after this date were to be those of the former Department of Mines, Interior, Indian Affairs and Immigration. They would also include those of the Hydrographic Service Division which previously was part of the former Department of Marine. The five divisions of the new Department are (1) Mines and Geology Branch; (2) the Lands, Parks and Forests Branch; (3) the Surveys and Engineering Branch; (4) the Indian Affairs Branch; and (5) the Immigration Branch.

The Mines and Geology Branch, under the new arrangement, comprise four main units: The Bureau of Geology and Topography; the Bureau of Mines; The National Museum of Canada; and The Dominion Fuel Board.

The Lands, Parks and Forests Branch comprise the following units: (1) Bureau of Northwest Territories and Yukon Affairs; (2) Land Registry; (3) National Parks Bureau; and (4) Dominion Forests Service.

The Surveys and Engineering Branch comprise six units: (1) Dominion Observatories; (2) Dominion Water and Power Bureau; (3) Engineering and Construction Service; (4) Geodetic Service of Canada; (5) International Boundary Commission; and (6) Hydrographic and Map Service.

The Indian Affairs Branch has under its jurisdiction the administration of the Affairs of the Indian population.

The Immigration Branch undertakes the same work as that formerly executed by the Immigration and Colonization Branch of the Department of the Interior.

#### **Mines and Geology Branch**

The Mines and Geology Branch (John McLeish, Director) administered, during the year 1936-37, in co-operation with the Provincial Governments and the Department of Labour, a special Supplementary Vote of \$1,500,000 to continue aid in improving transportation facilities into

mining areas. In 1937-38 the total amount administered for this purpose was \$1,400,000. Work on projects undertaken and extended during the fiscal year 1936-37 gave employment to a peak of 5,000 persons. By the end of March, 1937, a total of 355,000 man-days of work had been provided. In the fiscal year, 1937-38, a total of 187 projects were under construction; these necessitated the employment of over 3,800 men, and provided a total of 334,000 man-days of work.

The Bureau of Geology and Topography during the two fiscal years, 1936-37, and 1937-38, did outstanding work. Forty-eight Geological parties were in the field in the former year and 39 in 1937-38. These parties were distributed throughout Canada: in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, the Yukon and the Northwest Territories. They were engaged, chiefly, in examining promising areas for prospecting and in obtaining information that would be of aid in the development of mineral deposits. Reports of the results of the Geological field work were issued by the Bureau; 38 preliminary reports in 1936-37 and 32 in 1937-38. In the former year 44 maps were issued and in 1937-38, 43 maps. In the year 1936-37 some 5,800 specimens were received in the Mineralogical Section and reported upon; and in 1937-38, about 7,250 specimens. The Topographical Survey had parties working during the two years (1936-37 and 1937-38) in British Columbia, the Yukon, the Northwest Territories, Alberta, Ontario and Nova Scotia.

The progressive mining development in Canada meant, in 1936-37 and 1937-38, increased work for the Bureau of Mines laboratories, and for its staff generally. Not only was this due to the discovery and development of new mines, and the resumption of operations at others, but to the larger number of established milling plants, with their increasing number of problems in attempting to obtain higher efficiency of operation, and better recoveries of the metals. Research was continued into ways and means of extending markets for Canadian coal and coal products; and a chemical and physical survey of the operating coal seams was in progress, the survey of the Nova Scotia seams being about completed at the end of the fiscal year 1937-38. Some work was done also on the New Brunswick, Alberta, and British Columbia seams. The blending of Nova Scotia coals to obtain higher efficiency when used for the raising of steam continued as the subject of study and investigation, as did the blending of Alberta and British Columbia coals for the manufacture of domestic coke in coke ovens. In this latter connection an investigation was in progress on their expansive and contractive properties. Attention was being paid to the banking and storage of coal to prevent spontaneous combustion. The hydrogenation of Canadian coals to determine the yields of gasoline and by-product was continued. A study was made during 1937-38 of the crude petroleum from the newly developed part of Turner Valley in Alberta, and work on the oxidation of lubricating oil was continued. The composition of natural gas from different parts of the country, with specific reference to helium and sulphur contents, was investigated. The analysis of mine airs was continued. To consolidate the activities of the Bureau of Mines, and thus co-ordinate the work of the various divisions, a new Industrial Minerals Laboratory building was under construction at Ottawa in 1937-38.

The National Museum of Canada continued, during the two fiscal years 1936-37 and 1937-38, its important educational work, reaching out to all sections of the country. It assisted in this way in a diffusion of



actual and specialized knowledge in natural history and related subjects. Biological investigations were continued during the Summer of 1937 on the coast of the mainland of British Columbia; ornithological investigations were conducted in Manitoba, southward from The Pas; a special biological survey of Thelon Game Sanctuary was concluded; a botanical survey was made of an area north of Lake Superior in the vicinity of Schreiber; biological observations were made in Frobisher Bay, Baffin Island; further studies of French-Canadian handicrafts were carried on, and archæological excavations were made on Prince Edward Island.

The Dominion Fuel Board, in 1936-37, as in previous years continued to make a close study of the general situation in the coal industry. Owing to the confused state of the coal trade in the United States during 1937-38, a close and detailed study of coal imports, cost trends of United States coal, and transportation costs was maintained. The setting up of the National Bituminous Coal Commission, and their announcement of minimum coal prices had all called for a close observation by the Dominion Fuel Board on Legislative developments at Washington. Most of the Board's attention was given in 1937-38 to the administration of coal subventions which during that fiscal year amounted to \$2,453,901 representing the movement of 2,607,930 net tons of Canadian coal at the average cost of 94 cents a ton; this work was responsible for the provision of about 1,200,000 man-days work, or the employment throughout the year of about 4,600 men. The tonnages of Canadian coal moved under assisted rates and the cost of these movements for the two fiscal years were as follows:

Fiscal Year Period	Net Tons Moved Under Assistance	Cost of Assistance	Cost Per Net Ton
1936-1937	2,356,679	\$2,214,408	\$0.96
1937-1938	2,607,930	\$2,453,901	\$0.94

The only change in the Orders-in-Council authorizing this assistance was the promulgation on Nov. 8, 1938, of Order-in-Council P.C. 2789 which rescinded P.C. 1862 of Aug. 4, 1936, and provided for changes in the assistance granted on the movement of Nova Scotia coal to Quebec and Ontario. (For the Orders-in-Council in force during the period which were not changed see *The C.A.R. 1935 and 1936*, p. 585).

#### Lands, Parks and Forests Branch

The Lands, Parks and Forests Branch (Roy A. Gibson, Director) administers the mineral, forest and other natural resources of the Northwest and Yukon Territories, which comprise approximately 40 per cent. of the total area of the Dominion. It administers the National Parks of Canada and conducts scientific investigations relating to the safeguarding, management and maximum utilization of the Dominion's forest resources. During the years ended Mar. 31, 1937 and 1938 the Council of the Northwest Territories (Charles Camsell, C.M.G., Commissioner) made recommendations for improvements to transportation facilities for the benefit of mining and other interests, for the survey of a townsite and erection of docks at Yellowknife and for the placing of aids to navigation along transportation routes. Other matters considered included a policy for development of water power and the improvement of radio facilities. Administration covered hospitals, schools, and communication, including mail service, air mail reaching most points in the vast area at increasingly frequent intervals. The Report showed increased operations at the Eldorado mine on Great Bear Lake; at

Yellowknife, which had one gold producer, oil at the Fort Norman field on the Mackenzie River and other activities. In 1937-38, 512 miners' licences were issued and 358 renewed, as compared with 440 and 418, respectively, in the previous year. Protection of game life received constant attention, and up to Mar. 31, 1938, areas totalling 514,000 square miles had been set aside as game preserves, in which only natives were permitted to hunt and trap. Game sanctuaries were also established. The shortage cycle of fur yield continued through 1936-37 and 1937-38. The Government reindeer herd on the reservation immediately east of the Mackenzie Delta was in a thriving condition and the round-up in July, 1937, showed that 1,181 fawns had survived, while the total number of deer corralled and counted was 4,092 head. The annual eastern Arctic Patrol by the R.M.S. *Nascopie* was carried out successfully. A notable feature of the 1937 patrol was the linking of the eastern Arctic with the western Arctic by the meeting at Bellot Strait of the *Nascopie*, from the east, and M.S. *Aklavik*, from the west. Motion pictures were taken of various phases of the life of the natives. Numerous were the public improvements at points in the far north.

Activities of Dominion Government Departments in the Yukon Territory during the year ended Mar. 31, 1938, involved an expenditure of \$585,320. Revenues collected totalled \$292,373. The Territorial Government raised \$143,714 for local purposes. Respective figures for the previous year were \$576,458 and \$240,365 and \$127,795. Mining continued the principal activity, and a marked increase in silver-lead production occurred in 1937 valued at \$2,171,428, up \$1,682,157 over the previous year. Placer mining operations produced 58,540 ounces of gold, the total value of which, at \$35 an ounce, was \$2,048,900. There was a decrease of 4,095 ounces from 1936.

The Land Registry Branch continued during the fiscal years, 1936-37 and 1937-38, its principal function of conducting a Central Office of Record for lands owned or otherwise controlled by the Dominion. Other services were the administration of Ordnance and Admiralty lands, Dominion-owned Public lands, Soldier Settlement lands on which advances had been made, and timber and grazing on Soldier Settlement charged lands and on Military reserves; the adjustment of seed grain, fodder, and relief indebtedness; and the issuing of Letters Patent.

The number of visitors at Canada's nineteen National Parks during the year 1937-38 totalled 1,008,690, as compared to 908,161 in 1936-37. Direct revenues from the National Parks totalled \$325,674 in 1937-38 and \$272,415 in 1936-37. The publicity and information division was very active during both years. Cairns and tablets were erected at various sites of historic importance during the two years. Means of protecting migratory birds were taken, in administration of the Act based on the Migratory Birds Treaty between Canada and the United States.

The Dominion Forest Service, primarily a fact-finding and advisory organization, continued, during the two fiscal years, 1936-37 and 1937-38, its studies of problems connected with forest management and the utilization of wood and sought methods for their solution. The Reports stated that as approximately nine-tenths of Canada's forest resources were under direct control of the various Provincial Administrations, the need for correlation was becoming increasingly evident; and that the Dominion authorities were in a position to offer valuable assistance. The Reports estimated that two-thirds of the annual depletion of Canada's forest was due to cutting and one-third to fire, insects and decay; and

that fifteen per cent. of the annual depletion was due to forest fires which, though in a large measure were controllable, continued to take heavy toll each year. The five Forest Experiment Stations, representing five different forest regions, continued, during the two fiscal years, 1936-37 and 1937-38, their research to determine the most satisfactory method of treating existing young stands to produce the greatest quantity of wood, of the highest quality, in the shortest time, and at the least cost. Second to this came their study of practical methods of cutting mature stands that would provide for a return cut of desirable species in the shortest possible time. Work at the Stations during the two years was concentrated on these and other lines of silviculture. Results of work started years previously were calculated. Among these were the thinning and cutting of young hardwood in conifer growths: it was found that open conditions favoured spruce reproduction, while more close conditions favoured balsam fir. Studies were made of inroads by various pests, including cutworm and sawfly. The latest compilation published in Dominion Forest Service Bulletin 92, (1938) showed the total forest area was 1,223,522 square miles, 35.3 per cent. of the total land area. The total stand of timber of merchantable size was estimated at 273,656 million cubic feet, of which 170,144 million cubic feet was considered accessible. This latter consisted of 245,313 million feet board measure of saw timber and 1,107 million cords of smaller material suitable for pulpwood, fuel-wood, etc. The amount of timber cut in 1936 totalled 2,703 million cubic feet, as compared with an average of 2,191 million during the previous five years. The amount destroyed by fire in 1936 was equivalent to 843 million cubic feet, as compared with an average of 240 million during the previous five years. In 1937 the loss was reduced to 569 million. This was in addition to 2,224,215 acres of young growth and cut-over timber burned in 1937. Loss by insects and fungi was estimated at 700 million cubic feet annually. Industries using wood as the principal raw material provide approximately ten per cent. of the total value of production of all kinds in Canada. Capital invested in the forest industries in 1936 was \$853,470,231, the number of employed, 187,574, salaries and wages, \$149,403,989; and value added by manufacture \$307,085,309.

### Surveys and Engineering Branch

Under the jurisdiction of the Surveys and Engineering Branch (J. M. Wardle, Director), the Dominion Observatory at Ottawa and the Dominion Astrophysical Observatory at Victoria conducted its usual scientific research in Astrophysical and allied sciences during the two years ended Mar. 31, 1937 and 1938. While the investigations at both Observatories were mainly scientific, many of the studies had distinctly practical application. The scientific research comprised such subjects as radial velocities of stars and orbits of spectroscopic binary stars, studies of stellar spectra and problems connected with variable stars, the physical nature of novae, the rotation of the galaxy and the distribution of matter in interstellar space. The work in seismology and terrestrial magnetism throughout the country, previously carried on partly by the former Department of the Interior and partly by the Department of Marine, was consolidated during the reorganization of 1936-37; this involved the absorption of stations at Toronto, Victoria, Agincourt (Ontario) and Meanook (Alberta). During the two fiscal years lectures on both technical and popular subjects were conducted by the Observatories at educational institutions and before Canadian organizations. Half-hour broad-



casts were also arranged by the C.B.C. The services of an Astronomer were given during the Summer months to young people's camps at various points throughout the country. The usual numerous "Publications" were issued during the two years.

The Dominion Water and Power Bureau's Report for 1937-38 stated that a concession was made to Consolidated Mining and Smelting Companies of Canada to divert water from Tazin Lake to Lake Athabaska for the development of water power to be used for mining in the vicinity of Goldfields, while applications for water power sites on Yellowknife and Snare Rivers were received. (For Canada's Water Power Resources Reports for the years 1937 and 1938—see under "Industries"). The Dominion Hydrometric Service continued its work of securing and compiling stream measurement records. It reported that in 1936-37 the average run-off had been below normal in the Pacific drainage, in the Arctic and Western Hudson Bay and in the Atlantic; and above normal in the St. Lawrence and southern Hudson Bay drainage. In 1937-38 the average run-off had been chiefly below normal in Canadian waters and several extremes of flow had been recorded. Power and storage investigations were carried on during the two years in different sections of Canada, an important one being that of rivers flowing into the Great Slave Lake from the north in the area where gold discoveries had been made. Various International Waterway matters during the two years (1936-37 and 1937-38) were given consideration by the International Joint Commission. Approval was given to remedial works to be constructed in the Richelieu River, subject to approval by an International Board to be appointed.

Included in the usual undertakings of providing a system of precise levels and triangulation surveys, the Geodetic Service of Canada during 1936-37 and 1937-38 carried on field work in Port Arthur, British Columbia and Newfoundland. In the former year a local secondary net was laid down and completed covering Port Arthur harbour for the control of a re-survey of the harbour line. Primary triangulation was continued in central British Columbia, and assistance by technical officers of the Geodetic Service in the triangulation of the Geodetic Survey of Newfoundland was also continued. Three levelling adjustments were completed in 1936-37 on the combined level net of Canada and the United States and in 1937-38 two lines in Ontario which had been levelled in the previous year were completed. In 1937-38 a solution of the problem of transferring the results of triangulation adjustments from the Clarke ellipsoid of 1866 to the International ellipsoid was arrived at; this had been recommended for universal adoption by the International Union of Geodesy and Geophysics.

The International Boundary Commission continued to carry out its functions according to the terms of the Treaty between Canada and the United States. The Commissioners held a Conference in April, 1937, when programmes for future field work were drawn up. Positions of further international boundary reference monuments were determined and repairs of existing monuments were made. The Commission had undertaken to lay down the limits of Canadian waters on hydrographic charts of Canada's east and west coasts, and progress was made in this work during 1937-38.

The Engineering and Construction Service in its capacity as a general engineering service unit conducted, during the years 1936-37 and 1937-38, the usual preparation of plans, estimates and designs covering all con-

struction activities, in addition to the undertaking of active engineering and architectural work relative to both maintenance and construction.

The Hydrographic Service, which for over half a century has been universally recognized as one of the great public navigation institutions of the Dominion, continued throughout the two fiscal years, 1936-37 and 1937-38, its charting of Canadian navigable waters, the investigation on tides and tidal currents and the precise water level recording and study of the St. Lawrence-Great Lakes Waterways. Its Legal Map Service conducted the usual legal surveys required by Government Departments. The development of Canadian aeronautical activities, frequently in outlying parts of the country, and the acceleration of Naval Defence measures also resulted in enhanced demands for the Hydrographic Service. In 1937, at the request of the Department of Transport, a programme for the completion by 1939 of a set of air navigation charts along the Trans-Canada Airway from the Atlantic Ocean to Vancouver was arranged. The programme included eleven new map sheets, in addition to six already completed or under way. During the year 1937-38 six of these sheets were completed and two others well forward. An important phase of the Map Service in 1936-37 was in connection with the survey of the boundary lines between the Provinces of Ontario and Manitoba; and also the more complete defining of the boundaries between Manitoba and Saskatchewan. In 1937-38 under the direction of the Saskatchewan-Alberta Boundary Commission, the boundary line between the two Provinces was surveyed and marked out on the ground over its most northerly seventy-one miles. The Commission was composed of M. B. Weekes, Controller of Surveys, Regina; A. P. C. Belyea, Director of Surveys, Edmonton, and F. H. Peters (Chief of the Hydrographic and Map Service) Surveyor General, Chairman and Commissioner for the Dominion. B. W. Waugh, Dominion Land Surveyor, was in charge of field operations. A qualified surveyor from each Province provided the technical assistance.

The boundary line, described as the Fourth Initial Meridian of the Dominion Lands Surveys System, had previously been surveyed up to the southern shore of Lake Athabaska. Mining and other activities made it desirable to survey its remaining portion to latitude sixty degrees north where it meets the southern boundary of the Northwest Territories. The portion across Lake Athabaska, twenty-four miles in length, was measured on the ice during the latter part of March, 1938, and the remainder completed in July and August. C. H. Ney, D.L.S., of the Geodetic Service of Canada, made a precise determination of the 60th degree of latitude near the terminal point of the boundary. Monuments firmly cemented into bedrock and referenced by stone cairns mark the boundary line. Monuments also mark the township corners. Aeroplane transport was successfully and economically used in the field operations.

The boundary line is now surveyed over its entire length of 762 miles and it is probably the longest surveyed straight line in the world.

#### **Indian Affairs, 1936-37 and 1937-38**

The Reports of the Indian Affairs Branch (Dr. H. W. McGill, Director) for the years ended Mar. 31, 1937 and 1938, stated: that areas for hunting and trapping exclusively by Indians had been extended, and that trappers had been prohibited from using aeroplanes in their operations, except for transportation to their base camps; that surplus beaver at the Cypress Hills Provincial Park, Saskatchewan, had been taken to

the Indian reserves for the purpose of establishing colonies; and that Muskrat colonies had also been extended. Reports from Indian agencies in 1937-38 indicated that in northern parts of the Dominion natural conditions had been the cause of considerable distress and suffering among the Indians. The fur catch in 1937-38 on the whole was poor and prices of skins low. Extension of the season for trapping muskrats in territories south of the Arctic Circle, where the game supply was low, proved beneficial. The policy of the Department of providing well-bred sires was bringing about gradual improvement in the Indian cattle herds.

Epidemics in 1936-37 and 1937-38 occurred in several settlements, incurring serious loss of lives in 1937-38 in several remote districts. As early as possible doctors and nurses were sent to the afflicted areas and the disease controlled. Hospital facilities on reserves were extended during the two years. Definite progress was reported in the treatment and control of tuberculosis. During 1937-38, 8,000 Indians were examined by the tuberculin skin test and treatments given when required. Indian pupil enrolment at schools in 1937-38 was 18,743, as against 18,297 in 1936-37. In 1937-38, 9,233 were in residential schools, as compared with 9,040 in 1936-37.

The total amount of Indian trust funds at Mar. 31, 1938, was \$14,081,905, while during the year \$1,210,816 was credited to the various funds; this was derived from collections and Government interest and compared with \$1,184,797 in 1936-37. The expenditure amounted to \$1,126,555, as compared with \$1,073,784 in 1936-37. Total expenditure on Indian annuities, according to Treaty was \$252,644, as compared with \$262,083 in 1936-37. Indian population as under census of 1934 totalled 112,510.

#### **Immigration Branch, 1936-37 and 1937-38**

The number of immigrants admitted into Canada during the year 1937-38 from all countries was 15,645, as compared with 12,023 during the preceding year and 11,103 in 1935-36. The latter year was the lowest for immigration in this century. In the four years from 1934-35 to 1937-38, inclusive, immigration totalled 50,907, as compared with 1,605,451 during the four peak years ended 1913-14. Of the total for 1937-38, arrivals *via* ocean ports numbered 10,002, as against 6,910 in the previous year and of these 3,351 and 2,521, respectively were British nationals. The influence of political conditions in continental Europe on Canadian immigration was indicated by the fact that in the racial origin of immigrants Ruthenians ranked second with 1,356, as against 855 in 1936-37; Slovaks, third with 1,249, as against 520; Magyars, 622, as against 328; Poles, 615 as against 432; Germans, 523 as against 367; Hebrews, 408, as compared with 391. From the United States came 5,643 in 1937-38, as against 5,113 in the preceding year. Not included in the above were returning Canadians numbering 5,209, as compared with 5,063 in 1936-37. Not only did non-British immigrants exceed in numbers, British-born, as in immediately preceding years, but females continued to outnumber males, males in 1937-38 numbering 6,528 and females, 9,117, as compared with 5,002 and 7,021, respectively, in 1936-37.

The following were the destinations of immigrants into Canada during the fiscal years ended 1937-38 and 1936-37, respectively: Ontario, 6,859 and 5,140; Quebec, 2,699 and 2,033; British Columbia, 1,647 and 1,373; Manitoba, 1,400 and 1,007; Alberta, 1,220 and 923; Nova Scotia, 832 and 683; Saskatchewan, 618 and 525; New Brunswick, 292 and 270; Prince Edward Island, 56 and 61; Yukon, 18 and 3; and Northwest Territories,



4 and 5. By occupations and classes total immigrants for 1937-38 and 1936-37 were distributed as follows:

	Farming	Labouring	Mechanics	Trading and Clerical	Mining	Female Domestics	Other Classes
<b>1937-38</b>							
Males .....	1,300	339	395	678	60	..	798
Females .....	767	75	197	384	18	697	4,181
Children ...	1,426	100	158	157	13	145	3,657
TOTAL ....	3,493	514	850	1,219	91	842	8,636
<b>1936-37</b>							
Males .....	835	281	423	577	32	..	703
Females .....	489	57	180	245	11	501	3,498
Children ...	757	71	121	163	4	79	2,996
TOTAL ....	2,081	409	724	985	47	580	7,197

The number of déportations (excluding persons accompanying) in 1937-38 was 413 and in 1936-37, 571. Of the total in 1937-38, 134 were British, 138 United States citizens, and 141 from other countries, whereas in the previous year the respective totals were 202 and 167 and 202. Medical cases in 1937-38 were 42, public charges, 46; criminality, 101; other civil causes, 203; and accompanying deported persons, 21. In 1936-37 causes were as follows: medical, 47; public charges, 110; criminality, 117; other civil causes, 240; and accompanying deported persons, 57.

A Board of Review, under the chairmanship of Hugh L. Keenleyside of the Department of External Affairs was appointed early in 1938 to investigate allegations made, during Parliamentary debates, of extensive illegal entry of Japanese into Canada. The Board, reporting on Oct. 12, 1938, found that the number of Japanese at that time illegally in Canada was not more than 120. (This compared with more than 2,000 revealed in the Yoshy investigation of 1931). The Board recommended continued vigilance on the part of immigration officers and R.C.M.P., issuance of Canadian identification cards for Asiatic members of crews, etc., empowering of immigration authorities to order fumigation of any ship within two hours of its arrival, and increase in the penalty for allowing the landing of stowaways from \$100 to \$1,000.

#### **Soldier Settlement, 1936-37 and 1937-38**

Soldier Settlement had under administration farm properties representing a net investment of \$47,867,432 at Mar. 31, 1938. This compared with \$50,346,795 at Mar. 31, 1937. The close of the fiscal year was marked by two developments of major importance affecting policy and administration. The first was an Amendment to the Soldiers' Settlement Act regarding dollar for dollar bonus, the effect of which was the continuance of the bonus on arrears as at Mar. 31, 1938, until Mar. 31, 1941, and the discontinuance of the bonus on annual instalments. The second matter was the decision to provide for more effective field service. "Each succeeding year," the Report stated, "emphasizes the change in character of the original settlement." Of the 20,042 farms under administration, 9,902, or less than 50 per cent., were occupied by soldier settlers, the rest comprising 5,810 civilian settlers, 1,749 British family settlers, 2,681 farms on hand for sale, of which 1,882 were operated under lease, 3,621 settlers who had repaid their loans in full in cash, and 1,977 properties which had been transferred to municipalities and provinces under section 21A of the Act. The number of active loans outstanding as at Mar. 31, 1938, was 17,361, amounting to \$39,461,141, while security on land totalled \$8,406,291. Total collections in 1937-38 under Soldier Settlement and

British Family Settlement amounted to \$1,408,912, as against \$1,183,934 in the previous year. Gross advances as at Mar. 31, 1938, amounted to \$160,369,510, from which was subtracted repayments of \$59,377,840, legislative reductions, less interest exemption, \$33,907,414, and losses on security sold, \$19,216,823, leaving a net investment of \$47,867,432.

### Civil Service Commission

The Annual Reports for the calendar years, 1937 and 1938, of the Civil Service Commission of Canada, the chief duties of which are organization, classification and compensation, both stated that satisfactory progress had been made in conducting surveys. During 1938 the Commission investigated and reported upon 149 units comprising 10,200 positions and in 1937, 115 units and 15,252 positions. A comprehensive classification plan was devised and a full report compiled on the survey made of the Income Tax Division. During 1938 the Commission held 1,153 public competitions and examined over 50,000 persons to meet the varied requirements in connection with appointments, promotions, etc. In 1937 a total of 72,055 applications were made. Persons assigned to employment in the Service numbered 6,406, of which 843 were given permanent status and 5,563 were on a temporary basis. Comparative figures for 1937 were 7,870 and 2,100 and 5,770, respectively. The Commission was diligent in investigations concerning the necessity of continuing the temporary positions. The Report for 1938 stated that the knowledge which the Commission's investigators obtained of the procedure in the different departments of the Service continued to facilitate the consideration of Departmental proposals for new positions for reorganization and other projects, and it was felt that this form of control was of great value and was playing its part in maintaining the Dominion Civil Service at a high standard of efficiency and at a minimum of cost to the country.

### Education\* in Canada, 1936-38

Part II of the Biennial Survey of Education entitled *Higher Education, 1936-38*, published in 1939 (Dominion Bureau of Statistics), stated that the majority of countries in post-War years had experienced disproportionate increases in university enrolment, and that in many there had been reported a tendency to overcrowding in the occupations for which universities train. University graduates as teachers in schools had increased very considerably in Canada.

In Canada there had been an increase of about 50 per cent. in the annual number of university graduates since 1923 or 1924, but this increase had been almost entirely in Arts or Science or related faculties, and not in such professional lines of study as medicine, dentistry, pharmacy, law and theology. The approximate net numbers of university graduates each year were 4,000 men and 1,500 women "in the last few years, the annual number of women graduates having, roughly speaking, doubled in the last fifteen years." Statistics showed, the Report stated, that in the year preceding the 1931 Census the average earnings of graduates in Applied Sciences had been substantially higher than the average of all male professionals, while the average earnings of male professionals had been more than double the average of all male workers. New teachers trained in Normal Schools in 1935 (latest year for which statistics are given) numbered 5,315, as com-

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\*NOTE.—The former *Annual Survey of Education in Canada* was discontinued with the 1936 edition.

pared with an average of 6,955 yearly in the preceding 11 years. New teachers trained in university totalled 649 in 1935, as against an average of 538 in the previous 11 years.

The Report explained that some of the religious denominations represented in the Canadian population, the largest of which is the Jewish, did not maintain theological seminaries in Canada; that the annual number of graduates from seminaries of the Roman Catholic Church was about 1½ times the number from all others combined, the total number being between 400 and 500; and that the Roman Catholic Church served about 41 per cent. of the population.

The Report stated that, with few exceptions, there had been a substantial rise in Canada in tuition costs since pre-War years, usually accompanied by a corresponding drop in the price of board and room. With the state of agriculture since 1930 only a small proportion of rural young people had been able to go to university, even though the change in fees, had been, relatively, in their favour. Cost of board, lodging and tuition for one year of Arts Course in Canadian universities for the years, 1938-39 and 1928-29, is shown in the table that follows, in connection with which the Report stated that a word of caution should be given as to the extent of comparability in the figures of the statement; that they were not by any means completely comparable as between universities; that fees were quoted in the calendars on many different bases, *e.g.*, the McGill "tuition" fee was an inclusive one including cost of registration, health service, libraries, laboratories, examinations and graduation, whereas in most other institutions some or all of these "are not included in the fee quoted. For both tuition and residence fees, where there is a range of rates, the lowest is used in the table. The rate quoted for the classical colleges is usually for dormitory accommodation, elsewhere usually for double rooms. Rates used for board and lodging are in most cases those in the institution's own residence, elsewhere the university's opinion of minimum cost in private homes. For some of the classical colleges an obligatory fee for laundry and mending is included, but this has been kept out where possible."

**Cost of Board, Lodging, and Tuition for One Year\***

University and College	1938-39		1928-29	
	Tuition	Board and Lodging	Tuition	Board and Lodging
St. Dunstan's University, P.E.I. ....	\$ 50	\$200	\$ 50	\$200
Acadia University, N.S. ....	205	240	119	224
Dalhousie and King's, N.S. ....	125	265	112	260
St. Francis Xavier University, N.S. ....	105	256	85	256
Mt. Allison University, N.B. ....	150	250	132	240
Université St-Joseph, N.B. ....	75	135	50	160
Séminaire de Rimouski, Qué. ....	25	175	40	180
Séminaire des Trois Rivières, Qué. ....	65	175	65	175
Collège de St-Laurent, Qué. ....	80	150	50	180
Loyola College, Que. ....	110	420	120	460
McGill University, Que. ....	215	300	125	450
Queen's University, Ont. ....	125	195	70	225
University of Toronto, Ont. ....	125	255	75	300
Université d'Ottawa, Ont. ....	100	210	50	225
University of Manitoba ....	110	194	65	†
University of Saskatchewan ....	90	195	30	255
University of Alberta ....	110	210	80	259
University of British Columbia ....	150	175	100	245

The 1937 Bulletin of the Dominion Bureau of Statistics, "Supply and Demand in the Professions of Canada," stated that nearly three per cent.

\*NOTE.—The figures in the above statement are not comparable as between institutions, only between years.

†NOTE.—No residence for Arts students in 1929, to which the fee for 1939 applies.



of the young people growing up in Canada in 1937 would become graduates of a university—about four per cent. of the young men and one and one-half per cent. of the young women; that the proportion receiving a degree in Arts or Science was nearly double what it had been fifteen years previously; but that in several of the professions the increase had not kept pace with the increase in population and that, in a few, the annual number of graduates definitely had fallen; that the population was larger per doctor or clergyman in 1937 than it had been a generation before; that it was nearly double in some Provinces what it was in others; and that the number of veterinaries had actually fallen while live stock had become much more numerous. Some of the most rapid increases in professional workers, the Bulletin stated, had been in the several branches of engineering.

### Survey of Libraries, 1936-38

*The Survey of Libraries, 1936-38*, of Part III of the Biennial Survey of Education (Dominion Bureau of Statistics) stated that: "Nowhere in Canada is the public library demonstrating its possibilities as a centre of adult education more clearly than in Prince Edward Island, where there has been a Province-wide growth of study clubs in connection with the local branches. The last edition of this survey reviewed the record of collaboration between the libraries and study groups throughout Canada, but revealed comparatively few instances of a lead being given by libraries in the organization of systematic study, such as happened in the Island Province, and seems to be an omen of the greater place that the public library of the future will be called upon to fill."

A chart presented in the Survey of 1936-38 indicated that the proportion of Canada's population without public library service in cities is 8 per cent.; in towns and villages, 58 per cent.; and in rural districts, 95 per cent. Volumes in libraries in 1937 aggregated 5,071,132, with circulation, 19,560,375 and registered borrowers, 1,062,187. These figures compare with 4,848,793 and 21,106,742 and 1,107,247, respectively in 1935. Volumes in 1937 comprised: 1,420,008 adult fiction; 1,611,719 adult non-fiction; 760,024 juvenile; 422,024 reference only; and 856,324 not classified. Circulation comprised: 10,306,543 adult fiction, 3,484,411 adult non-fiction, and 4,508,815 juvenile, while 1,260,606 were not classified. *The Survey* included reports on progress in Regional Libraries and Travelling Libraries, along with university, college, professional school, business, technical society, government, school and hospital libraries.

### Teachers' Salaries, 1937

The record of teachers' salaries in Canada in 1937 in the six Provinces for which data are available in the form recommended by the Dominion-Provincial Conference on School Statistics in October, 1936, shows considerable variation in salaries in publicly-controlled schools during 1937. The scale of salaries was much higher in British Columbia than in any other Province, Ontario ranking second. The average annual salary in city and one-room rural schools, respectively, according to figures supplied by the Dominion Bureau of Statistics was as follows: Prince Edward Island, \$832 and \$425; New Brunswick, \$1,269 and \$420; Ontario, \$1,600 and \$600; Manitoba, \$1,488 and \$500; Saskatchewan, \$1,350 and \$450; British Columbia, \$1,593 and \$780.

The Bureau furnished figures in considerable detail. It disclosed that of 40,449 city and rural teachers in 1937, 5,263, or 13 per cent., received

salaries of \$500 or less; 23,642, or 36.88 per cent., received \$1,000 or less; and 31,178, or 77.08 per cent., \$1,500 or less. Broken down in still greater detail, salaries in the six Provinces combined were as follows:

\$1,200 or Less	\$1,200 to \$2,200	More Than \$2,200
Under \$300 . . . . . 61	\$1,200 to \$1,300 . . . 1,554	\$2,200 to \$2,300 . . . 1,032
\$300 to \$400 . . . . . 857	\$1,300 to \$1,400 . . . 1,272	\$2,300 to \$2,400 . . . 334
400 to \$500 . . . . . 4,245	\$1,400 to \$1,500 . . . 1,130	\$2,400 to \$2,500 . . . 309
500 to \$600 . . . . . 5,325	\$1,500 to \$1,600 . . . 1,328	\$2,500 to \$2,600 . . . 294
600 to \$700 . . . . . 4,433	\$1,600 to \$1,700 . . . 830	\$2,600 to \$2,700 . . . 202
700 to \$800 . . . . . 3,539	\$1,700 to \$1,800 . . . 578	\$2,700 to \$2,800 . . . 236
800 to \$900 . . . . . 2,897	\$1,800 to \$1,900 . . . 691	\$2,800 to \$2,900 . . . 272
900 to \$1,000 . . . . . 2,285	\$1,900 to \$2,000 . . . 476	\$2,900 to \$3,000 . . . 178
\$1,000 to \$1,100 . . . . . 2,037	\$2,000 to \$2,100 . . . 562	\$3,000 to \$3,500 . . . 541
\$1,100 to \$1,200 . . . . . 1,543	\$2,100 to \$2,200 . . . 591	Over \$3,500 . . . . . 384
		Unspecified . . . . . 198

### Aids to Education

Canadian schools in 1937 owned approximately, 260 motion picture projectors and a further 100, owned by teachers, were also used in the schools, according to an Educational Bulletin of the Dominion Bureau of Statistics, on the use of films and slides in schools. The total of films owned by teachers, were used in the schools. The total of films owned by the schools and teachers, including Departments of Education, amounted to about 1,000 reels. More than two-thirds of the projectors were 16mm. silent machines, and most of the others, 35mm. silent; there were 32 sound projectors. Fewer than 200 motion picture projectors in the schools of Canadian cities were to be compared with more than 10,000 in the city schools of the United States. Allowing for population differences they were about four times as numerous in the United States as in Canada, and in France seven or eight times as numerous. Among other countries, the Bulletin stated, the German, Italian and Russian Governments appeared to have found school motion pictures of particular value. The German Government was reported to have placed 7,700 projectors and 32,000 films in schools in 1936. Other mechanical aids to visual education in Canadian schools included 865 lantern slide projectors, 119 microscopic slide projectors, 273 filmstrip projectors and stillfilm attachments. Each of these varieties, too, was about one-fourth as numerous as in schools of the United States, allowing for differences in population.

Bulletin No. 4, 1937 of the Bureau, described the use of radio and phonographs in Canadian schools. About 200 radio receiving sets were owned by the schools in 1937. A further 300, owned by teachers, were kept in the schools for use. Several of the Provincial Departments of Education gave regular broadcasts as an aid to Education. Phonographs outnumbered radios in Canadian schools nearly ten to one. There were about 4,500, and more than 80 per cent. of them were owned by the schools.

### Museums and Art Galleries of Canada, 1938

The Dominion Bureau of Statistics, in Education Bulletin No. 4, 1938, furnished a directory of Canada's Museums and Art Galleries as in 1938. Yearly activities of the principal institutions were reported as follows:

National Gallery of Canada:—public lectures in Ottawa and throughout the Dominion by European as well as Canadian lecturers; radio broadcasts in conjunction with such lectures whenever possible; programmes of music arranged from time to time in the gallery; original works of art, reproductions and photographs of paintings, drawings, prints and about 9,000 lantern slides with lectures, written by leading authorities on art, loaned (free except for transportation and insurance)

to any museum, gallery, art society and educational institution in Canada having the necessary facilities for making proper use of such loans.

Public Archives of Canada:—lantern slides on historical subjects available on loan to lecturers.

National Museum of Canada:—radio broadcasts given from time to time; programme of free educational lectures arranged annually, illustrated by films and lantern slides; lectures for school children on Saturday mornings and for adults on Wednesday evenings; motion picture films and lantern slides lent free to educational organizations; photographs of museum exhibits sent to museums and to scientific and other publications, periodicals and newspapers. (See also under "Mines and Geology Branch".)

Art Gallery of Toronto:—a varied and extensive programme including lectures, broadcasts, loan exhibitions and slides.

Royal Ontario Museum:—public lectures on Tuesday afternoon during the Autumn and Winter months; loans of lantern slides by the Museum of Zoology.

Manitoba Museum:—illustrated lectures by the museum representatives at many centres of the Province, made possible by the Carnegie Foundation; co-operation by the Winnipeg Art Gallery in the lecture programme. University of Manitoba:—nature radio broadcasts every Thursday for previous fifteen years; extension lectures throughout the Winter months.

Provincial Museum of Natural History, Regina:—thirty to forty illustrated lectures each year. Regina College:—six public illustrated lectures during Winter months; travelling exhibitions arranged for various centres in the Province. University of Saskatchewan Picture Gallery:—co-operation with the National Gallery in its programme of bringing to Canada prominent speakers in Art and Art education.

Edmonton Museum of Arts:—illustrated lectures on the history of art and other art subjects once a week during the season; classes in self-expression and art appreciation offered for adults.

Vancouver Art Gallery:—public lectures given monthly during the Autumn and Winter months; reproductions loaned. Museum of Northern British Columbia:—daily lectures during the tourist season; occasional radio broadcasts. Vancouver City Museum:—weekly illustrated lectures offered to the public during the Winter months; weekly radio broadcasts sponsored. Provincial Library and Archives, Victoria:—lantern slide collection of 2,000 slides and three reels of 16mm. motion picture film on the history of British Columbia. Mineral Museum, Department of Mines, Victoria:—numerous loans of lantern slides and films.

"Museums have long been considered a necessary adjunct of university teaching," stated the Dominion Bureau of Statistics in Bulletin No. 1, 1938, on Assistance to Schools from Museums and Art Galleries, "but their value to schools has been slower in gaining recognition." The link between the schools and these facilities comes under two categories, namely, taking classes to museums and taking the museums to the schools. Few Canadian schools have established museum collections of their own. A more advanced concerted plan seems to have been made by the Board of Education of Toronto than by school authorities of any other city. The Board there maintains a teacher continuously in the Royal Ontario Museum and another in the Art Gallery of Toronto. Four classes are sent daily to each institution during school hours. The teacher at the Royal Ontario Museum, the Annual Report of the latter



institution for 1937 stated, gave instruction to 672 classes of Fourth Book pupils, totalling 25,480 during the school year. Practically all of the public school children in the course of their school career attend at least eight or ten classes in the Museum and Gallery." School authorities, rather than the museums, the Bulletin stated, seemed to be responsible for the lack of similar arrangements in some other cities. In an increasing number of centres, however, Saturday morning was being used to bring children to museums and galleries. Each Saturday, according to the Annual Report of the Winnipeg Art Gallery Association, over 200 children benefited by the Saturday morning classes. Sometimes co-operation between museums and schools resulted in a number of the museum staff going to lecture in the schools, especially where distances are a factor. Certain museums developed a loan service to schools of useful exhibits, while gifts or sales were made to schools of specimens, photographs and reproductions. A set of 180 post cards covering British history from the Stone Age to the year 1800 was prepared by the Royal Ontario Museum and made available to schools of all Provinces, at \$1.85 per set. Other museums extending this assistance to schools included: the National Gallery, Ottawa; the National Museum; New Brunswick Museum, Saint John; Collège de Ste-Anne de la Pocatière, Québec; Ecole Normale Mont-St-Bernard, Sorel, Québec; Manitoba Museum, Winnipeg; Edmonton Museum of Arts, Edmonton, Alberta; and Vancouver Art Gallery, Vancouver, B.C.

#### **Public Archives, 1937 and 1938**

The 1937 and 1938 Annual Reports of the Public Archives (Gustave Lanctot, Keeper of Public Records) contained a list of the various manuscripts received during the two years, notably from France and England. During 1937 the number of requests for information was 2,132, an increase of 345 over the previous year. Requests in 1938, which covered 11 months, was 1,854. The Centenary of the Rebellion of 1837-38 was marked in 1937 by an exhibition of books, newspapers, documents and pictures relating to the event. One of the most important acquisitions during 1938 was the papers of Sir Wilfrid Laurier as the property of the Archives, the gift of his nephew, M. Robert Laurier. These documents, which include the official and personal correspondence of the great statesman, together with numerous memoranda and papers on many questions from 1871 to 1911, would not be made accessible to the public the 1938 Report stated for ten years, except by special permission. The first Appendix in the 1938 Report contains a calendar of various dispatches, ranging from 1784 to 1841, from Colonial Secretaries to Governors of Lower Canada. The second Appendix is made up of the calendar of the papers of Lord Dalhousie, who was Lieutenant-Governor of Nova Scotia from 1816 to 1819 and Governor of Lower Canada from 1819 to 1828. These dates are sufficiently indicative of the importance of this collection and the value of the calendar to students of Canadian history.

#### **National Research Council, 1936-37 and 1937-38**

Progress in research under the National Research Council and its Associate Committees, according to the 23rd and 24th Annual Reports, was carried forward in many fields during the years 1936-37 and 1937-38; particularly in performance of one of its most important functions, provision of a mechanism for correlation and co-operation in carrying forward scientific and industrial research. Among the inventions and develop-

ments during the two years were production of disease-and drought-resistant varieties of grains and grasses; new rapid method of indicating oil content of flax seed developed; quality tests on wheat grades, provided for the Grain Standards Committee; malting tests developed to provide accurate information on breeding commercially valuable barleys, particularly for British and other foreign markets, improvements in refrigeration to maintain quality and appearance of products, curing and pickling of bacon for export trade, new and superior refractories produced from Canadian raw materials, insulating values of building materials and clothing, method of bonding metal and rubber developed and improved, improvements in seaplane floats and airplane skis, and others mentioned below.

An accomplishment of special interest during the two years under review was the development of an inexpensive method to produce plant hormones, which was applied in farm, forest and horticultural work. The 1936-37 Report stated that the study of plant hormones, in which the Division of Chemistry has done pioneer work, might ultimately have profound effects on the practice of agriculture and horticulture. The Division not only devised a method of synthesizing at a relatively low cost the simplest of the natural plant hormones but synthesized a considerable number of related and analogous artificial substances. The 1937-38 Report stated that on several of these hormones patent rights had been secured by the Council to ensure reasonable costs to consumers. Production had been transferred to commercial laboratories. Plant growth had been demonstrated to respond readily to application of hormones.

Another important development was a process to increase the yield of carbon black and motor fuel from waste Turner Valley natural gas, by treating the gas in a specially designed furnace in order to produce liquid motor fuel which is then burnt to produce carbon black. Tests showed 4.23 gallons of benzile-type gasoline per 1,000 cubic feet of gas could be produced, while the residual gas when burnt produced more carbon black than could be obtained by burning the original gas directly. Distillation processes were worked out, possibly commercially feasible, for separation from gasoline of narrow fractions suited for chemical synthesis or for use as fuel of high anti-knock rating for airplanes, etc. Work included research into casein to enable the use of product for plastics, *i.e.*, moulded objects such as buckles and buttons. These plastic products had been imported previously into Canada.

Other developments included high voltage apparatus designed and built and put into use for standardizing X-ray equipment for medical use, and for detecting flaws in castings and forgings, etc. The 1937-38 Report also stated that the base was laid and plans developed for the better organization of medical research. The voluntary services of Sir Frederick Banting had been secured in this work. Investigation of damage to vegetation from smelter smoke was completed and scientific information provided that served as a basis for the findings of an International Tribunal, as well as for further progress in studies in plant physiology.

Dr. A. L. Clark, Dr. A. Frigon and Mr. J. C. Smith in 1936 were reappointed for another term of three years as members of the Council and Dr. R. C. Wallace, Principal of Queen's University, Kingston, who had previously served on the Council was again appointed for a similar term. The revenue for the year, 1936-37, was \$708,233 including a Parlia-

mentary appropriation of \$510,000, and expenditures, \$641,800, leaving a favourable balance of \$66,433. Receipts in 1937-38 were \$865,869, including a Parliamentary appropriation of \$637,800, and expenditures were \$771,092, leaving a balance of \$94,777.

On June 24, 1937, the name of Sir Frederick Banting headed a list of appointments to the National Research Council. Other appointments were: Prof. E. F. Burton of the University of Toronto, W. R. Campbell, General Manager of the Ford Company of Canada, Prof. R. H. Clark of British Columbia University and E. P. Featherstonough, Dean of Engineering at the University of Manitoba.

## The Dominion of Canada

(As at Dec. 31, 1938)

The Governor-General ..... His Excellency the Rt. Hon. Lord Tweedsmuir, P.C., G.C.M.G., C.H.

### † The Canadian Ministry (Liberal)

(As at Dec. 31, 1938)

Prime Minister, President of the Privy Council,  
and Secretary of State for External Affairs ... The Rt. Hon. W. L. Mackenzie King,  
C.M.G., LL.D.

Minister without Portfolio and Leader of the  
Government in the Senate ..... The Hon. Raoul Dandurand, LL.D.

Minister of Mines and Resources ..... The Hon. Thomas A. Crerar

Minister of Justice and Attorney-General ..... The Rt. Hon. Ernest Lapointe, LL.D.

Minister of Public Works ..... The Hon. P. J. Arthur Cardin, K.C.

Minister of Finance ..... The Hon. Charles A. Dunning

Postmaster-General ..... The Hon. John C. Elliott, D.C.L.

Minister of Trade and Commerce ..... The Hon. William D. Euler

Secretary of State ..... The Hon. Fernand Rinfret

Minister of National Defence ..... The Hon. Ian Alistair Mackenzie, LL.B.

Minister of Pensions and National Health ..... Major the Hon. Charles G. Power, M.C.

Minister of National Revenue ..... The Hon. James L. Hsley, K.C., LL.B.

Minister of Fisheries ..... The Hon. Joseph E. Michaud, LL.B.

Minister of Labour ..... The Hon. N. McL. Rogers, B.C.L. (OXON.)

Minister of Transport ..... The Hon. Clarence D. Howe, B.S.C.

Minister of Agriculture ..... The Hon. James G. Gardiner, LL.D.

Speaker of the House of Commons ..... The Hon. Pierre F. Casgrain

### Chief Dominion Officers

(As at Dec. 31, 1938)

Clerk of the Privy Council ..... E. J. Lemaire, C.M.G.

Clerk of the Senate ..... L. Clare Moyer, D.S.O., K.C., B.A.

Clerk of the House of Commons ..... Arthur Beauchesne, C.M.G., K.C., LITT.D.,  
LL.D.

Secretary to the Governor-General ..... A. S. Redfern

Auditor-General ..... Georges Gonthier, D.C.S., LL.D.

Deputy Minister of Public Works ..... James Blake Hunter

Deputy Minister of Mines and Resources ..... Charles Camsell, C.M.G., LL.D., F.R.S.C.

Superintendent of Insurance ..... George D. Finlayson, A.I.A.

Deputy Minister of Justice ..... W. Stuart Edwards, C.M.G., K.C.

Under Secretary of State for External Affairs ..... O. D. Skelton, M.A., PH.D., LL.D.

Deputy Minister of Fisheries ..... William A. Found

Deputy Minister of Transport ..... V. I. Smart, C.E.

Deputy Minister of Trade and Commerce ..... Major J. G. Parmelee, O.B.E.

Deputy Minister of Agriculture ..... George S. H. Barton, C.M.G., D.S.C.A.

Deputy Minister of Finance ..... W. C. Clark, C.M.G., M.A., LL.D.

Deputy Minister of National Defence ..... Maj.-Gen. L. R. LaFleche, D.S.O., R.O.

Deputy Minister of Pensions and National Health ..... Lt.-Col. R. E. Wodehouse, O.B.E., M.D.

King's Printer ..... J. O. Patenaude, I.S.O.

Under Secretary of State and Deputy Registrar-  
General ..... E. H. Coleman, K.C., LL.D.

Deputy Minister of Labour ..... W. M. Dickson

Deputy Postmaster-General ..... Lt.-Col. J. A. Sullivan, LL.B.

Parliamentary Librarian ..... Vacant

General Librarian ..... Felix Desrochers, K.C.

Chairman, Civil Service Commission ..... Charles H. Bland

†NOTE.—See Ministry as of Dec. 31, 1939, on next page.



**Chief Dominion Officers—Continued**

Civil Service Commissioner .....	Adrien Potvin
Civil Service Commissioner .....	James H. Stitt
Chief Electoral Officer .....	Jules Castonguay
Registrar of the Supreme Court .....	James F. Smellie, K.C.
Dominion Franchise Commissioner .....	Col. J. T. C. Thompson, D.S.O.
Dominion Archivist .....	Gustave Lanctot, K.C., D.LITT., LL.D.
Commissioner of Customs .....	Hugh D. Scully
Commissioner of Excise .....	David Sim
Commissioner of Income Tax .....	C. Fraser Elliott, K.C.
Commissioner of Royal Canadian Mounted Police ..	Brig. S. T. Wood
President, National Research Council .....	Maj.-Gen. A. G. L. McNaughton, C.B., C.M.G., LL.D.
Master of the Royal Canadian Mint .....	H. E. Ewart, A.M.E.I.C.
Dominion Statistician .....	R. H. Coats, LL.D., F.S.S. (HON.), F.R.S.C.
Comptroller of the Treasury .....	Watson Sellar
Inspector-General of Banks .....	C. S. Tompkins
Registrar, Exchequer Court .....	Arnold W. Duclos
Commissioner of Patents .....	James T. Mitchell
Chief of Air Services, Department of Transport ..	Lieut.-Com. C. P. Edwards, O.B.E.
Director of Marine Services, Department of Transport .....	Robert K. Smith, K.C.
Director, Mines and Geology Branch, Depart- ment of Mines and Resources .....	John McLeish
Director, Lands, Parks and Forests Branch, Deputy Commissioner of Northwest Terri- tories, Department of Mines and Resources ....	Roy A. Gibson
Director, Surveys and Engineering Branch, Dep- artment of Mines and Resources .....	James M. Wardle, C.E., B.Sc., M.E.I.C.
Director, Indian Affairs Branch, Department of Mines and Resources .....	Harold W. McGill, M.C., M.D.
Director, Immigration Branch, Department of Mines and Resources .....	F. C. Blair
Director of Soldier Settlement, Department of Mines and Resources .....	Gordon Murchison
Chief Commissioner, Board of Transport Com- missioners .....	The Hon. Hugh Guthrie, K.C.
Chief Commissioner, Board of Grain Commis- sioners .....	E. B. Ramsay
Chairman, Tariff Board .....	The Hon. G. H. Sedgewick, C.M.G., K.C.*
Chairman, National Harbours Board .....	Ralph O. Campney
Chairman, Federal District Commission .....	F. E. Bronson

\*Vacant at Dec. 31, 1939.

NOTE.—For purposes of reference the following list of the Ministry is given as at Dec. 31, 1939:

**The Canadian Ministry (Liberal)**

(As at Dec. 31, 1939)

Prime Minister, President of the Privy Council, and Secretary of State for External Affairs ...	The Rt. Hon. W. L. Mackenzie King, C.M.G., LL.D.
Member of the Administration and Minister with- out Portfolio .....	The Hon. Raoul Dandurand, LL.D.
Minister of Mines and Resources .....	The Hon. Thomas A. Crerar
Minister of Justice, Attorney-General and Act- ing Secretary of State .....	The Rt. Hon. Ernest Lapointe, LL.D.
Minister of Public Works .....	The Hon. P. J. Arthur Cardin, K.C.
Minister of Trade and Commerce .....	The Hon. William D. Euler
Minister of Finance .....	Col. the Hon. James L. Ralston, P.C., C.M.G., D.S.O.
Minister of Pensions and National Health .....	The Hon. Ian Alistair Mackenzie, LL.B.
Postmaster-General .....	Major the Hon. Charles G. Power, M.C.
Minister of National Revenue .....	The Hon. James L. Hsley, LL.B.
Minister of Fisheries .....	The Hon. Joseph E. Michaud, LL.B.
Minister of National Defence .....	The Hon. N. McL. Rogers, B.C.L. (OXON.)
Minister of Transport .....	The Hon. Clarence D. Howe, B.Sc.
Minister of Agriculture .....	The Hon. James G. Gardiner, LL.D.
Minister of Labour .....	The Hon. Norman A. McLarty
Minister without Portfolio .....	The Hon. James A. MacKinnon

## IMPERIAL AND INTERNATIONAL RELATIONS

### Imperial Events of 1937—1938

The Coronation of Their Majesties, King George VI and Queen Elizabeth in storied Westminster Abbey, surrounded by representatives of all countries of the Empire; the Imperial Conference which followed immediately after the Ceremony; and the marriage of the Duke of Windsor, all occurred during 1937. Before the end of 1938 preparations were already under way for the 1939 tour of Canada and the Eastern part of the United States by Their Majesties.

### The Coronation; the Royal Family, 1937 and 1938

The Coronation Ceremony of May 12, 1937, evoked throughout Canada, as in the other Dominions, demonstrations of enthusiastic loyalty. At the Dominion and Provincial capitals and at hundreds of other centres groups of patriotic citizens participated in the celebrations arranged in honour of the Crown. New Canadian coins with the head of King George VI on the obverse side, and a typical Canadian design on the reverse, were circulated in Canada in honour of the event.

Canada's Official Representatives at the Coronation ceremonies consisted of the Rt. Hon. W. L. Mackenzie King, Prime Minister, President of the Privy Council and Secretary of State for External Affairs; the Rt. Hon. Ernest Lapointe, Minister of Justice; the Hon. T. A. Crerar, Minister of Mines and Resources; the Hon. C. A. Dunning, Minister of Finance; the Hon. Ian Mackenzie, Minister of National Defence; the Rt. Hon. R. B. Bennett, K.C., Leader of the Opposition; the Hon. W. E. Foster, Speaker of the Senate; the Hon. Pierre F. Casgrain, Speaker of the House of Commons; and the Hon. Vincent Massey, High Commissioner for Canada in Great Britain. All Branches of the Defence Services were represented by a contingent of 334, all ranks. Many other Members of the House of Commons and the Senate, prominent officials of the Dominion Government, the Lieutenant-Governors and the Provincial Prime Ministers or their representatives also attended the Ceremony. It was estimated that 10,000 Canadians crossed the Atlantic to be present in London during the important event; that 6,000 had special seats along the Royal route; and that, approximately, 200 occupied seats in the Abbey. The Canadian Military contingent of war veterans and nursing sisters totalling 275 individuals, representing all arms, was under the command of Col. J. E. L. Streight, M.C., V.D., with Lieut.-Col. R. E. Fafard, second in command. On arrival in London the Royal Canadian Mounted Police contingent was given the honour of being housed in the barracks of the famous Household Cavalry, Hyde Park. Soldiers of the King from Canada took over sentry duty at Buckingham and St. James's Palaces.

The scene in the Abbey was one of solemnity, beauty and pageantry. The traditional and deeply religious ceremony was heard by hundreds of millions of British subjects and by the peoples of other countries of the world by means of effective broadcasting arrangements. In the Coronation Oath, His Majesty recognized, specifically, the autonomy of each of the self-governing Dominions. He solemnly undertook to govern the peoples of Great Britain, Ireland, Canada, Australia, New Zealand and the Union

of South Africa, the Empire of India and the other possessions and territories of the Crown according to their respective laws and customs. On the following day the King spoke over the air to the same vast unseen audience of the Coronation ceremony.

The Coronation Honours List, on May 11, 1937, included Imperial Privy Councilships for Lord Tweedsmuir, Governor-General of Canada, and for the Hon. Ernest Lapointe, Minister of Justice for Canada. No other Honours for Canadians were permissible under the ban on titles re-imposed by the Mackenzie King Government upon their accession to office in 1935. (For the suspension of titles from the King to Canadians in 1919 under the Borden Government, for the revival in 1933 of the King's prerogative under the Bennett Government and for the List of such Honours during the latter period, see *The Canadian Annual Review for 1919, 1933, 1934, and 1935 and 1936*).

An aftermath of the Coronation—nearly a year later—was the presentation to the King and Queen at Buckingham Palace on Mar. 25, 1938, by the High Commissioners of the Dominions in the United Kingdom, on behalf of their respective Governments, of a painting of the Coronation executed by Frank Salisbury.

Two other incidents of the year 1937 affecting the Crown were: the introduction on Jan. 26 of a Regency Bill to Parliament by the Prime Minister (Mr. Baldwin) which provided for the appointment of a Regent in the event of the King's death or of his incapacity to attend to public business before the coming of age (18 years) of Her Royal Highness, Princess Elizabeth; and the first address of His Majesty to the Members of the House of Lords and the House of Commons assembled in the Upper Chamber at the Opening of Parliament on Oct. 26. The King was accompanied by Her Majesty.

On June 3, 1937, the Duke of Windsor and Mrs. Wallis Warfield (Simpson) were married by an English Church clergyman in France. (See *The C.A.R. 1935 and 1936*, pp. 170-77). Previously, on May 28, a Royal Decree had authorized the Duke to use the title of "Royal Highness". On Nov. 5, 1937, the Duke announced the postponement to an indefinite date of a trip to the United States which he and his wife had contemplated and arranged.

Activities of Their Majesties during 1938 included the opening of the Empire Exposition at Glasgow on May 3, when the King addressed a crowd of one hundred thousand in the great stadium. A week later His Majesty began an aerial tour of Royal Air Force stations in Great Britain. A four-day tour of Lancashire next occupied the King and Queen and then came the long heralded four days' visit to France when Their Majesties captured the imagination of the Paris crowds and cemented the existing friendship and alliance between the Republic and the Empire. Before leaving for England the King visited the Tomb of the Unknown French warrior and unveiled the War Memorial erected in France to the honour of the Australians who died in the War of 1914-18. In the Clyde, on Sept. 27, Queen Elizabeth launched the great new 85,000-ton liner, the "Queen Elizabeth," a ship of the Cunard-White Star Company.

Bereavements suffered by the King and Queen during 1938 included the death in January of Her Majesty's Mother, the Countess of Strathmore at the age of seventy-six; and the death in London, on Nov. 20, of Queen Maud of Norway, the King's aunt and last surviving child of King Edward VII.



Toward the end of 1938 the Governments of the United Kingdom and Canada commenced preparations for a Royal tour of Canada in 1939. The announcement of the honour that was to be paid to the Dominion by Their Majesties was received with frank rejoicing by both press and public.

An announcement late in 1938 affecting another member of the Royal Family and one of the Dominions was the appointment of the Duke of Kent, the thirty-five-year-old brother of the King to succeed Lord Gowie as Governor-General of Australia upon the expiration of the latter's term in 1939. (The outbreak of War prevented His Royal Highness from filling this high office. He entered the Imperial Navy on active service).

## The Imperial Conference of 1937

After the Coronation, the following representatives of the Government of Canada took part in the Imperial Conference held in London from May 15 to June 15: the Rt. Hon. W. L. Mackenzie King, Prime Minister; the Rt. Hon. E. Lapointe, K.C., Minister of Justice; the Hon. T. A. Crerar, Minister of Mines and Resources; the Hon. C. A. Dunning, Minister of Finance; the Hon. Ian Mackenzie, Minister of National Defence; and the Hon. Vincent Massey, High Commissioner for Canada in Great Britain. Mr. L. B. Pearson, O.B.E., of the Canadian High Commissioner's Office represented Canada on the Secretariat of the Conference. The Plenary Meetings of the Conference took place in St. James's Palace, the first time in history that an Imperial Conference had assembled in one of the Royal Palaces. The Rt. Hon. Stanley Baldwin, Prime Minister of the United Kingdom, presided from May 14 to May 27, just before his retirement from office. The delegates, on the occasion of his last appearance at the Conference, made reference to the great part he had played in the Imperial Conferences of 1923 and 1926. At the same time regret was also expressed at the retirement of Mr. Ramsay MacDonald, who had presided over the 1930 Conference. From the end of May until the conclusion of the Conference the Chair was occupied by the new Prime Minister, the Rt. Hon. Neville Chamberlain. The death of Sir Robert Borden, on June 10, brought forth a resolution by the members of the Conference in which they recalled Sir Robert's valuable work in the Imperial War Cabinets and Conferences of 1917 and 1918 and his great contribution to the constitutional development of the British Commonwealth. The Conference conveyed an expression of deep sympathy to Lady Borden.

The delegates placed on record their profound impression as to the lasting character of the British Commonwealth of Nations. Mr. Mackenzie King, used these words to sum up the situation, ". . . Continuity through change; progress through development of proved courses and innate tendencies; permanence and flexibility, are the distinctive mark of the political institutions which are our common heritage." It was agreed at the outset that the Conference should devote its attention mainly to (1) foreign affairs, (2) defence, (3) the progress of Empire trade, and (4) colonial affairs. Emphasis was placed on the first two subjects, Mr. Baldwin stating: "Though we shall discuss other important subjects we agree that questions of foreign affairs and defence shall be our main subjects. It is fitting that they should be, for we meet at a time when the international situation is difficult and even threatening, and responsibility rests upon us to see that our deliberations not only are of service to ourselves, but also may help in some measure towards the solution of these international problems which now perplex the world."

In the official Summary of the Proceedings issued by the Conference it was set forth that the first objective was the preservation of peace; that the adjustment of national needs should be sought by methods of co-operation, joint inquiry, and conciliation; that all members of the Conference desired to base their policies upon the aims and ideals of the League of Nations; that their respective armaments should never be used for purposes of aggression; and that the Covenant of the League of Nations should be separated from the Treaty of Peace. The delegates approved Australia's desire for a regional understanding and a pact of non-aggression amongst the countries bordering on the Pacific Ocean. They registered an earnest desire for as wide a measure of disarmament as could be obtained, and declared themselves in favour of removing obstacles to international trade.

The Conference found general agreement amongst its members that the security of their countries could be increased by co-operation in such matters as the free interchange of information concerning the state of their naval, military and air forces, and the continuance of the arrangements already initiated by some of them for concerting the scale of their defences. At the same time the Conference recognized that it was the sole responsibility of the several Parliaments of the Empire to decide the nature and scope of their own respective defence policies.

The Speech from the Throne at the opening of the Canadian Parliament on Jan. 27, 1938, expressed the Government's belief that the exchange of views and information on questions of common interest and concern at the Imperial Conference would serve the well-being of all parts of the Commonwealth. Next day (Jan. 28, 1938) the Prime Minister (Mr. King) laid on the table two copies in English and two in French of the summary of the proceedings of the Conference.

Speaking in the Debate on the Address, Mr. King denied a report that at the Imperial Conference he had acted as the chief interpreter of the United States Government's views with respect to that Country's (trade treaty) relationships with Great Britain. He said that in his visit to the White House before he went to England the subject of a Trade Agreement between the Republic and the United Kingdom had never been mentioned; and that this was true of his conversation with both President Roosevelt and the Secretary of State for the United States. He had learned from the British Ambassador in Washington and the Canadian Minister to Washington that the two countries were contemplating a Trade Agreement. The Prime Minister added that he had not brought the matter up at the Imperial Conference; the question had been discussed openly in the presence of representatives of all parts of the Empire, Canada included. The delegates were told of the nature of the negotiations under way and were asked to express their views with regard to them. He (Mr. King) and his Canadian colleagues had responded that while Canada was anxious to further friendly relationships amongst different countries, the Canadian Government would necessarily wish to protect every privilege that Canada enjoyed in the British market and that any change in that respect should be made only in return for adequate compensation therefor. In the same Debate, on Feb. 3, 1938, the Hon. H. A. Stewart (Leeds) expressed the view that the Speech from the Throne should have vouchsafed some information to Parliament regarding the subject of defence as discussed at the Imperial Conference. In Committee-of-Supply on Mar. 24, 1938, Hon. Ian Mackenzie, Minister of National Defence, spoke as one who had been privileged to attend the Imperial Conference (1937) and quoted from

the summary of the findings of the Conference to justify the Government's course.

In the same Debate Mr. H. C. Green (Vancouver, S.) quoted from the official Report of the Conference to show that the meeting had given closest attention to the subject of defence, considered methods of co-operation for the common security, and recognized the vital importance of measures to safeguard maritime communications. The Conference, he noted, emphasized the question of munitions, food, and other supplies required for defence both by the United Kingdom and other parts of the Commonwealth. Mr. Green complained that while the Canadian Ministers participated in the Conference on this basis—on the basis of a defensive alliance with other parts of the Commonwealth—"the Government keeps harping on the fact that its hands are free, that it has no commitments." (See also under "The Liberal Administration during 1937").

### \*The Governor-General of Canada, 1937 and 1938

During 1937 and 1938, His Excellency, Lord Tweedsmuir, continued to display a keen and constructive interest in Canadian developments and in Canada's relations with the British Empire and the United States. Taking his movements chronologically, he visited, with Lady Tweedsmuir, the President of the United States from Mar. 30 to Apr. 1, 1937. It was the first time in history that a Governor-General of Canada had been a guest at the White House. While in Washington Lord Tweedsmuir told the House of Representatives that "your nation and mine, in a very special sense, are the guardians of a special form of government we call Democracy." On the same day he said to the Members of the Senate, "The future lies in the hands of the English-speaking peoples. We have the same definition of what constitutes greatness and goodness in human character." He was the guest of honour at a luncheon of the British Ambassador, Sir Ronald Lindsay, while Lady Tweedsmuir was the guest of the Secretary of Labour, Frances Perkins.

On July 3, 1937, Lord Tweedsmuir left Ottawa for a 10,000-mile tour by train, boat and aeroplane to the mining regions of northern Canada, Lady Tweedsmuir accompanying him part of the way when she went on to Vancouver. Proceeding through Edmonton and Waterways His Excellency embarked on one of the Hudson Bay Company's steamers travelling down the Mackenzie River. Most of his trip was done by air, he and his party going as far as Aklavik in the Arctic Circle. On his return he declared that "the future of the Dominion lies in its northland and in the riches which that land contains." He spoke from personal observation for he had seen the oil wells at Fort Norman and the rich gold, silver, and radium mines of the far north country.

At a meeting of Boy Scouts in Toronto on Feb. 5, 1938, His Excellency described the movement as a powerful factor for peace and he expressed the hope that the registration of fourteen thousand additional boys would bring the Canadian strength of the organization up to one hundred thousand. Addressing a meeting of the British and Foreign Bible Society in Toronto on Mar. 18, on the Fourth Centenary of the English Bible, he spoke of the Book, "as an invaluable guide to statesmen and true statesmanship." In the late Spring and early Summer of 1938 Lord Tweedsmuir travelled the historic Champlain route from Lake Simcoe to Georgian Bay and toured the Trent Valley. Early in June at Bishop's College, Lennoxville, Quebec, he told an audience of students that "the Monarchy is the indis-

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\*NOTE.—The death of Lord Tweedsmuir is announced as this Volume goes to press, Feb. 11, 1940.



pensable key-stone of the British Empire and British civilization." After a brief visit to the United States in the same month he left for the Mother Country to join Lady Tweedsmuir, who had preceded him, and to be installed as Chancellor of Edinburgh University. In poor health, he sailed from Quebec at the end of June (1938) and did not return until Oct. 7. For the first time in history the Consent of Parliament had to be obtained for the absence of the Governor-General from the country. This was due to the change in his status under the Statute of Westminster.

A week after his return to Canada Lord Tweedsmuir was in Barrie, Ontario, where he took part in a ploughing match. On Oct. 22 (1938) he opened the new wing of a convalescent hospital in Montreal.

### Canada-United States Relations in 1937 and 1938

There were indications of increasingly friendly relations between Canada and the United States during 1937 and 1938. The Governor-General of Canada paid a brief visit to the White House in 1937. Twice President Roosevelt was in Canada: on a holiday in British Columbia in 1937 and in Ontario, officially, in August, 1938. The Secretary of State, the Hon. Cordell Hull, in 1937, spent a day in Ottawa and later went to Toronto. A Trade Treaty between the two countries was signed in November, 1938. Several months previously the Prime Minister of Canada had announced (May 31) that a draft of a new St. Lawrence Waterway Treaty was under consideration. Other agreements were either consummated or in the making before the end of the period under review.

The first of his two visits to Canada during 1937-38 was made by the President of the United States on Sept. 30, 1937, when he landed with his family from the Destroyer *U.S.S. Phelps* at Victoria, British Columbia, for a short visit. Mr. Cordell Hull and his wife spent a day at Rideau Hall in October. From Ottawa he proceeded to Toronto where he was as warmly welcomed as at the capital. An Honorary degree of Doctor of Laws, at the hands of the Chancellor, the Rt. Hon. Sir William Mulock, was bestowed upon Mr. Hull on Oct. 23 by the University of Toronto. In an address at the York Club in the same city, he confirmed the statement of the Prime Minister of Canada (Mr. King), made at the same function, of how essential was the continuation of the existing neighbourly relations between Canada and the United States. He spoke on the need of the establishment of law and order in international affairs. Mr. King declared that democracy could not tolerate force while Mr. Hull upheld President Roosevelt's statement in favour of non-isolation in international relationships.

The first official visit of President Roosevelt to Ontario was made on Aug. 18, 1938, when he opened, at Ivy Lea, just below Kingston, the new international bridge between Canada and the United States. Speaking on the same platform as the Prime Minister (Mr. King), Mr. Roosevelt said that in building bridges their two neighbouring countries were setting a good example to other nations. In the course of the remarks he made at Queen's University later in the day when he received the Honorary degree of Doctor of Laws, Mr. Roosevelt observed: "The Dominion of Canada is part of the sisterhood of the British Empire. I give to you assurance that the people of the United States will not stand idly by if domination of Canadian soil is threatened by any other empire." Referring to the new St. Lawrence waterways plan, Mr. Roosevelt warned the people of the two countries that unless the Governments took action

the hydro-electric power available in the St. Lawrence would fall into the hands of powerful United States interests.

At Sarnia and Port Huron on Oct. 8, 1938, the Hon. Mitchell F. Hepburn, Prime Minister of Ontario, joined with Mr. Frank Murphy, Governor of Michigan, in the formal ceremonial opening of the Blue Water Bridge across the St. Clair River. Mr. Hepburn, Mr. Murphy, and the Hon. T. B. McQuesten, Minister of Highways for Ontario, dilated upon the usefulness of bridges and highways and tourists as instruments of good feeling between nations.

During 1938 the plan of the United States for a joint highway through British Columbia connecting Washington State with Alaska was pushed forward. On Apr. 19, the Foreign Affairs Committee of the United States House of Representatives approved a Bill to create an Alaskan International Highway Commission. No official announcement as to the project was made at the time by either the Dominion Government or the Government of British Columbia. Considerable opposition to the scheme was expressed by the Canadian public on the ground that it would give the United States Government a large vested interest in the Pacific Coast Province.

A Trade Agreement between Canada and the United States was signed at Washington on Nov. 17, 1938, by the Prime Minister of Canada (the Rt. Hon. Mackenzie King). The Agreement, when ratified, would replace the Trade Agreement signed at Washington on Nov. 15, 1935. The main provisions of the Agreement were to enter into force provisionally on Jan. 1, 1939. The Agreement was to remain in force for a period of three years from the date of its proclamation by the President of the United States and thereafter until the expiry of six months from date on which notice of termination would be given. There were several other agreements signed during the two years, 1937 and 1938. The Convention for the Preservation of the Halibut Fishery of the Northern Pacific Ocean and Bering Sea was signed at Ottawa on Jan. 27, 1937, by the Prime Minister (Mr. King) on behalf of Canada. By an Exchange of Notes, June 18 and 20, 1938, the Agreement of 1932 concerning flights of military aircraft, as amended in 1935, was extended for a period of one year from July 1, 1938. On July 28 (1938) Agreements were concluded relating to air navigation, the issuance of certificates of competency for licences for the piloting of civil aircraft, and certificates of airworthiness for export, all of which entered into force on Aug. 1, 1938. A Convention providing for the emergency regulation of the level of certain boundary waters in the Rainy Lake Watershed was signed at Ottawa on Sept. 15, 1938.

During 1937 an organization of United States huntsmen and sportsmen was formed to promote the conservation of wild water fowl on the North American continent. This body in which Mr. Edward B. Pitblado, of Winnipeg, took a leading part, was Ducks Unlimited. Messrs. Spencer Holden, Ottawa; James Richardson, Winnipeg; Leigh Spencer, Calgary; and W. R. Ross, K.C., Moose Jaw, became Canadian Directors. Most of the \$3,000,000 proposed to be spent over a term of years in the protection of the breeding ground of ducks and other wild fowl in Canada, was to be raised in the United States. One object the group had in view was the restoration of swamps and marshes which had been too generally drained for a number of years and which was one of the means of preserving wild bird life. In the Spring of 1938, Mr. T. C. Main, General Manager of the

project, toured the Prairies and undertook the expenditure of \$100,000 in dam building and breeding grounds during the year.

At Trout River, New York, on the Canadian-United States boundary on Aug. 24, 1937, the Kiwanis Clubs of Montreal and Malone unveiled a memorial tablet in commemoration of the century and more of peace that has prevailed between the two countries as a result of the Rush-Bagot Treaty entered into between Great Britain and the American Republic.

### International Joint Commission

The Twenty-first Anniversary of the First Meeting at the Canadian Capital was celebrated on Oct. 7, 1937. For a quarter of a century the Commission of three members representing Canada and three representing the United States had settled many problems affecting the two countries. Some of the activities of the Commission during the two years, 1937 and 1938, are briefly stated herewith.

On Aug. 5, 1937, permission was granted to Canada to construct remedial works for the reclamation and protection of low lands on both sides of the Richelieu River in the Province of Quebec and towards which the Parliament of Canada had, in 1936, appropriated a substantial amount.

The opening session of the Trail Smelter Tribunal was held in Washington on June 21, 1937, in connection with a claim put forth by farmers in Washington State for \$2,200,000 damages for injury to crops by fumes from the Smelter at Trail of the Consolidated Mining and Smelting Company. Before the Tribunal at Ottawa on Oct. 23, 1937, Mr. W. N. Tilley of Toronto, defending the Company, quoted previous evidence showing that the Company had spent \$10,000,000 to eliminate fumes and that the fumes escaping from the Smelter were no longer harmful. At Ottawa on Apr. 19, 1938, the Tribunal awarded residents of Washington State \$78,000 as damages. At the same time the Smelting Company was instructed to maintain a corrective *régime* designed to prevent any further damage. Some years before Washington State farmers had obtained an award of approximately \$350,000 against the Canadian Company. The Tribunal consisted of the Hon. R. A. E. Greenshields, Chief Justice of the Quebec Superior Court, representing Canada and the Hon. Charles Warren, former United States Assistant Attorney-General, representing the United States residents, with Jan Frans Hostie, distinguished Belgian jurist, as Chairman.

On Jan. 4, 1938, the International Joint Commission filed an Interim Report with the Governments of Canada and the United States. The Report stated that the expense of constructing a deep inland waterway from Montreal to New York City would not be warranted until the St. Lawrence deep waterway was an accomplished fact.

### The Department of External Affairs, 1937 and 1938

The Reports of the Department for the years 1937 and 1938 covered the activities of the various Offices of the Canadian Government abroad. The Rt. Hon. W. L. Mackenzie King was Secretary of State for External Affairs and Mr. O. D. Skelton, PH.D., LL.D., held the office of Under-Secretary. The following paragraphs are summaries of the reports of the various Offices:

#### The High Commissioner's Office, London, 1937 and 1938

The Hon. Vincent Massey, High Commissioner for Canada at London since his appointment in 1935 represented the Dominion in the preparations



for the Coronation of Their Majesties, King George VI and Queen Elizabeth. Over a period of several months in 1937 this happy event occupied much of his time and much of the time of the Office staff.

The Coronation Commission, representing all Governments in the Empire, which was set up before the abdication of King Edward VIII, continued in operation after King George's accession without change of personnel or duties. On this Commission the Prime Minister, the High Commissioner and the Secretary of the Office of the High Commissioner continued to represent His Majesty's Government in Canada. The necessity for Dominion representation on a Commission of this kind was to be found in the changed constitutional status of the Commonwealth since the last Coronation in 1911. The passing of the Statute of Westminster and the constitutional development of which it was the culmination also necessitated certain changes in the Coronation service in order to recognize the position of the Dominions as equal participants with the United Kingdom in the Coronation of His Majesty.

The Office of the High Commissioner at Canada House was responsible for all arrangements on behalf of visiting Canadians. Distribution and financing of tickets for Coronation seats to view the procession entailed a great deal of correspondence, no fewer than 5,545 seats being occupied by Canadians. The High Commissioner's report recognized the marked generosity of the United Kingdom authorities in furnishing seats within Westminster Abbey. So great was the hospitality of people in the United Kingdom towards visitors from the Dominion throughout the whole Coronation season that Mr. Massey addressed a letter to *The Times*, expressing the warm appreciation of the Canadians themselves. No fewer than 7,360 visitors registered at Canada House between Apr. 1 and July 31, 1937.

The High Commissioner's Office shared fully in the preparations for the Imperial Conference which followed the Coronation.

The Office continued during the two years 1937 and 1938 to act as a channel of communication between Canada and the United Kingdom in respect of the whole field of relations between the two Governments. Representation on various Imperial Committees including the Imperial Economic Committee, the Imperial Shipping Committee, the Imperial War Graves Commission, and the Executive Council of the Imperial Agricultural Bureaux, were all supplied by the Office; and the Secretary was appointed in 1937 Canadian representative on the Imperial Communications Advisory Committee.

During the years 1937 and 1938 various international conferences were held at which the Office assisted in the Canadian representation. Among these were the 18th Assembly of the League of Nations at which the High Commissioner was delegate; the International Sugar Conference, with the High Commissioner as delegate and Mr. Pearson as substitute delegate; and the International Whaling Conference attended on behalf of the Canadian Government by an observer from the Office.

In 1937 and 1938 publicity activities, supervised by the Publicity Committee under the chairmanship of the High Commissioner, continued to occupy a considerable proportion of the time and attention of the Office. In the realm of trade publicity, the "Canada Calling" campaign was extended to several additional manufacturing areas.

The Press information office was in 1938 for the first time placed under the direction of a full-time Press Officer whose duties included the circula-

tion to the press of news and general information on Canada; the collection and collation of newspaper cuttings; collaboration with the publicity sections of Government Departments in Ottawa; and the maintenance of an extensive library of photographs.

### **The Canadian Legation, Washington, 1937 and 1938**

Under the direction of the Hon. Sir Herbert Marler, Dominion Minister to the United States, the Canadian Legation at Washington continued to function effectively during the years 1937 and 1938. It played an important part in the Trade treaty, the St. Lawrence Waterways and other negotiations.

On Aug. 13, 1937, ratifications were exchanged between the two countries in respect of the Convention signed by Canada and the United States on Dec. 30, 1936, establishing a reciprocal tax arrangement for a maximum rate of 5 per cent. in both countries in respect of income tax withheld at the source in certain types of income paid to non-resident individuals and corporations. The ratifications made the Convention effective from Jan. 1, 1936. Regulations were agreed to during the year between the two countries with respect to refunds and other matters relating to the Convention.

Particular attention was given by the Legation in 1937 to the United States neutrality policy in view of the passage through Congress and signature by the President on May 1, 1937, of new and important neutrality legislation. Developments in the United States foreign policy, in connection with the Far Eastern crisis, also received special attention.

On July 28, 1937, the Canadian Minister and the Secretary of State of the United States exchanged ratifications of the Sockeye Salmon Convention which had been signed at Washington on May 26, 1930.

An exchange of Notes took place between His Majesty's Minister to Canada and the Secretary of State of the United States providing for the exchange between the two countries of information concerning the prospective issuance of new broadcasting licences and/or the possible alteration of frequencies which might effect the use in other countries of the radio channels involved. The Legation was also engaged in considerable preparatory work in arranging for the International Radio Conferences which took place in Havana in March and again in November (1937).

During 1937, Mr. Hume Wrong, who had been first Secretary or Counsellor of the Legation since its establishment, was transferred to the Post of Canadian Advisory Officer in Geneva. He was succeeded in Washington by Mr. W. A. Riddell.

Among important matters dealt with by the Legation in both 1937 and 1938 were those relating to Navigation on the Great Lakes; to the preservation of the Fisheries off the Pacific Coast; questions arising out of the Maritime labour situation on the Pacific Coast; concerning co-operation with the United States in the suppression of the trade in narcotic drugs; and to the custom of persons commuting from one side of the border to the other in connection with daily labour.

### **The Canadian Legation, Paris, 1937 and 1938**

The disturbed conditions on the European continent brought increased activities for the Canadian Office in Paris in 1937 and 1938. The visit of the Canadian Prime Minister in 1937 to open the Canadian Pavilion at the Paris International Exposition added to the important work of the Office. The Fair brought with it fifteen conferences or congresses at all

of which Canada was represented by either the Canadian Minister to France or one of his Aides.

Tariff arrangements between Canada and France were improved in July, 1937, by what was called an "Additional Arrangement", providing for the granting of the French minimum tariff on a number of Canadian commodities, especially lead and zinc of which Canada is a heavy producer. In 1938 the Legation co-operated with the Deputy Minister of Finance and the Commissioner of Income Tax in negotiations with the French Ministry of Finance on the subject of a proposed agreement on double taxation.

The year 1938 was a particularly busy one for the Legation because of the increasing threat of war. The Office sent home a long series of reports on political and economic developments. The usual activities in the distribution of Canadian year books, maps and printed leaflets on Canada were reported for 1938. The Canadian Minister to France, the Hon. Philippe Roy, retired on Dec. 31. He had been Commissioner-General for Canada in Paris from 1911 to 1928, and Minister since 1928.

### **The Canadian Legation, Tokyo, 1937 and 1938**

Owing to the strained relations between Japan and China in the month of July, 1937, which by 1938 had developed into hostilities on a large scale between the two countries, the Legation staff was kept occupied during the two years studying and reporting on the various phases of the conflict.

New measures adopted during the year 1937, dealing with foreign exchange control, the prohibition or restriction on imports and exports, or other regulations affecting foreign trade, naturally placed an added burden on the Commercial officers of the Legation, who, in addition to reporting fully to the Canadian Government, explained the various economic and commercial changes to the Canadian Manufacturers' Association, business houses and private inquirers.

Correspondence with the Japanese Foreign Office continued during 1937 on such matters as trade relations, the execution of the Immigration arrangements with Japan, the payment of Canada's share in the Seal Fisheries, the attendance of some eighty Canadian educationists at the World Education Conference held in Tokyo from Aug. 2 to Aug. 7, and the visit of a Japanese training ship to some of the British Columbia ports. Arrangements were also made with the Imperial Household Department for the journey across Canada and return through the Dominion of Their Imperial Highnesses, Prince and Princess Chichibu, who attended the Coronation of Their Majesties, King George VI and Queen Elizabeth, as special representatives of the Emperor of Japan. Upon the arrival of Their Royal Highnesses at Ottawa, guns boomed a Royal salute from Parliament Hill. The visitors were received by the Prime Minister (Mr. Mackenzie King), other members of the Cabinet and representatives of His Excellency the Governor-General. The Prince and Princess spent the week-end in Ottawa.

With regard to the Coronation the Legation participated in the various Canadian and British ceremonies held in Tokyo and Yokohama to commemorate the event.

The normal routine work of the Legation connected with the application of the Immigration Agreement with Japan, the issue of passports and visas, the maintenance of relations with Canadians resident in Japan



either in the business, educational or missionary field, continued in the usual volume throughout 1937.

In 1938, due to the inauguration of new restrictions on trade, the commercial officers of the Legation were in frequent consultation with officials in the various Ministries, and had to deal with an increasing number of inquiries from Canadian firms and business men with regard to the working of exchange and import permits and trade conditions in Japan in general.

Developments of Japan's foreign policy, especially with regard to its relations with its immediate neighbours, China and the U.S.S.R., were closely studied and reported on during 1938. The protection of Canadian nationals and Canadian property in the zone of hostilities in China formed the subject of discussions with the Japanese authorities. Among other matters which occupied the Legation's attention in 1938 may be cited the various trade agreements made by Japan, the sojourn in Japan of various economic and social missions, and Japan's attitude towards such questions as naval disarmament and the consideration by the League of Nations of the Far Eastern crisis. Due to prevailing conditions in the Far East the routine work of the Legation connected with the issue of passports and visas declined in 1938, particularly in respect to the number of immigrant visas which, as compared with the number issued during 1937, showed a decrease of nearly seventy per cent.

The Canadian Minister to Japan, the Hon. R. Randolph Bruce, returned to Canada and retired from the service in December, 1938. Pending the appointment of his successor, Mr. E. D. McGreer, First Secretary, was to act as *Chargé d'Affaires*.

#### **Permanent Delegation of Canada, Geneva, 1937 and 1938.**

During the year 1937 the Canadian Government was represented, either through the Advisory Officer accredited to the League of Nations or through representatives specially delegated from Canada, at the Assembly, the International Labour Conference and on a large number of Committees. At those meetings at which Canada was not represented officially, members of the Canadian Office attended as observers. At the beginning of 1938 (fiscal year) the title of the Canadian representative in Geneva was changed from "Advisory Officer" to "Permanent Delegate of Canada."

The Council held four Sessions in 1937 at which, in addition to the usual work of the various League organizations, consideration was given to several important political problems; one question was the declaration of France and the United Kingdom releasing Belgium from her obligations under the Locarno agreements and also of the statement of the Belgium Government as to the attitude of that country towards the Covenant of the League in the event of war.

At a Special Assembly in May, Egypt was admitted to the League. Mr. W. A. Riddell was the Canadian delegate, assisted by Mr. P. E. Renaud and Mr. A. Rive, technical advisers.

The regular Session (Eighteenth) of the Assembly opened on Sept. 13, 1937. The Canadian delegation consisted of the Hon. Raoul Dandurand, the Hon. James L. Ilsley and the Hon. Vincent Massey as delegates, Mr. Riddell as substitute delegate, and Mr. Jean Desy, Mr. Renaud and Mr. Rive as technical advisers. Particular stress was laid on the reform of the Covenant, the partition of Palestine and the wars in Spain and China. A strongly worded resolution regarding foreign intervention in Spain

was defeated by the contrary votes of Albania and Portugal, such resolution requiring unanimity for adoption. On the proposal of the Far East Committee the Assembly condemned the military action of Japan in China and recommended the convocation of a Conference of the signatories of the Nine Power Treaty of 1922. Considerable attention was also paid to economic problems (trade barriers, raw materials, nutrition, emigration), disarmament, social work and intellectual co-operation.

A number of Canadian experts attended other League meetings during 1937. Miss Charlotte Whitton took part in the work of the Social Questions Committee and Col. C. H. L. Sharman in the work of the Advisory Committee on the Traffic in Opium. Mr. Norman Robertson of the Department of External Affairs sat on the Committee on Raw Materials with Mr. Rive as substitute. Mr. Fraser Elliott, Commissioner of Income Tax, took part in a session of the Fiscal Committee, which dealt with the questions of Double Taxation and Tax Evasion. In September, 1937, Mr. W. C. Clark, Deputy Minister of Finance, was appointed a member of the Financial Committee of the League.

The post of Canadian Advisory Officer, held by Mr. W. A. Riddell since its creation in December, 1924, was taken over in October, 1937, by Mr. Hume Wrong, formerly Counsellor at the Canadian Legation in Washington, Mr. Riddell being transferred to Washington.

The Regular Sessions of the International Labour Conference were held in 1937 and in 1938. In 1937 (June 2 to 23) Mr. Riddell acted as one of the Government delegates and Mr. Renaud as Secretary-General to the delegation. The other Government delegate was Mr. W. M. Dickson, Deputy Minister of Labour. At the Conference two conventions were adopted: providing for the reduction of hours of work in the textile industry; and concerning protection against accidents in the building industry. It also revised the two Conventions concerning the minimum wage for admission to industrial and non-industrial employment by raising the age from 14 to 15 as had been done the previous year for workers at sea. In 1938 the Canadian Government delegates were Mr. Wrong and Mr. G. H. Brown, Assistant Deputy Minister of Labour. The Conference had before it the questions of hours and wages and technical and vocational education.

Canada in 1938 was represented at a number of important meetings arranged by the International Labour Organization: one was the Permanent Agricultural Committee; and another, the International Public Works Committee (June).

The Nineteenth Assembly was held from Sept. 12 to Sept. 30, 1938. The Canadian delegation consisted of the Rt. Hon. Ernest Lapointe, Minister of Justice, and Mr. Hume Wrong as delegates; Mr. J. T. Thorson, M.P., Mr. Paul Martin, M.P., and Mrs. Nellie McClung as substitute delegates; and Mr. J. S. Macdonald, Mr. P. E. Renaud and Mr. A. Rive as technical advisers. A separate report was to be laid before Parliament giving a full account of the work of the Assembly.

Mr. Wrong represented the Canadian Government in 1938 at the first meeting of the Intergovernmental Committee on Refugees. Among those who attended as Canadian experts at various International meetings in Geneva in 1938 were: Miss Charlotte Whitton, Lieut.-Col. T. Dunlop Young, Colonel C. H. L. Sharman, Professor J. B. Collip, of McGill University, Mr. W. C. Clark, Deputy Minister of Finance, and Dr. R. E. Wodehouse, Deputy Minister of Pensions and National Health. At the International Labour Conference, in June, 1938, the Canadian Government

delegates were Mr. Wrong and Mr. G. H. Brown, Assistant Deputy Minister of Labour.

### **The High Commissioner's Office, the United Kingdom**

The representative in Canada at Ottawa of His Majesty's Government in the United Kingdom in 1937 and the greater part of 1938 was Sir Francis L. C. Floud, K.C.B., K.C.M.G. During these last months Sir Francis made a number of outstanding speeches on different occasions on the question of Empire unity: he advocated Intra-Imperial trade preferences as being contributory to that end. He maintained that the Government of the United Kingdom were ready to co-operate in furthering migration from the British Isles to Canada and to the other Dominions as soon as the Dominions were ready for this development. In September, 1938, Sir Francis, who had been High Commissioner in Canada since January, 1935, retired, to become Chairman of a Commission established by the Bengal (India) Government for the overhauling of the existing system of land revenue and land tenure. Sir Gerald Campbell, K.C.M.G., succeeded Sir Francis in the Ottawa post.

### **The Union of South Africa's Representative**

The newly created Office in Canada of the Accredited Representative of South Africa in 1938 was headed by Mr. D. de Waal Meyer, who arrived in Canada during the Autumn. The Attaché of the Office was Mr. W. D. van Schalkwyk.

### **Foreign Diplomatic Offices in Canada**

The Legation of the United States at Ottawa, established in 1927, had at its head as Minister Plenipotentiary in 1937 and the early months of 1938, the Hon. Norman Armour whose term had commenced on Aug. 7, 1935. Mr. Armour was transferred from Canada on Mar. 26, 1938, to Chili; later he accepted office in Argentina. At the end of 1938 the office of Minister to Canada was still vacant. Mr. John Farr Simmons, Counsellor, was in charge of the Legation assisted by three Secretaries and a Commercial Attaché and his Assistant.

Envoy Extraordinary and Minister Plenipotentiary of France to Canada was M. Raymond Brugere during the greater part of 1937. He was succeeded on Dec. 9 by Count Robert de Dampierre. The staff at the Legation in Ottawa at the end of December, 1938, was composed of the following members: First Secretary, Mr. Henri de Lageneste; Commercial Attaché, Mr. Raymond Treuil; Secretary, Mr. Philippe Thiollier.

Japan's Envoy Extraordinary and Minister Plenipotentiary to Canada during 1937 and the early months of 1938 was Mr. Sotomatsu Kato who had first taken up his residence at Ottawa on June 26, 1935. His successor, Baron Tomii, succeeded Mr. Kato on May 25, 1938. At the end of the year (1938), the staff of the Legation was composed of the following members: First Secretary, Mr. Genichiro Omori; Naval Attaché, Commander Kaoru Takeuchi, I.J.N.; Attaché, Mr. Shizuo Kanaya; and Chancellors, Mr. Chiaki Seki and Mr. Ko Kobayashi.

Established in Stadacona Hall, Ottawa, in 1937, the Legation of Belgium was headed by Baron Silvercruys, who presented his credentials as Envoy Extraordinary and Minister Plenipotentiary on January 11. The staff of the Legation at the end of December, 1938, was composed of the following members: First Secretary, Mr. Maurice Heyne; Attaché, Chevalier Ernest de Selliers de Moranville; and Chancellor, Mr. Marcel Kittel.



## THE PROVINCE OF ONTARIO

### **The Hepburn Administration, 1937 and 1938**

Viewed in the balanced perspective of history, many periods have been more significant in the development of Ontario, but few have been more interesting, politically, than the two years under review. The question of electric power for Ontario was uppermost during 1937 and 1938, linking Provincial, Dominion and International interests. Developments in the situation of the Ontario Hydro-Electric Power Commission and the dispute and reconciliation with the Quebec power companies dovetailed into the larger picture of national and international interests and exerted an adverse influence on negotiations for the settlement of the long-standing St. Lawrence Waterways question.

The two years were marked by a long series of differences in the relationships of the Prime Minister of Ontario, the Hon. Mitchell F. Hepburn, and his Federal Leader. Jealous of Ontario's autonomy, Mr. Hepburn allied himself for a time, at least, with the Prime Minister of Quebec (Mr. Duplessis) against what he regarded as the attempted encroachments of the Dominion Government upon Provincial rights. He charged the Dominion with threatening to invade the Provincial field of taxation with regard to incomes and mining. He filed an Ontario brief with the Royal Commission on Dominion-Provincial Relations and then withdrew. He resented Mr. Dunning's refusal of anything approaching arbitrary reduction of the Public Debt at the expense of the country's creditors. He maintained that the Dominion Treasury was not paying a fair proportion of the unemployment relief burden in Ontario, but he favoured unemployment insurance as proposed by Mr. King in emulation of Mr. Bennett. He knew that the Dominion Government could have disallowed Ontario's cancellation of the Quebec power contracts, which they never did. He was impatient with the King Government when they refused to approve the export of hydro-electric power and the diversion of water from the Hudson Bay watershed to Lake Superior contrary to a long standing treaty with the United States. He demanded that Mr. King ask the Washington authorities to make this concession so that he could get on with the Long Lac and Ogoki water-diversions to increase the electric power available in the Great Lakes and to facilitate the floating of Ontario's pulpwood to United States pulp and paper mills competing with those of Canada. He wrote direct to Washington on this question as did Mr. King also, and Washington refused the concession through the proper Ottawa channel of communication. The United States' reply was in brief that it could not abandon its treaty rights except under a comprehensive settlement of the whole Great Lakes and St. Lawrence Waterways problem.

Implementing a promise made in December, 1936, the Prime Minister, in the first week of the new year, called the regular 1937 Session of the Legislature for Jan. 19, more than three weeks before the usual time. In making the announcement, Mr. Hepburn stated that this action was necessary in order to safeguard the Ontario Hydro-Electric Power Commission from the effects of a possible adverse judgment in the appeal by

the Commission of the Ottawa Valley Power Company case, then pending before the Imperial Privy Council (later withdrawn).

Before the opening of the Session a recurrence of bronchial trouble forced the Prime Minister to leave for Arizona for a few weeks. The Hon. Harry Nixon was the acting Prime Minister during his absence and the Hon. Arthur Roebuck was left to pilot the protective legislation through the House. During the Session, in addition to providing immunity for the Ontario Hydro-Electric Power Commission, the Legislature repealed the Separate School Tax measure of 1936, the Bill being introduced by the Opposition Leader, the Hon. George S. Henry. Another legislative item of importance was the extension of the scope of The Succession Duty Act.

Shortly after the close of the 1937 Session on Mar. 25, the attention of the Government was concentrated on a strike in Oshawa instituted by the Committee for Industrial Organization. Political repercussions included the forced retirements, on Apr. 13, of two Cabinet Ministers: the Hon. Arthur W. Roebuck (Attorney-General) and the Hon. David A. Croll (Minister of Public Welfare, Municipal Affairs and Labour).

As a result of the General Election in October, 1937, the Government was returned to office with a majority of only three seats fewer than they had obtained at the polls in 1934. The defeat of two Ministers was followed by a Cabinet reorganization. Another change occasioned by the Election was the voluntary retirement of Mr. George S. Henry from the Conservative Leadership in the Legislature, in favour of Mr. Leopold Macaulay. The Hon. Earl Rowe continued as Provincial Party Leader until 1938 when he retired, previous to the Conservative Convention of July at which Lieut.-Col. George A. Drew was elected as his successor. Another aftermath of the Election was the permanent closing in November, 1937, of the residence of the Lieutenant-Governor. Implementing an Election promise that the Government would introduce a Bill to enlarge still further the scope of the Succession Duty Act a short Session of the Legislature was called for Dec. 1 (1937).

Business recession in the United States during the latter part of 1937 had had an adverse effect on the operations of the Canadian newsprint operators who found themselves with a serious surplus. Early in 1938, Mr. Hepburn announced that he had arranged a conference with Mr. Duplessis to formulate a common policy. This led to reports that the Provinces planned control of newsprint production. A delegation from United States newspapers waited on the Ontario Prime Minister on Jan. 6, 1938, in Toronto. The 1938 Session of the Legislature opened on Feb. 23, when again the affairs of the Ontario Hydro-Electric Power Commission figured conspicuously in its deliberations. New contracts, signed late in the previous year, were ratified by an Act and a Committee of Inquiry was appointed to study the whole question of Commission contracts. This body sat well into June, 1938.

Several investigating bodies reported during the two years: one had studied conditions at the Ontario Reformatory in Guelph; another, the Mental Hospitals of the Province; and another, Highway Transport.

Four By-Elections were contested in Ontario during the year 1938. Another, uncontested, in Waterloo South, on Sept. 28, 1938, was due to the appointment to the Cabinet of Mr. N. O. Hipel who became Minister of Labour following the death of the Hon. M. M. MacBride. Mr. Hipel had previously resigned from the office of Speaker of the Legislature. A

By-Election in 1937, in Sault Ste. Marie on Nov. 23, won by acclamation, had been due to the appointment of Mr. Colin Campbell to the Cabinet as Minister of Public Works after having been defeated in the General Election of October, 1937.

The year 1938 ended with the Prime Minister of Ontario (Mr. Hepburn) preparing for a trip to Australia, with the view of studying the debt refunding plan of the Government of that country.

### Power Problems of Ontario, 1937 and 1938

The problem of power contracts was still confronting the Ontario Hydro-Electric Power Commission at the outset of 1937. Legislation of 1935 had cancelled four contracts with certain Quebec power companies. Two of these, the Gatineau and the Maclaren-Quebec Companies, signed new contracts in December, 1935, to furnish electric energy to the Commission at a reduced rate of \$12.50 per h.p. The other two instituted court actions and one, the Ottawa Valley Power Company, had obtained a judgment in the Ontario Court of Appeal declaring the 1935 Act of the Ontario Legislature invalid. At the beginning of 1937 first steps had been taken for an appeal to the Privy Council against this adverse finding (See *The Canadian Annual Review 1935 and 1936*, pp. 196-200). The second court action had been launched by the Beauharnois Light, Heat and Power Company and the case had been completed on Oct. 10, 1936, but judgment had been reserved. On Jan. 4, 1937, the Ottawa Valley Power Company filed its second suit for the collection of \$1,483,239 for power payments from the end of 1935 to date. Nine days later (Jan. 13) judgment was rendered in the Beauharnois Light, Heat and Power Company action. In this instance also the Court declared in the Company's favour, awarding it \$573,750. Immediately the Company filed a second action for \$2,911,361 against the Province.

Faced with this situation, the Provincial Prime Minister (Mr. Hepburn) called an early Session of the Legislature, during the first two weeks of which Bills were passed preventing collection from the Hydro-Electric Power Commission on either judgment (See "The 1937 Session of the Legislature" in this Section). Subsequently an appeal against the judgment of Jan. 13 in favour of the Beauharnois Light, Heat and Power Company was made by the Hydro-Electric Power Commission.

Armed with the immunity legislation, the Commission opened negotiations with the Ottawa Valley Power Company for a new agreement, despite the fact that Mr. Arthur Roebuck, one of the three Members of the Hydro-Electric Power Commission, had told the Company, on Jan. 5 that the Commission had purchased sufficient power to meet its Winter peak demand (*The Toronto Daily Star*, Jan. 5, 1937). On Feb. 12, 1937, a new contract was signed with the Ottawa Valley Power Company for the purchase at \$12.50 per h.p. of its entire output of 96,000 h.p. and the Commission was given an option in the contract on the Quebec half of the Chats Falls plant at \$15,500,000. As the Commission already owned the development on the Ontario side of the Ottawa River this made the deal with the Company something in the nature of a partnership. The Commission, under the new contract, was to pay the full maintenance and capital costs of the \$1,000,000 frequency changer, formerly borne in part by the Ottawa Valley Power Company. The Company consented to the omission of the provision in the former (cancelled) contract that the Hydro-Electric Power Commission should pay the cost of any increased taxation which might be imposed by the Province of Quebec. The new contract was for the



same period as the former cancelled contract—34 years. It provided that if, after 1945, the Commission paid more than \$12.50 per h.p. for any Quebec power the increase would apply also to Ottawa Valley Power Company deliveries. On the basis of this new contract, the Company had agreed to drop its litigation against the Commission and the Commission had withdrawn (Feb. 4, 1937) its pending appeal to the Privy Council.

Both inside and outside the Legislature the Hon. Arthur Roebuck, supported by the Minister of Highways, the Hon. T. B. McQuesten, and the Chairman of the Hydro-Electric Power Commission, Mr. T. Stewart Lyon, emphasized the reduction in expenditure under the new contract, as compared to the total involved under the former cancelled contract. From other quarters, however, were heard stories of an immediate power shortage in the Niagara system which had become a source of worry to the Hydro-Electric Power Commission engineers (*The Globe and Mail*, Feb. 2, 1937).

On June 22, 1937, the Commission lost its appeal from the decision of the Supreme Court of Ontario declaring the Commission's contract with the Beauharnois Light, Heat and Power Company (cancelled by legislation in 1935) to be valid. The Ontario Court of Appeal upheld the Judgment; it held that the Commission should pay \$609,600 to the Company. Immediately, the Government issued the necessary proclamation bringing the immunity legislation of January, 1937, into force. The Commission obtained leave to appeal to the Privy Council against the decision of the Supreme Court: subsequently (July 12) leave was granted to the Beauharnois Light, Heat and Power Company to make a counter-appeal to the Privy Council. All litigation, however, was dropped, by mutual consent when a new contract was signed at a later date.

Meantime, Mr. Roebuck had resigned from the Commission shortly after his withdrawal from the Cabinet (April, 1937). October, 1937, saw a reconstituted Commission, the Hon. W. L. Houck and Mr. J. A. Smith taking the places of Mr. Roebuck and Mr. McQuesten, and Mr. Lyon being replaced in the chairmanship by Dr. T. H. Hogg, who remained Chief Engineer as well. In the same month a survey of its power resources was initiated by the Commission and plans for the development of the High Falls power site on the Madawaska River were announced. One of the first steps taken by the new Commission was to re-open negotiations with the Beauharnois, Gatineau and Maclaren-Quebec Companies, the result of which was announced on Dec. 10, 1937, in three power pacts revising the original contracts with these companies. On the basis of the contract with the Beauharnois Company, the pending appeal and cross-appeal to the Privy Council were dropped on Dec. 14, 1937.

Under the new contracts the same amount of power was taken in each case with the one exception of Maclaren-Quebec, where the contract was reduced by 20,000 h.p. Like the former contracts the new ones ran until 1976. The two main differences were: (a) reduction of price from \$15 to \$12.50 and (b) a new system of staggering deliveries which meant that until 1944 Ontario would not be taking the full amount. The Commission's explanation for this saving appeared in its Report for 1937, which contained this statement, "Recognizing the changed conditions resulting from the long economic depression the companies agreed to a reduction in the sales price of their power." There was also the fact that while the old contracts set a fixed price for power for thirty-four years the price to the Commission under the new contracts might advance after 1945. (For ratifying legislation of contracts see this Section under

"The Power Contracts Validation Act, 1938"; and for summary of contracts see under "Hydro-Electric Power Commission, 1937 and 1938").

In a statement to the press the Hon. W. L. Houck declared that the immediate result of the new contracts was an excess of dependable capacity over and above the probable best provision of some 144,000 h.p. which if, the demand continued at the same rate of increase, would be actually 75,000 h.p. short of a probable best provision of 1942. (*The Globe and Mail*, Mar. 24, 1938).

### The Committee of Inquiry into Power Contracts of 1937

The Committee, appointed by the Legislature in 1938, to inquire into the purchases of electrical power under the following Hydro-Electric Power Commission contracts with: (a) Gatineau Power Company, Dec. 14, 1937; (b) Beauharnois Light, Heat and Power Company, Dec. 14, 1937; and (c) Maclaren-Quebec Power Company, Dec. 14, 1937. The Committee consisted of Messrs. Conant (Chairman), Clark, MacBride, Strachan, Cooper, Haines, Newlands, Nixon (Brant), Frost, Macaulay, Baird and Challies. The Committee was given authority to sit during the Recess of the House, to summon witnesses and to call for the production of all documents deemed relevant to the Inquiry. The Committee met on May 2 and adjourned until May 30 when it resumed its deliberations. During the sittings, which continued until June 11, the Hon. M. M. McBride, a member and Minister of Labour, died.

The proceedings threw light on several incidents in the power battle which up to that time had been clouded with rumour. Mr. T. Stewart Lyon, dismissed from the Chairmanship of the Hydro-Electric Power Commission on Oct. 28, 1937, and replaced by Dr. T. H. Hogg, Chief Hydraulic Engineer, testified that the Government had introduced the 1935 legislation cancelling the Quebec contracts (See *The Canadian Annual Review 1935 and 1936*) without consulting the Commission (*The Toronto Daily Star*, May 31, 1938). He said that he had known nothing of plans for a Beauharnois Light, Heat and Power Company contract before the General Election of Oct. 6, 1937.

Mr. Roebuck charged that Mr. George McCullagh, Publisher of *The Globe and Mail* had made his (Mr. Roebuck's) resignation from the Cabinet the price of his continued support of the Hepburn Administration and that the real issue had been the new Hydro-Electric Power contracts. "Nobody that knows the history of what took place and my attitude with regard to 'Beauharnois'", he testified, "can come to any other conclusion than that I, like Mr. Lyon, was eliminated because I would not sign a contract with 'Beauharnois'" (*The Globe and Mail*, June 3, 1938). In a parallel newspaper column to that outlining the Roebuck charges Mr. McCullagh issued his denial that he had made Mr. Roebuck's head the price of his newspaper's support, asserted that Mr. Roebuck had been dismissed on the C.I.O. issue and admitted that he had frequently told Mr. Hepburn that his Attorney-General was unfit to hold office. Mr. Hepburn, appearing later before the Committee, added his denial to that of the Publisher and, at the same time, testified that Mr. J. E. Atkinson, President of *The Toronto Daily Star* had warned him that he would wreck the Liberal Administration unless he (Mr. Hepburn) changed his attitude on the C.I.O. (*The Globe and Mail*, June 18). Mr. Hepburn also told the Committee that it had not been the original intention of the Government in 1935 to cancel the Quebec contracts but rather to effect a "peaceful settlement". Mr. Roebuck, he said, had forced the issue by exceeding his instructions in His Hydro-

Electric Power speech in the Legislature and by declaring that the contracts were unenforceable.

The new Hydro-Electric Power Commission Chairman (Dr. Hogg) testified that he had done "everything humanly possible" in 1937 to make Mr. Lyon and Mr. McQuesten see the need for steam power development or for Quebec power purchases and he called attention to his reports as Chief Hydraulic Engineer.

As a result of the sittings two Reports were presented (these were not tabled in the Legislature until the 1939 Session, on Apr. 5, but for purposes of continuity they are covered herewith).

The Majority Report was signed by the Liberal Members, the Hon. Gordon Conant, the Hon. H. C. Nixon, and Messrs. Ian T. Strachan, J. H. Clark, James M. Cooper, A. J. Haines and John Newlands. It found that on the basis of information and advice supplied to him by the then Chairman, Mr. Lyon, the Prime Minister had been "fully justified" in advocating a "back to Niagara" policy during the General Election campaign of 1937. Mr. Hepburn it stated, "cannot be held responsible for the fact that the Chairman of the Commission refused to accept or read the reports of its chief engineer and thus supplied the Prime Minister with information not in keeping with the actual situation." The Report completely exonerated Mr. Hepburn of the Macaulay charge that there had been negotiations with the Beauharnois Light, Heat and Power Company prior to the General Election and found that the first steps had been taken by Dr. Hogg after his appointment on Nov. 1, 1937.

The Minority Report, signed by Conservative Members, Messrs. Leopold Macaulay, George H. Challies, L. M. Frost and W. A. Baird stated: "There can be no doubt that Mr. Hepburn knew or should have known prior to the Provincial Election of the critical power shortage and that it would be necessary immediately after the Provincial Election of 1937 to sign new contracts with the power companies in Quebec . . . There is conclusive evidence that Mr. Hepburn deceived the public with his assurance of a 'back to Niagara policy.'" The Report referred to the evidence of Murray McCrimmon, dismissed Secretary of the Commission, that he had been told that he "did not co-operate well enough politically". Mr. Hepburn's references in 1935 to the serious state of the Commission's finances were termed in the Report "not only unjustified" but "a reckless undermining of the credit of the Province." It pointed to the evidence that in 1935 the combined reserves of the Hydro-Electric Power Commission had totalled \$72,000,000 and that in 1936 these had been \$82,000,000.

### **Provincial and International Power Issues, 1937 and 1938**

The Dominion Government had remained a silent spectator of the battle between Ontario and the Quebec power companies, in spite of appeal from certain quarters. In the Ogoki and Long Lac diversion projects, however, Dominion interests were involved. Not only was this so under the Navigable Waters Section of The British North America Act, but also because of the Dominion negotiations with the United States and of the whole boundary waters question and the St. Lawrence Waterway project. On July 21, 1937, the Hon. H. C. Nixon (Provincial Secretary of Ontario) wrote to the Dominion Government, pointing out that the Province was anxious to have assurance that the right of Ontario to the water diverted to the Great Lakes would be recognized. He suggested that an exchange of notes with the United States might cover the case and asked that the request should be transmitted through the proper channel.



The Prime Minister (Mr. King) replied on Sept. 7, 1937, that the 36,000 c.f.s.-20,000 c.f.s. rule then governing development at Niagara was a matter of treaty and that "we should be on very unsafe ground if we undertook to rely on any instrument differing in its constitutional sanction from the treaty." This conclusion, he pointed out, had been reached earlier in the discussion of the Ogoki proposal. He added: "The United States Administration would be unwilling to sidetrack the St. Lawrence Treaty for such an object. Even if negotiated, such a separate treaty would have less chance in the United States Senate than an incidental provision to the same effect in the St. Lawrence Treaty, since practically it would be for Canada's benefit only so far as electric power was concerned." Mr. King intimated that so far as the necessary consent of the Dominion, under the Navigable Waters Protection Act, was concerned, there would be no difficulty if the international issue could be settled.

Mr. Nixon acknowledged this communication on Sept. 9, 1937, with a note expressing his appreciation of the personal attention that Mr. King had given to his request and the "full reply." Mr. Lyon, on the other hand, interpreted the Prime Minister's letter as a refusal by the Dominion Government to back up the Long Lac diversion. "Mr. King, in effect, says that he does not propose even to ask the United States authorities for their provisional consent," he wrote to Mr. Nixon on Sept. 11, 1937. At the same time he asked him (Mr. Nixon) if the Commission should stop work on the Long Lac project. This exchange of correspondence was all marked "private and confidential," and was not made public until a much later date (Canadian Press dispatch, Toronto, Dec. 20, 1937).

On Nov. 12, 1937, Mr. King reported to Mr. Hepburn the progress of the Dominion Government's negotiations on the St. Lawrence Waterway project with the United States which, under the inspiration of President Roosevelt, was reviving its interest in the scheme rejected by their Senate five years before. From Jan. 14, 1937, there had been conferences and exchange of correspondence between the two Governments. The Ontario Government, in the meantime, had maintained their stand of opposition to the project. Mr. King, in his communication of Nov. 12, asked for the views of the Ontario Government and suggested a discussion between technical officers at Ottawa and officials of the Hydro-Electric Power Commission. Mr. Hepburn accepted the suggestion for a technical conference (Nov. 25, 1937) but added: "Having finally arrived at a tentative arrangement with respect to a settlement of our power problems with the Quebec companies I am advised by the Hydro-Electric Power Commissioners that Ontario power needs have been taken care of for many, many years to come. We are, therefore, not in need of power, nor, in my opinion, having in mind our acute railway problem, any additional avenue of transportation." Earlier in the year (July 30, 1937) Mr. Hepburn had written in a similar vein in reply to a request from Mr. A. F. Beiter at Washington (House of Representatives) for his stand on the St. Lawrence Waterway scheme.

With the Beauharnois Company contract terms settled and a market for 110,000 h.p. of this surplus assured in the United States, Mr. Hepburn visited Ottawa on Nov. 29, 1937, to arrange with the Dominion Government for the granting of an export licence. The visit was the forerunner of a fresh clash between Mr. King and Mr. Hepburn which merited the headline "Fur Flying in the East", in the *Winnipeg Free Press*. The Ontario Prime Minister was told by Mr. King that no export licence could be given until provision for it had been made by Parliament. This was the same

answer that the Dominion Prime Minister had given to the Montreal Light, Heat and Power Company nine months before when the Company had applied for a licence to export 40,000 h.p. to the Aluminum Company of America at Massena, N.Y. With Mr. Hepburn, however, Mr. King's declaration was the spark which started the explosion. He returned to Toronto to start a series of blasts against Mr. King and his Government. A trip to Montreal and a conference with the Prime Minister of Quebec (Mr. Duplessis) brought an alliance between the two Leaders against the Dominion Government. (*The Globe and Mail*, Dec. 13, 1937). Mr. Duplessis announced to a banquet audience at Shawinigan Falls that if Mr. King wanted "a fight" on the power export issue he could have it. Mr. Hepburn declared that he was prepared to challenge in the courts any legislation of the Dominion Parliament with regard to the export of electric power. He had been advised, he said, that the Dominion's rights were questionable (*The Gazette*, Montreal, Dec. 18, 1937). Mr. King replied that there was going to be no "fight"; that there was no question of the supremacy of the Dominion Parliament; and that the latter, at the coming Session (1938) would be asked to clarify, by legislation, the electric power export situation by placing the full control of export licences in the Parliament of Canada. (*The Gazette*, Montreal, Dec. 17, 1937).

Mr. Hepburn accused the Canadian Prime Minister of being in league with President Roosevelt to force the St. Lawrence Waterway plan on Ontario. He charged Mr. King with having this purpose in view when he blocked the Long Lac diversion project. Mr. King's categorical denial brought a demand from Mr. Hepburn that he release the private correspondence already mentioned in connection with the Long Lac project. Mr. King promised to table this when the House met in 1938 but Mr. Hepburn refused to wait and turned over his own file to the newspapers, minus the one note of appreciation written by Mr. Nixon. Mr. King pointed to this omission and reiterated, on Dec. 21, 1937, that there had not been any agreement with Washington with regard to the St. Lawrence Waterway project or to Ontario's participation in it.

It was on this wave of controversy that the Prime Minister of Canada introduced his Power Export Bill to Parliament during the 1938 Session—a Bill which met with defeat in the Senate (See under Section: "Federal Administration and Politics: The 1938 Session of Parliament"). Mr. Hepburn met Mr. King's action by challenging any Ontario or Quebec Member of Parliament to vote "against the right of the Provinces to export power under contract."

Late in the Summer of 1938 (Aug. 18) on the occasion of a visit to Canada, Mr. Roosevelt in a speech at Ivy Lea, Ontario, warned the people of the two countries that unless the Governments took action the hydro-electric power, available in the St. Lawrence, would fall into the hands of powerful United States' interests.

Mr. Hepburn's answer to the President's declaration was a letter to the Canadian Prime Minister demanding an immediate enunciation of the Canadian Government's stand on the Waterway question. The day that this letter arrived in Ottawa Mr. King was attending a political picnic at Woodbridge, Ont., where he gave vigorous support to the United States President's stand and, at the same time, pointed out that the co-operation of the Province of Ontario would be necessary for the utilization of the power to be developed at Niagara and in the St. Lawrence. "We will endeavour," he said, "to carry on discussion of such questions whether with the Government of the United States or with the Government of a

Province of Canada in a manner befitting the importance of the issues at stake." (*The Gazette*, Montreal, Aug. 22, 1938).

In his reply on Aug. 31 to Mr. Hepburn's letter, Mr. King indicated very clearly that the St. Lawrence Waterways project was a Dominion matter in so far, at any rate, as navigation was concerned and that the Province would not be allowed to block the project. "For any conclusion of these matters," he stated, "the Canadian Government will be responsible to Parliament and will be prepared to set forth and support their conclusions in due course. Any arrangement eventually proposed would, in any case, have to be submitted to Parliament before ratification, and the representatives of the constituencies in all the Provinces, including Ontario, would have every opportunity of giving their views and votes." To this statement was added a proposal for a technical conference between the Dominion and the Province with regard to the power situation, a proposal which was not accepted by the Ontario Government. At this point the power issue and the St. Lawrence Waterways question rested until the end of the year (1938) except for frequent references in speeches of Mr. Hepburn and a certain amount of newspaper speculation on the Dominion Government's power to go ahead, if they wished with both navigation and power development without the consent of the Province. The constitutional question of power development on navigable waters was, in effect, still before the courts and Dominion legal authority claimed that the Dominion had the right to override the Province. It was generally accepted, however, that Mr. King was letting the matter drift in the hope that a peaceful solution might be found to end the *impasse*.)

### Succession Duty Investigations, 1937 and 1938

On June 4, 1937, an investigation was opened by Judge Duncan Ross of Elgin County, sitting as Commissioner, into the estate of Patrick V. Byrnes, Hamilton millionaire and, at one time, holder of a controlling interest in the United Gas and Fuel Company Limited and the Hamilton By-Product Coke Ovens Limited. Gordon L. Fraser, K.C., Counsel for the Ontario Treasury, claimed that due to under-valuation of stock in these companies the estate had withheld \$1,929,965 owing in Succession duties. The entire estate, according to Surrogate Court records, had been valued at \$1,147,947. The stock, valued at the time of Mr. Byrnes' death, at \$813,510, had been sold later, the Department claimed, for \$2,743,475. The probe, punctuated by sensational charges all of which were denied, lasted until Oct. 22, 1937. Meanwhile, two other investigations had been launched. Mr. Justice C. P. McTague had been charged with the commission of probing the estate of Robert Laidlaw, valued at \$4,958,175, from which the Department claimed arrears of \$1,061,000. The two estates of J. R. Booth, Ottawa Valley lumber king, and his son, J. F. Booth, had been re-opened by Commissioner, A. J. Gordon. Here, the Department was claiming \$7,000,000, in addition to the \$4,280,000 already paid.

On July 5, 1937, W. N. Tilley, K.C., who had acted as counsel for the estates in all investigations, contested the right of the Commissioner in the Laidlaw case to pass judgment in the re-opening of an estate after payment had been accepted by the Province in full settlement. This, he declared, could only be done by a court and he asked Mr. Justice McTague for a stated case to the Supreme Court of Ontario. Similar action was taken in the Booth investigation where Mr. Tilley finally obtained an injunction restraining the hearing. Mr. Tilley was granted his stated case in the Laidlaw case which placed the onus on the Government to prove the validity of their Commissions of investigation.



Mr. Hepburn announced on July 15 that, with 44 estates ready for re-opening, the Government could not afford the delay necessitated by taking this issue to the courts. They were, therefore, rescinding the McTague appointment and, in future, would sue for death duties in the courts. (*The Globe and Mail*, July 16, 1937). As a result of the set-back in Succession duties' collections, the Prime Minister (Mr. Hepburn) announced later during the Election campaign that new legislation might be necessary and he promised to call a Special Session of the Legislature at an early date, a promise which he implemented within two months of polling day. The Public Accounts for the fiscal year ended Mar. 31, 1938, recorded a revenue of \$20,214,183 from the operation of the Succession Duty Act during the fiscal year.

### The Municipalities; Relief Problems, 1937 and 1938

Pushed somewhat into the background only by the interest aroused by the more spectacular issues, the problem of selling to municipalities the new policy of compensation for income tax faced the Hepburn Cabinet in 1937. Instead of rebates instituted when the Income tax was taken originally from the municipalities, the Province in 1937 assumed the municipal share of costs of Old Age Pensions and Mothers' Allowances. Toronto, under the leadership of Mayor Robbins promoted the fight against this plan and enlisted the support of local members of the Legislature. At a conference on Jan. 11, 1937, the City proposed, as alternatives that the Province should assume the cost of indigent hospitalization or take a greater share of the unemployment relief expenditure. Mr. Hepburn's reply to this was that no special consideration would be given to Toronto or any other municipality. He predicted (*The Globe and Mail*, Jan. 11 and 14, 1937) that the change was going to cost the Province at least \$1,000,000 in 1937. A meeting of the Mayors' Association in Brantford in March (6th) endorsed the Hepburn policy, ignoring protests from Toronto.

The Ontario Government was the first to take advantage of the new Dominion legislation enabling the Provinces to provide pensions for the blind. On Aug. 26, 1937, an Order-in-Council provided a \$20-a-month payment to all totally blind persons over the age of 40. The cost to the Province, it was estimated, would be \$300,000 in the first year.

During the Legislative Session of 1937 the Minister of Public Welfare announced an experimental housing programme to be undertaken in supervised municipalities. It was expected, he said, that relief outlays for the year would be less so that without burdening the taxpayer it was proposed to use funds available for the construction of 560 low rental houses.

Ontario's relief problem was accentuated early in the year 1938 by reductions of grants-in-aid from Ottawa. On Jan. 20, the Provincial Prime Minister (Mr. Hepburn) told a conference of Ontario mayors that he favoured a three-way split of relief costs with the Dominion Government paying 40 per cent., the Province, 40 per cent., and the municipalities, 20 per cent. A few weeks later (Feb. 9) the Minister of Public Welfare and Municipal Affairs (the Hon. Eric Cross), backed by the Mayors' Association, put this proposal before the Dominion Minister of Labour, declaring that whether the (Dominion) Government agreed or not, the Provincial Government intended to limit their own contribution to a dollar-for-dollar basis with the Dominion. He pointed out that in the previous year the Dominion contribution had been 23.04 per cent. and the Provincial, 51.98 per cent. (*The Globe and Mail*, Feb. 10, 1938). The following day Mr. Hep-

burn announced that if the Dominion did not agree he would have to consider new taxing powers for the municipalities. The relief proposal was finally rejected by the Dominion Government but Mr. Hepburn met the announcement with the assurance that "for the present" the Provincial grants would not be changed. At the same time, he gave notice that he intended to seek a ruling on the rights of the Dominion to levy income tax and to take action to secure a greater share of the levies on mines. "The Federal Government," he announced, "were elected on a commitment to make relief a national responsibility. Now they are backing out of the picture as fast as they can and unloading the burden on Ontario. The time has come to call a halt to this milking of the Province. We financed the T. and N.O. to open up the mining industry and then the Federal Government came in and took a major share of the taxation that belonged to us." (*The Globe and Mail*, Feb. 17, 1938).

On May 27, 1938, the Provincial Government announced a closer system of inspecting relief expenditures. "There is good reason to believe," Mr. Hepburn explained, "that we have still more difficult times with which to cope." On June 23, the Dominion Government assured the Province that the existing grants-in-aid of \$465,000 a month would be continued for the balance of the year and on this basis Mr. Cross announced that costs would be shared 45 per cent. by the Province, 30 per cent. by the municipalities and 25 per cent. by the Dominion Government.

A troublesome offshoot of the long standing relief system and the consequent pauperizing of large numbers who had finally come to regard relief payments as their right was the outbreak in 1938 of "relief strikes." These were particularly prominent in the Toronto suburban district where the closing of boom-day factories had left whole communities unemployed. The outbreaks took various forms of lawlessness. In one case the relief recipients occupied the municipal building and held it for two days. At Lakeview, in Toronto Township a small body of men, organized as the "General Workers' Union," on Apr. 25, 1938, captured the Relief Administrator, R. S. Moore, and held him captive for several hours. Charges were laid against the ringleaders and summonses issued for their appearance in the Brampton court.

Another group engaged in a "hunger march" on Queen's Park. This was on Apr. 29 (1938) when men, women and children invaded the Legislative Building to see the Prime Minister. Mr. Hepburn received them and listened for some time to stories of privation as well as to statements from relief officials that many of those present had refused work when it was offered. Mr. Hepburn recognized the president of the so-called "Union," Edward Lace, as a man who had been dismissed from the Government's employ on suspicion of theft and he ordered his arrest on the spot. Three other leaders were arrested for participating in the kidnapping incident. This was followed by the laying of charges against parents who had kept their children from school. Supported in his stand by the report of the Deputy Minister that not one case of malnutrition had been found in the township, the Prime Minister told the delegation that there would be no increase in relief payments. "There is going to be no mob rule in this Province," he declared. ". . . My advice to you is to behave like decent citizens. I am going to warn you again that there will be no more tactics like holding a relief administrator in his car." (*The Globe and Mail*, Apr. 29, 1938). The Prime Minister's handling of the situation was received with some commendation as well as adverse criticism. Among those who were unfavourable to his action were a few

Toronto clergymen of the United Church who had, perhaps, not forgotten the Prime Minister's attack during his support of the sweepstakes Resolution in the Legislature.

On June 13, speaking to the Retail Druggists' Association in Hamilton Mr. Hepburn recalled the Lakeview critics in his assertion that the United Church had "lost touch with public sentiment." He said he knew he would be condemned for such a statement by "psalm-singing sanctimonious preachers in Toronto" (*The Globe and Mail*, June 14, 1938). The court sequel to the Lakeview strike came on June 13 when four men and three women were found guilty of unlawful assembly by a Brampton jury. Charges of assault on the relief administrator had been dismissed. Arthur Roebuck, former Attorney-General, acted as counsel for the strikers.

### Commissions of Investigation, 1937 and 1938

Three Commissions of Investigation were appointed by the Ontario Government in each of the two years, 1937 and 1938. The 1937 Inquiries covered: (1) Matters at the Ontario Reformatory at Guelph; (2) the Financial Affairs of the Corporation of Collingwood; and (3) Highway Transportation. The first Commission presented its Report to the Government in 1937. The Report of the second Commission into the Financial Affairs of Collingwood was not made public. Wilfred D. Roach, K.C., of Windsor was appointed Feb. 4, 1937, as Commissioner; J. G. Hood was appointed Counsel to assist him. The Investigation was ordered by the Minister of Municipal Affairs; it pertained particularly to the actions of the Finance Committee of 1936. The probe opened on Feb. 10, 1937. The Report of the Commission on Highway Transportation was made public on Jan. 5, 1939. (This Report is included in the following summary).

The Report of a survey of Ontario's Hospital System was made public early in 1937. (See page 162).

The three Commissions of 1938 investigated: (1) the Operation of the Homewood Sanitarium of Guelph; (2) Cancer Remedies; and (3) the Administration of the Mental Hospitals of Ontario, established under the Provisions of the Act. Two of the three 1938 Commissions reported to the Government in the same year. The Commission on Cancer Remedies had not reported up to October, 1939.

### The Ontario Reformatory, Guelph, 1937

A serious riot occurred at the Ontario Reformatory, Guelph on Jan. 12, 1937, at which the inside of the building was wrecked, several fires started, and guards wounded. Immediately (Jan. 18), a Royal Commission was appointed to investigate the causes and to make recommendations. The Commissioner (Judge James Madden of Napanee) heard evidence from both guards and prisoners. The Report of the Commission was tabled in the Legislature on Mar. 18. The Commissioner found that the "dismal failure and unanswerable neglect of duty" on the part of two guards was "undoubtedly the immediate cause of the riot." (The two guards were: Senior Sergeant Alfred Maguire and Sergeant William Maxwell). It was found that the so-called "rotten food" claimed by 121 prisoners examined as the cause of the riot was not a fact; that the food supply for the prisoners was wholesome and that 80 per cent. of the prisoners had gained weight while in prison. Recommendations included: consideration of instituting criminal proceedings against the 22 inmates who were alleged to have escaped from the Reformatory; and against 12 inmates who were alleged



to be guilty of arson and riotous injury and damage to buildings. Other recommendations were as follows: (1) substitution of individual cells for dormitories; (2) education as the dominating factor in the Reformatory; (3) greater recreation; (4) curtailment of visiting time and the number of visitors; (5) a regular system of changing sheets and blankets and supplying mattresses; (6) segregation of the younger prisoners; (7) abolition of the five-man Board of Parole and the appointment of one person—a member of the legal profession with criminal law practice experience; (8) erection of a high, woven-wire fence around the central grounds, topped by barbed wire; (9) the arming of outside pickets and guards, the storage of a reasonable supply of additional firearms and gas bombs in the building for emergencies, and also the training of a select number of custodial officers in the use of firearms; (10) increase of the custodial staff by twenty men as soon as practicable; (11) engagement of an assistant chef; (12) necessary changes in the personnel of the existing staff; (13) the immediate appointment of full-time Protestant and Roman Catholic chaplains whose personality adapted them to institutional work; (14) the appointment of an Assistant Superintendent; (15) a psychopathic examination of every prisoner by the Department of Health before release; and (16) an Amendment to the Criminal Code to provide whipping for those found guilty of theft.

### **Ontario's Hospital System, 1937**

As a result of a lengthy and careful survey of Ontario's hospital system by Dr. Samuel W. Hamilton and Grover A. Kempf of the Hospital Survey Committee of New York, a frank and critical Report of Ontario Government Hospitals was tabled in the Legislature on Mar. 23, 1937. The Report stated that the Provincial institutions had been brought to "a lamentable plane of incapacity." General overcrowding had produced an intolerable state of affairs that should be quickly remedied. A building programme to provide accommodation for 3,000 patients was necessary, the Report stated, to accommodate decently the present inmates. It recommended an increase of 21 doctors at least in the medical staff, construction of a new hospital near Toronto to accommodate 500 tuberculosis patients and 1,000 infirm patients, a hospital to contain 1,200 beds at Fort William, a new 400-bed unit at Woodstock and, as an emergency measure, the arrangement of provisional quarters for 1,000 patients in a fireproof building. The Report found that the Hamilton Mental Hospital had about one and one-half times as many patients as it should handle; that the Whitby Hospital had an excess of 8.2 per cent.; the Orillia Hospital, 23 per cent.; and the Woodstock Hospital, 13 per cent.

Pointing to a shortage in nursing staffs and attendants in all institutions the Report added: "In the schools for mental defectives, Ontario lags behind with 6.5 nurses and attendants per 100 patients. New York, as a comparison, has 10.5 and Massachusetts, 13.1." It was noted that Ontario had the lowest *per capita* cost and the greatest divergence from the United States in amounts paid for salaries. A strong medical organization with more individual attention to the problems of patients was urged.

### **Highway Transportation, 1937-38**

On Aug. 26, 1937, a Commission composed of Mr. Justice E. R. E. Chevrier (Chairman), Clarence R. Young and Edwin R. Sayles was

appointed to investigate the problem of Highway Transportation. It opened in the Autumn and continued its sittings into 1938 (June).

The Commissioner produced a Report of nearly 100,000 words which was made public on Jan. 5, 1939. It recommended the appointment of a three-man transport board with powers similar, in the local field, to those of the Board of Transport Commissioners of Canada. Motor transport operators had given evidence during the investigation strongly favouring some enforcing authority to deal with rates charged and general stabilization of the industry's operations. The Commission found that while there was undoubtedly some competition between the truck and railway transport systems that the greatest competition with resultant rate cutting was between transport operators themselves. Evidence of long hours and low wages had been heard during the probe and the Commission found that these arose chiefly from an overcrowding of the field. It found that where motor transport workers were working for \$12 to \$20, railway employees were being paid \$30 to \$35. The Commission recommended a 60-hour week with a basic day of 10 hours and an allowable 12 hours.

In another section, the Report recommended the establishment of a pay-as-you-go policy for construction and maintenance of Ontario highways with not less than \$10,000,000 a year set aside from revenues. A gasoline tax of nine cents a gallon and a fuel oil tax of 12 cents a gallon was suggested.

### **The Homewood Sanitarium, 1938**

A Royal Commission of Inquiry into the operation of the Homewood Sanitarium of Guelph, a well-known institution of Ontario, was appointed on Mar. 18, 1938. F. H. Barlow, K.C., Master of the Supreme Court of Ontario, was appointed as Commissioner. The Inquiry was ordered by the Government as a result of charges laid by Angus McIntosh of Montreal, who had been released from the Institution by a Supreme Court order. During the investigation several sensational incidents in connection with the Sanitarium came to light. One concerned the death of Walter Scott, a former Prime Minister of Saskatchewan, who died at the Institution a few days after a scuffle with an attendant in which he suffered a broken hip. A coroner's jury later found that the broken hip had not contributed to his death.

The Report was made public on June 20, 1938. In it the Commissioner referred not only to the case of Walter Scott but to evidence "of a young patient who was badly beaten up by a bullying attendant." He found that the Homewood Sanitarium had the right to detain Mr. McIntosh but he suggested that the Private Sanitaria Act was too free in giving this right. "It is one thing for the State to deprive a person of his liberty; it is another thing for a private institution to be able to detain a man against his will," he said. The Report recommended complete recasting of The Private Sanitaria Act, and that private mental institutions within the Province should be under strict control of the Government. It suggested (a) that safeguards should be provided against detention of patients at the will of relatives or others; (b) that patients at private sanitarium should be given complete information on personal and property rights and that independent medical and legal advice should be available under proper supervision; (c) that proper standards should be set for nurses and attendants; (d) that committal of patients should be under control of the Department of Health; (e) that periodical inspections by a Health Department official should be provided; and (f) that a copy of an auditor's report should be filed annually with the Department.

### **Mental Hospitals, 1938**

In September, 1938, a Royal Commission, composed of Clifford R. Magone, Chairman, Dr. William H. Avery, and Lionel P. Conacher, M.L.A., was appointed by the Hepburn Government to investigate the situation in mental hospitals of Ontario. The appointment followed suspension by the Government of Dr. George Stevenson, Superintendent of the London Hospital. The Commission opened its hearings in London on Sept. 15, and later held sittings in Cobourg and Toronto. The Report, released on Dec. 29, recommended a Board of Review to consider appeals by parents or relatives. The Commission found that, apart from a small number of cases, there had been no wrongful confinement of patients; nor had patients been confined in any institution longer than was necessary. At the same time it felt that the institution of a Board of Review would reassure the public. Dr. Stevenson was completely cleared of all charges made against him. Other recommendations included in the Report were: (a) that a magistrate committing a person for observation should have before him the certificate of one medical practitioner and of two doctors, where commitment was directed to a mental institution; (b) that alcoholics without psychosis should be segregated; (c) that the Medical Act should be amended to legalize sterilization of women patients held as mental defectives; (d) that a survey should be made of all paretics, with a view to treating them with artificial fever; (e) that existing examination units in mental hospitals should be abandoned, and that arrangements should be set up for similar units in Public General Hospitals; and (f) that greater care should be exercised in preparation of patients' personal hospital files.

### **The C.I.O.; Other Labour Problems, 1937**

The Committee for Industrial Organization, since its birth in the United States in 1935 had witnessed the most rapid growth in membership ever achieved by a labour organization. It had popularized the "sit-down" strike or illegal occupation of industrial plants by strikers. This had reached its climax in the United States by the strike of the C.I.O. affiliate, the United Automobile Workers of America, at the Detroit plant of the General Motors Company as well as a general attempt to bring the automobile industry to its knees. In Ontario, during the early months of 1937, there were sporadic outbreaks of the "sit-down", among them the strike in the B. F. Goodrich Rubber Company's plant at Kitchener. Trouble was brewing among the employees of General Motors of Canada Limited at Oshawa where Hugh Thompson, C.I.O. organizer of Local 222 of the United Automobile Workers, claimed a membership of 98 per cent. of the 3,600 General Motors employees. Early in March (1937) strike threats had reached concrete form and Louis Fine, Conciliation Officer of the Ontario Department of Labour, was intervening in an attempt to bring the two sides together, an attempt which for a while seemed to be heading towards success.

Faced with this situation the Prime Minister (the Hon. Mitchell F. Hepburn) on Mar. 8 announced that the Ontario Government would not tolerate "sit-down" strikes in the Province. While he recognized that primary responsibility lay with the municipalities, he offered the full strength of the Provincial police and other resources, if necessary to stamp out "this menace". The Oshawa strike, when it finally came, on Apr. 8, was not a "sit-down" but a "walk-out"—during which there were no disorders of any consequence.



On the first day of the strike, following a telephone conversation between the Minister of Justice for Canada (the Hon. Ernest Lapointe) and Mr. Hepburn, one hundred members of the R.C.M.P. were sent to Toronto. This brought a vigorous protest from the Mayor of Oshawa (A. C. Hall), who told the workers that he would resist attempts to bring outside police to Oshawa. He appealed to them to avoid lawlessness. Backed by a muster of about 300 Provincial and Federal Police, by this time stationed in Toronto, Mr. Hepburn announced that the question at Oshawa was not a matter of wages but a clearly defined issue of whether or not agitators, who had already brought the United States almost to a state of anarchy, were to attain their goal of smashing Canadian export business. He placed the C.I.O. strikes as a definite part of a Communist programme. (*The Globe and Mail*, Apr. 9, 1937). At the same time, acting as mediator he was conferring with C. H. Millard, President of the Local 222 of the U.A.W.A. and a Canadian employee of the General Motors firm. Mr. Hepburn refused, throughout, to negotiate with either Hugh Thompson or Homer Martin, the latter, international President of the U.A.W.A., who appeared on the scenes several times during the strike.

The refusal, of the officials of General Motors of Canada and Mr. Hepburn, to follow the United States Company's lead and recognize the C.I.O. union, broke down early negotiations. The Company, at the outset, had offered an increase of five cents an hour to all employees receiving over 55 cents, and seven cents to all those receiving below 55 cents. It had agreed to continue a bonus system and to abolish the efficiency "speed up" system. On these questions there was no longer any dispute. Led by Thompson and Martin, however, the men stood out for union recognition. Martin announced in Detroit that the United States agreement which had been signed with the C.I.O. on Mar. 2, (1937) had been expected to apply to the Canadian plant; but that, as executives said it did not apply they would have to sign another agreement with the C.I.O., which would apply. (*The Globe and Mail*, Apr. 10, 1937).

From outside labour sources came both endorsement and condemnation of Mr. Hepburn's stand. The Toronto District Labour Council, composed of A.F. of L. affiliates, declared that the Prime Minister was taking sides with the officials of General Motors of Canada. Meanwhile, wide-spread comment was coming from the United States and even from Great Britain. *The New York Times* held up Ontario's Prime Minister as an example to the United States authorities, declaring: "In Ontario no time has been lost in drawing a sharp distinction between the legitimate aims of labour and the use of illegitimate methods to achieve those aims."

On Apr. 13 (1937), Mr. Hepburn enrolled 200 University students as special constables for use in case of emergency. On the same day he requested the resignation from the Cabinet of the Attorney-General, the Hon. Arthur Roebuck, and the Minister of Labour and Public Welfare, the Hon. D. A. Croll, on the ground that they were not behind him in his stand against the C.I.O. Mr. Roebuck, when tendering his resignation, said there was no difference of opinion on Mr. Hepburn's determination to maintain law and order; that the only divergence was on the "display of unnecessary or provocative force." Mr. Croll, referring to the Prime Minister's earlier announcement, that no relief would be given to strikers said: "I have never considered it my duty as head of my Department to refuse relief to strikers."

On Apr. 14 (1937) as a result of the strike in the plant of General Motors of Canada production was halted in 300 Canadian factories which

were filling contracts for supplies and parts. On Apr. 17 Mr. Hepburn won his first technical victory when a Detroit conference decided that the Canadian strike should be settled between the local union and the Canadian Company. While not universally recognized at that time, this was the virtual withdrawal of C.I.O. support for the Oshawa strikers. Negotiations were re-opened in Mr. Hepburn's office with H. J. Carmichael and J. B. Highfield, representing the Company and C. H. Millard and J. L. Cohen, the employees. Refusal of the Company to recognize the union, however, still blocked the way though Mayor Hall (Oshawa) was now urging the strikers to accept the Company's proposals. On Apr. 23 (1937) by a vote of 2,205 to 36, the strikers accepted a settlement, which provided a 44-hour week and a minimum wage scale. There was no provision in the agreement for affiliation of the local union with the C.I.O. and no recognition of the status of shop stewards. There were continued threats by Thompson to organize in other industries and to invade the lower-salary classes of Civil Service employees.

During the strike there had been political repercussions. Legislative action had been considered at one stage by the Government in order to prevent export of union contributions across the border, but constitutional difficulties led to the abandonment of the plan. After the early offer and acceptance of Federal assistance, the Minister of Labour for Canada (Mr. Norman Rogers), had watched the Oshawa strike from the Ottawa side lines, declaring that he did not wish to act while the Provincial authorities were in the picture. Although, officially, there had been a state of neutrality, comments from Cabinet circles showed that the Dominion Government were exceedingly cool towards the Provincial Government's tactics. A telegram on Apr. 15, to the Minister of Justice for Canada (the Hon. Ernest Lapointe) requesting the withdrawal of the R.C.M.P. from Toronto, indicated the interpretation by Mr. Hepburn of the Dominion Government's attitude. The message read: "In view of the vacillating attitude taken by your Government with respect to Federal assistance in case of illegal disturbances, we have decided to depend no longer on Federal aid."

Several weeks after the strike settlement, at the 1937 annual banquet of the Canadian Life Insurance Officers' Association in Toronto (June 3) Mr. Hepburn declared his determination to oppose the C.I.O.: "I can speak only for Ontario. I cannot speak for Canada because we have a vacillating Government at Ottawa. . . . I am a reformer but I am not a Mackenzie King Liberal any longer. I will tell the world that and I hope he hears me." Mr. King, at the moment, was attending the Imperial Conference and when he returned to Canada chose to ignore not only the remark but Mr. Hepburn.

The C.I.O. issue also split Conservative ranks. Lieut.-Col. George A. Drew, at the time Chairman of the Ontario Conservative Party's Campaign Committee, broke with the Conservative Leader and supported Mr. Hepburn on his stand. In his statement resigning the Chairmanship Colonel Drew said he did not "agree with the recent statement of policy enunciated by the Hon. Earl Rowe" (Canadian Press Dispatch, May 6, 1937). On the previous day Mr. Rowe had announced at Arthur, Ont.: "The Liberal Conservative Party stands for the right of employees to bargain collectively through their own representatives chosen by the workers through the medium of secret ballot." Colonel Drew later ran in Wellington South as an Independent Conservative. He based his campaign largely on attacking the C.I.O. as a "Communist controlled" organization. Generally,

the Conservative Party had supported their Leader, charging that the Provincial Prime Minister was interfering with the rights of labour and ridiculing the idea that the C.I.O. was a menace.

While the Oshawa strike of April, 1937, held the spotlight, there were several other labour disputes in 1937 of more than minor importance. Many of them were direct results of attempts by the C.I.O. organizers to gain a foothold in Ontario. At Peterboro 340 textile workers of Dominion Woollens Limited went on strike on June 29, closing the plant until Aug. 9. At Cornwall, Canadian Cottons workers walked out on July 22. The strike was terminated, Aug. 26 (1937). In these textile strikes Ontario's newly established Industry and Labour Board played an active part. On Aug. 10 the Provincial Prime Minister, to speed mediation, promised the textile workers an inquiry. This was conducted by the Chairman of the Board, E. J. Young. It resulted in the establishment of a minimum wage for the industry. Sporadic strikes continued in this field through 1938 but all were of comparatively short duration.

The sit-down strike at the B. F. Goodrich Rubber plant in Kitchener, already mentioned as one of the early moves in the C.I.O. invasion, was settled on Apr. 6, 1937. Early in the same year 1,500 furniture workers in nine different centres including Toronto, Kitchener, Hanover, Stratford and Wingham were on strike demanding union recognition and increased wages. These strikes tapered off in settlements during the Spring months.

At Windsor, 200 automobile casting workers in a spring seat factory struck on May 13. They returned to work early in June. Here again recognition of the union was the major issue.

### **The 1937 Session of the Legislature, January-March**

The Speech from the Throne at the opening of the Third Session of the Nineteenth Legislature of Ontario on Jan. 19 was read by the Lieutenant-Governor, Col. the Hon. Herbert A. Bruce, R.A.M.C., M.D., F.R.S.C. (Eng.). The Speech referred to the abdication of Edward VIII and to the accession to the Throne of his brother as George VI—a reference which was followed later by the adoption of a Loyal Address to His Majesty, conveying the congratulations of the Legislature on his accession to the Throne with a Message to Her Majesty, Queen Elizabeth. Mention was made of the Coronation ceremonies in May at which the Province would be represented and of the celebrations which were being planned for Ontario.

The Speech voiced regret at the absence of Mr. Hepburn and expressed the hope that he would be restored to health at an early date. Before referring to Legislature matters, felicitations were offered to the Rt. Hon. Sir William Mulock, former Chief Justice of Ontario, on his 93rd birthday.

The Speech reviewed the economic situation during the previous year. To increase employment operations had been started on idle timber areas; distressed municipalities had been put on a firmer financial footing and they had been relieved entirely of any responsibility for Mothers' Allowances and Old-Age Pensions; work had been supplied by substantial road building in new areas; co-operation with the Mining industry had brought improvement in Production and employment in that field.

In discussing the legislative programme of the Session, the Speech recalled the Act of 1935 validating contracts between the Ontario Hydro-Electric Power Commission and certain Quebec Power companies: it



stated that "the Government are convinced of the justice of this measure and are determined that the will of the Legislature shall not be thwarted and the benefits lost to the power users of this Province." Legislation forecast by the Speech, other than the proposed Power enactments included changes in The Corporation Tax Act and The Succession Duty Act.

Temporarily shelving consideration of any other portion of the Throne Speech, the Hon. Arthur W. Roebuck, Attorney-General and a Commissioner of The Hydro-Electric Power Commission (to April, 1937) introduced the first of three Power Commission Bills on the opening day of the Session and on the following day he began the debate on second reading with a three-hour speech.

All three Bills were given Royal Assent on Jan. 29 and the Legislature recessed until Feb. 16 when, with the Prime Minister again in his seat, it started on its delayed consideration of the Speech from the Throne.

The Address-in-Reply to the Speech from the Throne was moved by Mr. M. M. MacBride (Lib., Brantford) and seconded by Mr. J. A. Habel (Lib., Cochrane N.). From the standpoint of Party politics the Debate had many highlights and it set the pace for one of the stormiest Sessions in the history of the Legislature. Amongst these highlights was the attack of the Opposition Leader, Mr. George S. Henry (Cons., York E.) on the Government's beer policy, which he claimed had increased the so-called standard hotels in the Province from 977 in 1934 to 1,152 in 1937. He advocated the giving of licences to legitimate restaurants rather than transforming them into hotels. At another time an attack on road contracts in Kenora brought the Opposition Leader into a clash with the Minister of Lands and Forests, the Hon. Peter Heenan. In the heat of battle Mr. Heenan ignored the Speaker's call to order which brought a public rebuke from his leader (*The Toronto Daily Star*, Mar. 3, 1937). The next day Mr. Heenan opened his own contribution to the Throne Speech Debate with an apology. The Minister replied to criticism that the Government's pulp policy was robbing Canadian forests for the benefit of the United States with the announcement that four new paper mills were expected soon in Northern Ontario. Among other highlights of the Debate was the charge of Mr. A. Russell Nesbitt (Cons., Toronto-Bracondale) that the Liberals were playing politics with the mental hospitals of the Province and that institutions were so crowded that patients were sleeping in the corridors. This was the legislative echo of the Mental Hospitals probe instituted by the Government under the direction of Dr. Samuel Hamilton of New York.

The Conservative Amendment to the Motion for adoption of the Address-in-Reply to the Throne Speech regretted the failure of the Government to repeal the 1936 legislation compelling corporations with Roman Catholic shareholders to pay a portion of their taxes to the Separate schools (See *The Canadian Annual Review, 1935 and 1936*, p. 200). Mr. Hepburn opposed the Amendment as a Want-of-Confidence Motion and declared that the Separate School tax revision had been necessary. (*The Toronto Daily Star*, Feb. 23). The Amendment was defeated by a vote of 56-16 which ended the Throne Speech Debate on Mar. 4, 1937.

### **The Budget Address, 1937**

On Mar. 9, Mr. Hepburn as Provincial Treasurer brought down his Budget, described in *The Globe and Mail* of the following day as "the finest financial statement read to the House in recent years." He announced a Surplus on Ordinary Account of \$7,347,729 (Final figures given

in the Public Accounts of Ontario 1936-37 increased this figure to \$9,313,938). He budgeted for a Surplus for 1937-38 of \$2,282,905. He announced a reduction in the Gross Debt of the Province of \$32,946,925 and in the Funded Debt of \$26,160,855. Mr. Hepburn revealed his Government's plans for the following legislation which he described as, "passing on the fruits of a balanced budget."

*Provincial subsidy*—As a return and redistribution of income tax formerly collected by municipalities (See *The Canadian Annual Review, 1935 and 1936*, pp. 236-38) the Province agreed to pay grants to every city, town, village and township equal to one mill on the dollar on their respective assessments on condition that these grants be passed on in full to the taxpayer. (*Statutes of Ontario, 1937*, Chap. 51).

*Abolition of Amusement tax*—was effected June 1, 1937, by repeal of the Statute (Chap. 5, 1937).

*Old Age Pensions and Mothers' Allowance*—costs were taken from the shoulders of the municipalities as from Jan. 1, 1937 (Chaps. 46 and 52, 1937).

*Interest Rates Reduced*—on municipal drainage bonds purchased by the Province under The Tile Drainage Act of 1927 from 5 per cent. to 4 per cent. (Chap. 49, 1937).

*Pensions for the Blind*—Mr. Hepburn announced that as soon as the Dominion had passed the necessary legislation allowing blind persons to receive a pension at the age of 40, Ontario would bring in the necessary complementary measure.

In addition to these social and tax relief measures the Prime Minister announced a reduction of 25 per cent. in the licence fees for commercial vehicles, a reduction which he estimated would mean a saving of \$1,000,000 to some 80,000 truck and trailer operators.

A highway construction programme calling for an expenditure of \$14,587,350 was announced to include construction of four-lane highways, grade separation, 95 miles of new pavement, 100 miles of grading and 15 bridges. This was to be done on a dollar-for-dollar basis with the Dominion Government. Highway subsidies to townships were increased to a flat 50 per cent. of construction costs in all cases.

Modernization and expansion of mental hospitals included a new hospital at Port Arthur, new buildings for Hamilton and Woodstock and would call for an expenditure of \$2,560,000.

Mr. Hepburn stated that the Province had met maturing debentures totalling more than \$21,000,000 and bearing interest at from 2½ per cent. to 6 per cent. out of consolidated revenues and "still kept a substantial cash balance on hand." Refunding operations had been carried out in December (1936) whereby bonds bearing 4½ per cent. interest had been replaced by an issue of 15-year bonds at an interest rate of 3½ per cent. and costing the Province 3¼ per cent. In January, instalment bonds, maturing at the rate of \$1,000,000 annually from 1943 to 1947, had been sold at an average cost of less than 2.7 per cent. Another issue of \$10,000,000, maturing from 1948 to 1962, had been sold at an average cost of 3¼ per cent.

During the year 1936-37, Mr. Hepburn reported, the Province had guaranteed the Hydro-Electric Power Commission borrowings to the extent of \$20,000,000; a loan of \$5,600,000 had been guaranteed for the Temiskaming and Northern Ontario Railway which was being repaid at the rate of \$100,000 a month. Other guarantees included: First Co-operative Packers, Barrie, \$75,000 bank loan; Ontario Cheese Patrons' Association, Belleville, \$35,000; and Orangeville Co-operative, \$10,000. Amounts of loans

outstanding at Jan. 31, 1937, in connection with the Agricultural Development Board had been \$47,279,315 and the number of mortgagors 16,082 the lowest in several years. From the operations of the T. and N.O. Railway for the year 1935-36 Mr. Hepburn reported a surplus of \$792,012 as compared with \$260,559 for 1934-35.

Since the Government had been in office Mr. Hepburn stated, some 30 estates had been re-opened and investigated for succession duties with the result that amounts had been collected varying from \$2,000 to one amount exceeding \$1,500,000. During the fiscal year ended Mar. 31, 1937, the Department would have collected upwards of \$16,000,000. Cost of collection had been 0.83 per cent. (See under 1937 Legislation). Mr. Hepburn declared the intention of the Government to enforce the widened Succession Duty Act of 1937 to the letter.

Estimates for the year ending Mar. 31, 1938, totalled \$115,453,592. Ordinary Expenditures were estimated at \$83,517,928 and Capital at \$31,935,663. Direct Relief Expenditure was estimated at \$9,048,490, as compared with an Expenditure in 1937 of \$13,270,057.

### Public Accounts, 1936-37

Public Accounts for the fiscal year ended Mar. 31, 1937, showed Total Net Disbursements from the Consolidated Revenue Fund at \$216,901,956 and Total Net Receipts at \$214,736,222. Cash on hand in the bank was accordingly reduced from \$5,267,974 to \$3,101,781. Net Ordinary Revenues for the year totalled \$80,488,439 and Net Ordinary Expenditures, \$71,174,501. Capital Receipts, including \$21,000,000 repaid to the Province by the Hydro-Electric Power Commission, totalled \$35,486,432 and Capital Expenditures, \$15,056,681. Funded Debt as at Mar. 31, 1937, totalled \$567,973,130 and temporary loans and the Unfunded Debt was \$80,105,266. Including Income Liabilities, this brought the Total Liabilities of the Province to \$661,312,186, with an additional \$138,375,599 in bond guarantees and other contingent liabilities. The Net Provincial Debt on Mar. 31, 1937, was \$405,436,039, a decrease from the end of the previous fiscal year of \$602,783.

### The Budget Debate, 1937

Mr. Arthur Ellis as financial critic for the Opposition interpreted Mr. Hepburn's Provincial subsidies as handing back to the municipalities \$3,000,000 after they had been deprived of \$2,500,000 in income tax revenues. The Prime Minister, he said, had had no trouble in balancing the Budget: he had simply inaugurated new taxation. He pointed out that in 1934 tax levies had totalled \$50,190,154; and in 1937 they were to be \$92,221,809. Reduction in the Provincial Debt, he said, was explained by the \$21,000,000 taken from the funds of the Hydro-Electric Power Commission. Mr. Ellis charged that to date the Government (Hepburn) had sold, without tender, bonds totalling \$122,500,000. He condemned a policy which "placed in the hands of one man (Chester Walters, Comptroller of the Treasury) the right to sell Ontario's bonds wherever and at whatever price he saw fit."

While the Budget Debate was in progress the Standing Committee on Public Accounts was already examining witnesses including Mr. Walters on the basis of the 1935-36 Accounts. On Mar. 18, Mr. Henry moved in the Legislature that the \$7,000,000 Surplus for 1937, as shown by Mr. Hepburn, should be referred to the Committee and explained by Mr. Walters. The Motion was defeated by a vote of 64 to 16, and a later Motion by Mr. Ellis, in the Committee itself, met a similar fate. Mr. Walters, questioned by Opposition Members, defended the private sale of bond issues on the



ground that under existing market conditions better prices were obtainable. (*Journals, 1937, of the Legislative Assembly, Appendix 1, pp. 110-17*). He admitted that the Government (Hepburn) had never sold bonds by public tender. Another witness heard was the Chairman of the Hydro-Electric Power Commission (Mr. Lyon) who predicted that the Commission would pay off its debt to the Province, now standing at \$151,572,943, by 1966 (*Journals, 1937, Appendix, pp. 55-93*). The two major highway contracts, investigated by the Committee in 1937, were those awarded to the Dufferin Paving Company for 35 miles of road from Kenora to Fort Frances (*Journal, 1937, Appendix, pp. 22 and 43*) and to the Hewitson Construction Company for a section of the Trans-Canada from White River to Schreiber (*Journals, 1937, Appendix, pp. 190-209*).

### Power Contracts Acts of 1937

The promised legislation to protect the Hydro-Electric Power Commission took the form of three Bills, Nos. 31, 32 and 33. The first, Bill 31, The Power Commission Amendment Act, 1937 (Chap. 59, Statutes, 1937) gave to the Commission complete immunity against seizure or any other legal process for the execution of a judgment and provided that no such judgment given "heretofore or hereafter" should constitute a debt or liability of the Commission. The second, Bill 32, The Privy Council Appeals Amendment Act, 1937 (Chap. 62, Statutes, 1937) provided for the return of certain moneys posted by the Province in the Privy Council appeal and exempted the Commission from posting such bonds in the future. The third, Bill 33, The Power Commission Declaratory Act, 1937 (Chap. 58, Statutes, 1937), explained that "the meaning and effect of Sub-section 4 of Section 6 of the Power Commission Act, is and always has been that without the consent of the Attorney-General no action of any kind whatsoever shall be brought against The Hydro-Electric Power Commission of Ontario, and that without the consent of the Attorney-General no action of any kind whatsoever shall be brought against any member of The Hydro-Electric Power Commission of Ontario for anything done or omitted by him in the exercise of his office."

Mr. Roebuck (Attorney-General) claimed that the 1935 legislation had changed a Hydro-Electric Power Commission deficit of \$2,951,000 into a surplus of \$3,118,000. He further stated that since the cancellation of the Quebec contracts there had been a reduction of \$133,000 in the rates charged to municipalities. The improvement in the financial affairs of the Commission, he said, was the direct result of the Government's courage in "lopping off the parasites that were fattening upon her" (*The Toronto Daily Star, Jan. 21, 1937*). Judges were divided, he claimed, not on the justice of the action of the Hydro-Electric Power Commission, but on the validity of the legislation which declared the Quebec contracts to be null and void. The new legislation (1937) declared the same thing in a different way, he said.

Mr. Roebuck announced a programme for the development of Ontario power including the Ogoki River diversion estimated to provide an additional 120,000 h.p. at Queenston; the Long Lac diversion to allow 30,000 h.p. at Decew Falls; development of 85,000 h.p. at Madawaska and smaller supplies from proposed developments in the Trent Valley and on the Musquosh River (*The Gazette, Montreal, Jan. 20, 1937*). He ridiculed the possibility of a power shortage in the Province and pointed out that there would be 1,000,000 h.p. coming to Ontario from the St. Lawrence Waterways if and when the seaway plan were carried out.

Mr. Henry (Opposition Leader) declared that the Attorney-General was deliberately misleading the people of Ontario; that there was no large block of power available within the Province yet and even if there were, reserves were needed for the Niagara System. Power from Gatineau, he said, was costing less at Toronto than power from Niagara. He urged the Prime Minister to get rid of his "fanatical" Attorney-General and to negotiate new contracts with the Quebec power interests (*The Globe and Mail*, Jan. 23). Later in the Session, after the new contract with the Ottawa Valley Power Company had been announced, Mr. Henry predicted that Ontario would "shortly be buying from Beauharnois" (*The Globe and Mail*, Feb. 19, 1937).

The double-barrelled defence employed by the Government and their supporters during the 10-day debate on the legislation was (a) that support of the Power companies' claims by the Privy Council might saddle the Hydro-Electric Power Commission with an annual payment of \$400,000 for unneeded power and (b) that the Legislature was supreme and the Ontario courts "merely their servants". (*The Toronto Daily Star*, Jan. 27, 1937). A sidelight on the debate was the demand from Mr. George Challies (Cons., Grenville-Dundas), for the resignation of Mr. T. Stewart Lyon (Chairman of the Hydro-Electric Power Commission). Mr. Lyon had signed an advertisement appearing in the Ontario press announcing that there was no power shortage, an advertisement which Mr. Challies described as political propaganda.

On Jan. 27 the first of the Power Commission Bills was given second reading after Conservative Members had forced four divisions, the first of them disputing first reading without Notice. The Conservative Amendment that the legislation should be referred to a Select Committee of the House was defeated on a vote of 58 to 15. An Amendment to the fiat Bill moved in Committee of the whole by Mr. Macaulay (Cons., York S.) was also defeated and marked the final effort of the Conservative Members to block the legislation.

The three Acts received the Royal Assent on Jan. 29, 1937. Like the Contracts cancellations legislation of 1935 the passage of the three Bills brought strong protests from outside as well as inside the Legislative Chamber. In its editorial columns *The Globe and Mail* (Jan. 26, 1937) said: "It is vicious legislation because it strikes directly at the integrity of the courts, even the highest court of the Empire. This it accomplishes by proclaiming that a court award is not good enough for the Government of Ontario, by implanting doubts in the minds of lesser litigants and setting an example which may be very far reaching. . . . It is time for them (Members of the Legislature) to repudiate demagogism."

As events transpired, the new legislation, while it was proclaimed during the Summer after a "Beauharnois" victory in the courts, was actually never employed except as a weapon to strengthen the Government's hands in the power battle. It had hardly been passed before an agreement was concluded between the Hydro Commission and the Ottawa Valley Power Company and a new power contract signed for 96,000 h.p. at \$12.50, bringing Hydro's total annual commitment under new Quebec power contracts to 276,000 h.p. Mr. T. Stewart Lyon, in a public statement, estimated that the new contract meant an annual saving of nearly \$200,000 or \$2.08 per h.p. to the Commission (*The Globe and Mail*, Feb. 17). Before the close of the Session the Legislature, with the blessing of the Conservative Leader, George S. Henry, had approved the new power contract as well as necessary legislation to assure its validity.

The new power contracts with the Ottawa Valley Company were ratified by The Power Contracts Validating Act (Chap. 61, Statutes, 1937): it made valid "notwithstanding anything contained in The Power Commission Act, 1935, or any other Act of this Legislature, three contracts dated, respectively, Feb. 24, 1937; Feb. 15, 1930; and Feb. 24, 1931." (See also, in this Section "The Hydro-Electric Power Commission").

### Separate School Tax Repeal Legislation, 1937

The climax to a precedent-shattering Session was the passing of Bill 96, The Act to Repeal Chapter 4 of the Statutes of Ontario, 1936. Near the close of the 1937 Session the Opposition Leader, Mr. Henry, (Cons., York E.), introduced the Bill repealing The Act to Amend The Assessment Act of 1936 which had been designed to provide a more equitable share of Corporation taxes for the Separate Schools of Ontario (See *The Canadian Annual Review, 1935 and 1936*, pp. 238-40). The introduction of the Bill by the Opposition Leader was in accord with promises made by the Conservative Party during the hectic days of the East Hastings By-Election, Dec. 6, 1936. On Mar. 23 Mr. Henry moved second reading of the Bill, declaring that the drafting of the legislation was so faulty that even the judges could not decide what it meant. Roman Catholics themselves had voiced opposition, some because they were getting very little from it and others because they feared the extension of the Separate School system. He believed many Roman Catholics would welcome a move to merge the Separate Schools into the national system. Mr. Henry declared that the Prime Minister "for two years has been deliberately misleading or attempting to mislead the people of this Province" on the question of the Separate School grants. After a ruling of the Speaker had been upheld on a recorded vote of 47 to 13 Mr. Henry withdrew this remark. (*The Globe and Mail*, Mar. 24, 1937). The Prime Minister (Mr. Hepburn) after inviting further expressions of opinion from Conservative Members and drawing the retort from Mr. Macaulay: "We want to hear what you have to say first", adjourned the debate. The following day, Mar. 24, Mr. Hepburn, on behalf of the Government, accepted the Conservative Leader's Bill. He admitted that the law had failed to bring equity to the minority group and that it was unworkable under existent conditions. While Conservatives were still applauding he accused them of fomenting religious strife in the East Hastings By-Election campaign and concluded: "I say, Mr. Speaker, that it is my responsibility now to forestall at whatever cost the possibility of a religious war in this Province. I am man enough to stand up in this Legislature and swallow what is a very bitter pill" (*The Globe and Mail*, Mar. 25, 1937).

Having accepted the Conservative Bill Mr. Hepburn resorted to the infrequently used closure Motion to shut off comments from the Opposition and precipitated the stormiest scene the Ontario Legislature had ever witnessed. Mr. Macaulay dubbed the closure as "the dirtiest trick in the history of Ontario" and in defiance of the Speaker's Order continued shouting epithets at the Government benches. The tumult was brought to an end when the Sergeant-at-Arms for the first time was ordered to use his powers to eject an unruly Member. (On the Motion of Mr. Hepburn he was later allowed to resume his seat). Then with a lightning change the Separate School drama went into its last act as the House voted 80 to 0 to give the repeal Bill second reading.

### General Legislation, 1937; Prorogation

The Succession Duty Amendment Act of 1937 (Chap. 3) substantially tightened the Succession Duty laws of the Province (1934). The Bill, which



brought opposition from the former Leader of the Ontario Liberal Party, Mr. W. E. N. Sinclair (Ontario S.), made the Act retroactive to 1892 with certain exceptions. Another Liberal Member, Lieut.-Col. Fraser Hunter (Toronto, St. Patrick) complained that under the proposed law it would be impossible to obtain any final settlement of estates (*The Toronto Daily Star*, Mar. 1, 1937). Another Section of the new Act provided a fine of not less than \$1,000, or more than \$10,000, and imprisonment for any wilfully false statement. Among other added provisions were that giving the Treasurer power to require payment of duties on Ontario Succession duty-free bonds; and the exemption of charitable, religious and educational bequests.

Important additions to the Province's labour legislation were made during the 1937 Session by Amendments to existing Acts. These Amendments (1) provided for the establishment of an Industry and Labour Board of five members to administer such Statutes as might be assigned to it; (2) included male workers within the scope of the Minimum Wage Act, covered every person who performed any work for wages and transferred the Administration of the Act from the Minimum Wage Board to the Industry and Labour Board; (3) gave power to prescribe the hours of the day for the performance of fixed work, to classify employers as well as employees, to prohibit over-time without a permit, etc., and placed the operation of the Industrial Standards Act under the jurisdiction of the Industry and Labour Board; (4) extended the schedule of Industrial diseases to include retinitis, poisoning by carbon bisulphide, by carbon monoxide and certain other processes; (5) relieved the municipalities from any liability to contribute to Mothers' Allowances or Old Age Pensions, the Province assuming full cost of same as from Mar. 31, 1937; and (6) brought within the scope of the Apprenticeship Act trade schools other than those under the jurisdiction of the Department of Education, and divided apprentices into two classes which were included in Schedules A and B of the Act, the former covering motor vehicle repairing and the building trades, and the latter covering hair-dressing and barbering; and transferred the administration of the Act to the Industry and Labour Board.

The 1937 Amendments to the Securities Act of 1930 widened the powers of the Securities Commission, making such powers retroactive. The Amending Bill had produced a vigorous protest from the Opposition (Conservative) Members which lasted until the day before Prorogation. The chief reason for this was Mr. Hepburn's stated intention of investigating the activities of companies with which the Rt. Hon. Arthur Meighen had been associated, while a member of the Ontario Hydro-Electric Power Commission. The legislation was an echo of The Ontario Service Power Corporation Limited bond purchase of 1934. (See *The Canadian Annual Review, 1934*). Mr. Hepburn accused the Conservative Government of the period of "taking Meighen under their wing" (*The Gazette*, Montreal, Feb. 24). Mr. Macaulay (Cons., York S.), on the other hand, voiced the sentiment of his Party when he described the legislation as "star chamber court methods for getting Arthur Meighen" (Canadian Press dispatch, Mar. 20, 1937).

The Iron Ore Bounty Act provided, for a period of ten years, a two-cent Treasury bounty for every unit (one per centum) of metallic iron contained in each ton of low grade iron ore concentrated, treated or beneficiated in Ontario for the production of pig iron or steel; and on iron ore in the natural or unbeneficiated condition for the production of pig

iron or steel in Ontario. The Iron Ore Bounty Act of 1930 which provided a one-cent bounty was repealed. The chief purpose of the new legislation was to assist in the rehabilitation and expansion of the Algoma Steel Corporation Limited under its president, Sir James Dunn.

The Farm Products Control Act was patterned on The Natural Products Marketing Act (Dominion) which had been outlawed by the Privy Council; it established a Provincial Farm Products Control Board with power to regulate grading and marketing and to delegate powers to local boards. A Highways Traffic Act Amendment raised the speed limit on Provincial highways from 35 to 50 miles an hour.

The Amendment to the Pharmacy Act restricted the sale of codeine and veronal.

The Amendment to The Dionne Quintuplet Guardianship Act, 1935, transferred the guardianship of the Dionne infants from the Minister of Welfare to the Official Guardian.

The Legislative Secretary for Northern Ontario Act, Ontario Hairdressers and Barbers Association Act and The Radium Act were repealed.

New Statutes included the adoption of a floral emblem for Ontario; legalized payment of gold obligations dollar for dollar in legal tender; extended the provisions of The Mortgagors and Purchasers' Relief Act until 1938; and gave the Province control of the sale of pulpwood on the lands of any company or settler.

Prorogation of the Third Session of the Nineteenth Legislature took place on Mar. 25, 1937.

## The 1937 General Election

Through all Provincial political events of 1937 ran the undercurrent of election predictions: the Government's battle with the power interests of Quebec and the new contracts of 1936 and 1937, the so-called invasion of the John L. Lewis Committee for Industrial Organization and its political repercussions, and the Hepburn Budget itself with its contentious surplus and municipal subsidy, all these spelled a General Election to both Liberal and Conservative groups.

Conservatives had translated these signs into certainty and early in the year the new Provincial Leader, the Hon. Earl Rowe, was campaigning actively and organizing his Party for the fight. At the annual meeting of the East York Conservative Association in April he prefaced a frequently repeated demand for a General Election with the claim that Mr. Hepburn had switched his policies so often that he had lost the confidence of the people. (*The Toronto Daily Star*, Apr. 20, 1937).

On May 14, the executive of the Ontario Liberal-Conservative Association, meeting for organization purposes, passed a vote of confidence in the Leader. In May, also, a series of "stories" in the news columns of *The Toronto Star* created a sensation in political circles. One of these was to the effect that Mr. Hepburn had invited Mr. Rowe to join with him in forming a Union Government, and that the invitation had been refused after conferences with the Rt. Hon. Arthur Meighen and the Rt. Hon. R. B. Bennett. Mr. Rowe denied the union move. He explained that he had been invited to Queen's Park to "get together" on the C.I.O. issue. More emphatic denials came from Mr. Hepburn. (*The Toronto Daily Star*, May 1, 3, 4 and 8, 1937).

## Party Platforms and Issues

When Election rumours finally crystallized into the Dissolution of the Legislature on Aug. 23 (1937) and the issue of writs for a General

Election on Oct. 6 at least three major questions loomed as potential issues on which contesting Parties would appeal to the electors. The Liberal Government very largely stood on their record and promises to maintain established policies. As enunciated by the Prime Minister (Mr. Hepburn) in early campaign speeches this meant (a) continued opposition to the attempts of foreign labour agitators, typified by the C.I.O., to invade the Ontario field; (b) continued efforts to collect Succession duties wrongfully withheld; (c) continued pay-as-you-go financial policy, reflected in the 1937 Budget; (d) further progress in the field of social legislation, including a measure to inaugurate unemployment insurance; (e) further measures to reduce real estate and other taxation and to encourage home building; (f) a natural resources programme which included reforestation and fish propagation; and (g) measures to increase Ontario's tourist trade.

It was inevitable that Ontario contracts with Quebec Power companies and the Government's struggle with the power interests should play a major part in the campaign. One of the main planks in the Conservative Election platform was the freeing of the Hydro-Electric Power Commission from "political domination and control." Another urged the St. Lawrence Seaways plan and the development of St. Lawrence power, a plan which Mr. Hepburn had already opposed and which he was destined to fight even more vigorously in the future. Against Mr. Hepburn's C.I.O. plank, Mr. Rowe urged free association for the worker, but he promised defence of law and order. In a signed advertisement, carried in the newspapers on Aug. 27, the Conservative Leader stated: "It is and has been for many decades, a fact that both capital and labour are international in their organization. Accordingly, the right of the worker to belong to the union of his own choosing, Canadian or International, craft or industrial, is fully established." Other planks in the Election platform outlined by Mr. Rowe in a key speech at Barrie on Sept. 7 included (a) acknowledgment and respect of the rights of Separate School supporters, (b) sale and wider distribution of dairy and farm products; (c) the re-opening of Ontario House in London and the establishment of other selling agencies; (d) plans for the conservation of natural resources; (e) a broadened plan of taxation as a basis for debt reduction and budget balancing; (f) stabilized highway construction to replace "the present spasmodic pre-election highway work;" (g) a Northern Ontario Department to initiate aggressive plans for reforestation, power development and mining expansion; (h) a Tourist Development Department; and (i) the merit system in the Public Service.

With J. S. Woodsworth, M.P., directing it in person, the Co-operative Commonwealth Federation made a vigorous drive to establish itself during the campaign in Ontario politics. It urged reduction of taxation and fair prices for farm products; prohibition of evictions and foreclosures on farm property; fair wages and improved labour conditions in industry; free health services and expansion of educational facilities; and a low rental housing construction and slum clearance. The C.C.F. placed more than 30 candidates in the Ontario field and Mr. Woodsworth, in South York on Oct. 2, predicted that the Party would hold the balance of power in the next Legislature. In addition to the three Parties, the campaign saw an attempt to build up another group through a merger of United Farmer and Labour Members, with a smattering of Communist adherents. The nucleus of this group had been formed in June with several Toronto clergymen taking an active part and Tim Buck, General



Secretary of the Communist Party of Canada, attending meetings. (*The Globe and Mail*, June 18, 1937).

During the General Election campaign, the Dominion Prime Minister (Mr. King), did nothing either to help or to hamper the Liberal cause in Ontario and when Mr. Hepburn staged his Ottawa rally the Canadian Prime Minister, with the majority of his Cabinet, was noticeably absent. There was no prohibition, however, on Federal Ministers participating in the campaign and all Federal Ministers representing Ontario constituencies in the Commons, appeared on platforms at one time or another in support of candidates. Two outsiders, the Hon. Ian Mackenzie, Minister of National Defence, and the Hon. James Gardiner, Minister of Agriculture, took an active part, Mr. Mackenzie appearing with Mr. Hepburn at his Elgin rally. Mr. Rogers, while he spoke in his own riding of Kingston in support of the Provincial candidate W. Y. Mills, made no attempt to hide his differences with Mr. Hepburn, and attacked the Ontario Prime Minister's stand on the C.I.O. (*The Toronto Daily Star*, Sept. 15, 1937). Earlier, Mr. Rogers had appeared with Mr. Roebuck at a political picnic after Mr. Roebuck's retirement from the Ontario Cabinet.

The Conservative Leader appeared in Oshawa on Sept. 27, 1937, before a crowd of cheering workers; he was supported on the platform by Mayor Hall and a C.I.O. union representative, Hans McIntyre.

The Prime Minister chose Oshawa for the wind-up of his campaign on Oct. 5 and amid catcalls and jeers (*The Globe and Mail*, Oct. 6, 1937), declared that the recruiting of police (during the C.I.O. incident) had not been for Oshawa alone but for Communist uprisings in Hamilton and Toronto.

Mr. Hepburn, early in the campaign, had carried out his promise of publishing a fiscal statement to confirm the figures given as Estimates in his Budget Speech before the close of the fiscal year. The statement not only confirmed the Surplus announced, but increased it by \$2,000,000, and showed a larger collection of revenues. This, Mr. Hepburn promised, brought tax reductions nearer and at Dundas, on Sept. 3, he capped these remarks with the announcement of a straight reduction of \$5 in all licence fees for passenger automobiles.

The close of nominations on Sept. 29, 1937, saw 266 candidates in the field to contest the 90 seats in the Provincial Legislature. Two women were in the running, Mrs. Jean Lang, Labour candidate in Toronto-St. George, and Mrs. E. A. Miles, C.C.F. candidate in Fort William. The Conservative Party had 89 official candidates and the Liberal Party, 86. There were four constituencies left by the Government to candidates known to be friendly to the Administration, among them South Grey, where Farquhar Oliver, U.F.O. candidate, was opposed only by a Conservative. The C.C.F. had 37 official candidates in a field which saw a record number of candidates not affiliated with either of the old line Parties.

### The Election Results

The vote on Oct. 6 (1937) returned the Hepburn Government to power with the ranks of their supporters depleted by only three. The Conservative Opposition had made a net gain of six seats in the general re-shuffling which marked the results in the 90 ridings. The vote brought also virtual elimination of the last stragglers of third parties in Ontario. The single U.F.O. Member, Farquhar Oliver, re-elected from South Grey, was a consistent supporter of the Liberal Party as were the two Liberal-Progressives. Thus Mr. Hepburn could actually count on 66 votes when

the new Legislature assembled. A summary of the General Election results, as compared with those of 1934, and based on the official record as well as on figures compiled by The Canadian Press showed:

Party	1937		1934	
	Seats	Total Vote	Seats	Total Vote
Liberal*	64	793,716	66	754,243
Lib.-Progressive	2	17,081	4	38,161
Conservative	23	627,740	17	621,562
U.F.O.	1	7,301	1	8,648
C.C.F.	..	77,744	1	108,961
Farmer-Labour	..	14,661	..	..
Labour	..	11,710	..	..
Socialist-Labour	..	2,283	..	1,526
Independent	..	4,130	1	18,950
Communist	..	404	..	9,775
Others	..	9,562	..	..
TOTALS	90	1,571,431	90	1,561,826

\*Includes Independent Liberal.

The Liberal Party lost seven seats, including Peel where T. L. Kennedy, a Minister in the former Ferguson Cabinet, defeated Mr. Hepburn's Minister of Agriculture, the Hon. Duncan Marshall. In Fort William, J. E. Crawford, Liberal sitting Member, ran a poor third, and Frank Spence, Conservative, gained the seat. The Hon. J. A. Faulkner, Minister of Health, lost his seat in West Hastings. To offset these losses, the Liberals took three seats from the Conservatives and one in Hamilton East from the C.C.F. Defeat of two Toronto Conservatives, A. R. Nesbitt in Bracondale, and Wilfrid Heighington in St. Davids, gave Mr. Hepburn seven out of the 13 Toronto seats. It also brought the political debut of Lionel Conacher, hockey and football star. Mr. Hepburn, himself, was given a 5,300 majority in Elgin (He had predicted 5,000). Paradoxically, the two former Ministers who had broken from the Cabinet on the C.I.O. issue, won their seats easily, Mr. Roebuck with a majority of 6,700 in Bellwoods (Toronto) and Mr. Croll with one of 4,000 in Windsor-Walkerville. With the two exceptions mentioned the Hepburn Cabinet was returned although Colin A. Campbell, former Member of the House of Commons for Frontenac-Addington and slated for the new Hepburn Ministry, lost the Provincial fight in Addington by 230 votes (appointed Minister of Public Works, Oct. 12 and elected at a By-Election in Sault Ste. Marie on Nov. 23, 1937). Another prospective Minister, Gordon Conant, on the other hand, caused one of the sensational surprises of the Election by getting a 2,000 majority in Ontario, seat of the Oshawa C.I.O. strike.

Heralding the close of his leadership in Provincial politics the Hon. Earl Rowe was defeated in Simcoe East by the Minister of Education, the Hon. L. J. Simpson. Here again the electors created a paradox by rejecting also the rebel from the Rowe camp, Lieut.-Col. George Drew, in Wellington South. Mr. Henry succeeded in holding his East York seat by 203 votes, the smallest majority in his 24 years in Provincial politics. (See also under "The Hepburn Administration 1937 and 1938").

## The New Cabinet, 1937

Mr. Hepburn announced, on Oct. 12, an enlarged Ministry of thirteen. The two Ministers, who had been defeated at the polls had been dropped, as well as Mr. Cox, former Minister without Portfolio, who had been re-elected in Port Arthur. There were eight new Ministers, only one of whom, Mr. Campbell, did not hold a seat. (On Nov. 23 Mr. Campbell was elected by acclamation in Sault Ste. Marie which had been opened

by the resignation of the Member-elect, R. M. McMeekin.) Following is the reorganized Liberal Cabinet:

Prime Minister, President of the Council and Treasurer .....	The Hon. Mitchell F. Hepburn
Secretary and Registrar .....	The Hon. Harry Corwin Nixon
Minister of Lands and Forests .....	The Hon. Peter Heenan
Minister of Education .....	The Hon. Leonard J. Simpson, M.B., LL.D.
Attorney-General .....	The Hon. Gordon Conant
Minister of Public Works .....	The Hon. Colin A. Campbell
Minister of Municipal Affairs and Welfare .....	The Hon. Eric W. B. Cross, M.A., K.C.
Minister of Highways .....	The Hon. Thomas B. McQuesten, LL.B.
Minister of Mines .....	The Hon. Paul Leduc, K.C., LL.M.
Minister of Agriculture .....	The Hon. Patrick M. Dewan, B.S.A.
Minister of Health .....	The Hon. Harold James Kirby, K.C.
Minister of Labour .....	The Hon. Morrison M. MacBride
Minister without Portfolio .....	The Hon. W. L. Houck, B.S.
Minister without Portfolio .....	The Hon. A. St. Clair Gordon

One of the first acts of the new Attorney-General, Mr. Conant, was to restore to the Hon. G. Howard Ferguson and Lieut.-Col. George A. Drew their appointments as King's Council; of these they had been deprived by his predecessor (Mr. Roebuck) shortly after he had assumed office, as he had discovered that the two distinguished Conservatives, together with some 60 other lawyers, had neglected to pay patent fees at the time of their respective appointments.

Implementing two Election campaign promises, Mr. Hepburn announced a Special Session of the new Legislature to be called on Dec. 1 to deal with the question of enlarging the scope of the Succession Duty Act. On Nov. 26 he wrote to the Prime Minister of Canada (Mr. Mackenzie King), waiving constitutional rights and offering full co-operation in the enactment of unemployment insurance measures. This letter was in answer to a general plea for co-operation sent to all Provinces by the Dominion Prime Minister.

## The Closing of Government House, 1937

One of the most striking Governmental actions of 1937 was the closing of "Chorley Park". Ever since Confederation the Province had provided His Majesty's Representative with a residence in keeping with the dignity of the Office. The costs of upkeep were met by the Provincial Government while the Dominion Government were responsible for the salary of the Lieutenant-Governor. The abandonment of Government House had been forecast in 1934 during the General Election campaign of that year when the Liberal Leader (Mr. Mitchell Hepburn) pledged himself to this course. (See *The Canadian Annual Review, 1934* and *The Globe, Toronto*). As head of the new Liberal Administration, Mr. Hepburn and the majority of his colleagues had refused consistently, during the intervening years, invitations to State dinners and other official functions at the Lieutenant-Governor's residence. The Prime Minister had stated, in order to indicate his disapproval of such long-established Crown offices, that he had never once crossed the threshold of "Rideau Hall" throughout the eight years he had held a seat in the House of Commons.

During the three years that followed the accession of the Liberal Party to power in Ontario, as only an occasional mention of his intention with regard to the official residence was made by Mr. Hepburn, it was believed, generally, that he had come to recognize, gradually, that the time was not propitious for such a radical change in the largest Province of the Dominion, whose example of upsetting this particular phase of the established order, might have far-reaching effects. For, during this period when disrupting influences were active throughout the Province, Govern-



ment House, under the guardianship of the Hon. H. A. Bruce, had become the rallying centre for all good causes. Both he and Mrs. Bruce showed an unusual recognition of their official duties. There, every class in the community was entertained. National and international experts in the medical, educational and social service fields met Provincial groups engaged in similar work for the betterment of the community. Disabled Veterans, whose welfare was receiving the attention of Mr. Hepburn, were honoured by the Lieutenant-Governor and Mrs. Bruce.

All who wished to see maintained such a stabilizing influence in the Province were shocked, therefore, by the Prime Minister's announcement on Mar. 25, 1937 (when a Vote for \$24,500 for Government House was before the Legislature), that the Government intended to close the gubernatorial mansion in the Autumn of that year.

Official notification was given to the Lieutenant-Governor on Oct. 19, that the residence would be closed in November. It had been expected that Dr. Bruce would continue in office, but on Nov. 16, in a letter to the Prime Minister of Canada (Mr. King) he refused a proffered extension of his term. Dr. Bruce was insistent that, without the time-honoured facilities it would be impossible to carry on, efficiently, the duties of the Office.

While *The Toronto Daily Star* approved of the Government's action, the majority of Canadian newspapers urged that the Ontario Government should reconsider their decision. That the services of Dr. Bruce were widely appreciated and should be retained was urged by *The Ottawa Journal*, *The Gazette, Montreal*, *The Toronto Evening Telegram*, *The Hamilton Spectator*, *The St. Catharines Standard*, *The Brantford Expositor*, *The Stratford Beacon-Herald*, *The Kingston Whig-Standard*, *The Financial Post*, *The Orillia Times and Packet*, *The Oshawa Times* and other newspapers. During the short December Session of the Legislature, Mr. Leopold Macaulay, speaking for the Opposition, was unsuccessful in his efforts to have a Committee of the Legislature study the closing of Government House.

Nov. 30, 1937, saw Dr. Bruce's actual retirement and his replacement by the Hon. Albert Matthews, LL.D., who never moved into "Chorley Park", which was closed early in December. A few days later a thousand of the most prominent people in Toronto and in other parts of Ontario tendered to Dr. and Mrs. Bruce at the Royal York Hotel a most impressive farewell reception and banquet.

The problem of the disposal of "Chorley Park" immediately became a lively issue. It was advertised for sale by the Minister of Public Works, but no acceptable tenders were received. The Government, therefore, a year later presented the million dollar property to the Hospital for Sick Children in the face of protests, from citizens of North Rosedale, that its use for such a purpose would seriously lower the assessment values of the neighbourhood.

### The 1937 Session of the Legislature, Dec. 1st-3rd

The First Session of the Twentieth Legislature of Ontario, Dec. 1 to 3, 1937, had barely more than four hours of actual debate. The Speech from the Throne was delivered by the Hon. Albert Matthews, LL.D., who, a few minutes previously, had been sworn in as Lieutenant-Governor of the Province in succession to The Hon. Herbert A. Bruce. The reading of the Speech, which dealt only with the Succession Duty issue, was followed by the introduction of three Bills sponsored by the Hon. G. D. Conant (Attorney-

General). They were Amendments to The Succession Duty Act, to The Judicature Act and to The Consolidated Statutes Act. The first Bill, in effect, took judicial power from commissioners investigating estates for Succession duties and made them merely fact finders. On the basis of their findings the Government, under the new policy, would bring suit in the Supreme Court (See also Sub-section on Succession Duties). The second Bill, one that stirred the only controversy of the short Session, granted exemption from court actions to the Provincial Treasurer and his officials, representatives and appointees carrying out their duties under the Succession Duties Act. As introduced, the Bill extended this exemption to duties under all Acts of the Legislature. The Opposition Leader, Mr. Macaulay (Cons., York S.), pointed out that it was giving *carte blanche* to 2,000 civil servants. Even the limitation of the Bill to Succession duties officials failed to satisfy the new Opposition Leader who pointed out that legal process in these cases was barred "whether in any such person's public or private capacity." It gave civil servants the right to break the law with impunity, he claimed. He moved unsuccessfully in Committee that the words, "or private" should be deleted. Another critic was Lieut.-Col. Fraser Hunter (Lib., St. Patrick), who declared that the Bill was another effort of the Government to usurp the powers of the courts (*The Globe and Mail*, Dec. 3). The third Bill was necessary in order to include the new legislation in the Revised Statutes of Ontario, 1937.

The only other debate of the Session arose out of the plea by Mr. Macaulay for a Committee to study the question of the closing of Government House. Mr. Hepburn replied that the Government intended to implement their pre-election promise by closing "Chorley Park" immediately and by selling it as soon as a buyer could be found. To this Mr. Macaulay made the significant retort that the Prime Minister had also promised that the Hydro-Electric Power Commission would not sign a new contract with the Beauharnois Light, Heat and Power Company. He suggested that Mr. Hepburn should forget both promises at the same time. In less than a week the new contract with the Beauharnois Light, Heat and Power Company was announced by Dr. T. H. Hogg, who only a few days before had replaced Stewart Lyon as Chairman of the Hydro-Electric Power Commission.

## The 1938 Session of the Legislature

The second Session of the Twentieth Legislature opened on Feb. 23, 1938, with the "Power" question still a lively issue in Ontario political circles—an issue augmented by the King-Hepburn clash on power exports. In the interval, since the close of the December (1937) Session two vacancies had occurred in the House, one by the death of Mr. Milton McVicar, Liberal Member for Lambton East and the second by the appointment to the bench of Mr. W. F. Schwenger (Lib., Hamilton Centre). The Speech from the Throne disclosed an improvement in the financial condition of Ontario's 34 insolvent municipalities under Provincial supervision. Eight of the municipalities with obligations totalling \$57,000,000 had accepted reorganization plans while similar plans were now pending in the cases of 15 others with obligations of \$47,000,000. "The finances of the Province," it stated, "are in very sound condition and it is not expected that the Government will require to engage in any public borrowing for some months to come."

In dealing with health and social welfare the Speech announced that accurate statistical information was being compiled on cancer cases treated

at seven clinics then using the serum provided by the Government. Additional hospital accommodation for mental patients was to be provided during the year at St. Thomas, Brampton, Port Arthur and Woodstock. The Province had assumed the municipal share of old age pension and Mothers' Allowance costs and had reorganized its machinery to provide for additional investigators and boards. Pensions for the blind had been inaugurated since the last regular Session of the House.

New agreements between the Ontario Hydro-Electric Power Commission and the Quebec power companies, the Speech claimed, represented a saving of \$92,000,000 if compared with the original cancelled contracts. The Hydro-Electric Power Commission had given rate reductions amounting to a total of \$3,165,000 per year while in rural areas the service charge had been reduced from \$2 to \$1, representing a saving to the consumer of \$429,000 per year. Primary power during the year had shown an increase of 1.3 per cent. or 155,582 h.p. of which 100,600 h.p. had been developed in the Niagara system. Total capital expenditures by the Commission during the year had been \$8,245,000.

The Speech referred to extensive changes made during the previous year in the courses of study in the junior grades of the public school and announced plans to effect a similar revision in all other grades of both primary and secondary schools.

With the Address-in-Reply to the Speech from the Throne duly moved and seconded by Mr. Lionel Conacher (Lib., Toronto-Bracondale) and Mr. Romeo Begin (Lib., Russell) the Debate was focussed almost immediately on the recent collapse of The Lake Sulphite Company Limited (See under "Department of Lands and Forests") before its much heralded \$6,000,000 Nipigon plant had even been completed. The Opposition Leader (Mr. Macaulay), speaking to the Motion demanded that the Ontario Securities Commission should investigate immediately the finances of this Company. If this were not done, he stated, the Legislature should order an inquiry.

The Prime Minister promised "any sort of a probe" the minute the Opposition Leader or anyone else would make a specific charge that could be investigated. He read a report on the Lake Sulphite Company from R. B. Whitehead, Securities Commissioner, which pointed out that "apparently the company itself had not taken any action to enforce fulfilment of the underwriting agreement" (Canadian Press dispatch, Mar. 1, 1938). The Company, said Mr. Hepburn, had satisfied all requirements of the Securities Commission and further than this its financing was not the responsibility of the Government. It had got into difficulties through no fault of its own but through over-optimistic estimates. He blamed C.I.O. activities in some measure for increased labour costs which had temporarily crippled the enterprise. He complied with Mr. Macaulay's request to table all correspondence between the Department and the Company.

The Conservative Amendment to the Address-in-Reply to the Throne Speech, moved by Mr. Henry, threw the whole power question again before the Legislature. The Amendment regretted that the Hydro-Electric Power Commission's new Power contracts had not been revealed to the public before the General Election of Oct. 6, 1937 (See elsewhere in this Section, "Power Problems of Ontario, 1937 and 1938"). Mr. Macaulay, speaking to the Amendment, demanded a House Committee of Inquiry on the whole question of power supplies, the Government's change in policy and the negotiations leading up to the contract with the Beauharnois Light, Heat and Power Company (See 1937 Session, Dec. 1 to 3). Mr. Macaulay accused the Prime Minister of negotiating with the Beauharnois Company while



he was preaching his "back to Niagara" policy in his election speeches. (*The Globe and Mail*, Mar. 2, 1938).

Mr. Hepburn denied that there had been any secret deal with the Beauharnois Light, Heat and Power Company. The Provincial Government, he said, had adopted the "back to Niagara" policy, on the basis of such projects as the Ogoki and Long Lac diversions. The Dominion Government (Liberal), he claimed, had blocked these plans and made the new contracts necessary. This stand was confirmed by the Hon. W. L. Houck, newly appointed Cabinet representative on the Hydro-Electric Power Commission, who declared (*The Globe and Mail*, Mar. 11, 1938) that the Commission had been forced to keep pace with the demand by purchasing additional power as there was no new development possible at the moment in the Province. There had been no reversal of policy by the Commission, he stated. The Debate on the Address-in-Reply to the Throne Speech, which deviated only occasionally from the Hydro-Electric Power Commission and the Lake Sulphite Company issues, lasted until Mar. 18 when the Conservative Amendment was voted down, 56 to 22. The former Attorney-General, Mr. Roebuck, had opposed the Government, declaring that the new contracts were a surrender to the power barons (*The Evening Telegram*, Mar. 10, 1938). The Hon. G. D. Conant (Attorney-General) took full responsibility for persuading the Prime Minister to negotiate them. He described them as a good settlement of "a very bad lawsuit." (*The Evening Telegram*, Mar. 15, 1938).

## The Budget Address, 1938

Presenting his fourth Budget to the Legislature on Mar. 18, Mr. Hepburn estimated a Surplus on Ordinary Account for the year ending Mar. 31, 1938, of \$3,013,702. (Actual Surplus of Net Ordinary Revenue over Net Ordinary Expenditure as shown by the Public Accounts for the year was \$4,609,718). He budgeted for an Ordinary Surplus of \$299,678 for the year ending Mar. 31, 1939. He reported an increase in the Gross Debt of the Province of \$23,000,000 (The actual figure was \$21,614,225) which he attributed largely to highway construction. An interim statement of Capital Receipts showed a total of \$19,197,777, as against Capital Expenditures of \$51,109,758.

Absence of any announcement of taxation changes, Mr. Hepburn explained by the fact that the Rowell Commission on Dominion-Provincial Relations was then in session and might conceivably recommend changes in the bases of Provincial taxation. In determining the policy for the coming year the Government were concentrating on extension of activities in three Departments, Agriculture, Health and Education. Larger expenditures in these departments would probably equal the budgetary surplus. In this connection Mr. Hepburn made the following announcements:

*Sanatoria Costs*—That in order to ensure the prompt admission of tuberculosis patients to sanatoria the Government proposed to assume the cost of such treatment as had been previously borne by the municipalities and also to make provision for free treatment of patients "who, while not actually indigent, could not hope to pay the cost of hospital care for any length of time." Provision was made in the Estimates for 1938-39 for an additional expenditure of \$1,000,000. Mr. Hepburn explained that of 1,200 cases dying of tuberculosis in the Province in the year 1936, only 53 per cent. had received sanatorium treatment.

*Public and Separate School Grants*—That provision was being made for the appropriation for Public and Separate School grants of \$475,000

more than was paid in 1937-38; and for substantial increases in grants for High Schools, Collegiate Institutes and Vocational Schools.

*Rural Hydro-Electric Power Contracts*—That primary lines would be constructed where contracts had been obtained from two standard farms per mile instead of three as formerly demanded.

*Provincial Subsidy*—That the subsidy of one mill on the assessment would be paid to every municipality in the Province for another year; the amount necessary for this purpose was again estimated at \$3,000,000.

The Funded Debt of the Province as at Mar. 31, 1938, was reported at \$575,672,701, an increase from 1937 of \$7,699,570. On Nov. 15, 1937, the Province had sold debentures totalling \$25,000,000; \$8,000,000 maturing in three years and sold at a cost to the Province of 2.4 per cent.; \$5,000,000 maturing in 7½ years and sold at a cost of 3 per cent. and \$12,000,000 due in 14 years and callable in 12 years on a cost basis of 3.5 per cent. In addition to these issues there had been an offering of Teachers' Super-annuation bonds of \$900,000 bearing interest at 4¾ per cent. Canteen fund bonds totalling \$700,000 had been issued at a 5 per cent. rate.

The Department of Lands and Forests, Mr. Hepburn announced, would have the highest revenue in eight years, \$4,300,000, in spite of stumpage concessions made by the Government. The Temiskaming and Northern Ontario Railway, he reported, had again increased its net operating revenue to \$1,369,736.

An improvement in the unemployment relief situation was revealed with the total number assisted in 1937 shown as 2,876,102 as against 4,102,251 in 1936. Grants-in-aid from the Dominion had been decreased from \$803,250 a month in January, 1937, to \$465,000 in December. Total Dominion contribution for the year had been \$7,044,750 as against \$10,647,000 in 1936 and the Provincial contribution had been \$10,057,302, as compared with \$12,536,701 in 1936.

Estimates for the year ending Mar. 31, 1939, provided for an Expenditure of \$123,453,180, as compared with \$115,453,592 for the previous year. Capital Expenditures totalled \$33,949,527 including the \$14,000,000 vote for highways. A vote of \$4,750,000 was provided for hospital construction at St. Thomas, Brampton, Woodstock, Port Arthur and New Toronto. The estimate of Ordinary Expenditures totalled \$89,503,652, as against \$83,517,928 for the previous year.

### Public Accounts, 1937-38

Public Accounts for the year ending Mar. 31, 1938, showed Total Net Disbursements from the Consolidated Revenue Fund of \$217,711,919 and Total Net Receipts of \$213,668,692. Net Ordinary Expenditures were \$81,443,074 for the year and Net Ordinary Revenues, \$86,052,792, including \$20,214,183 from Succession Duties, \$6,041,488 from Income tax, \$9,837,867 from Corporations tax and \$10,500,000 from revenues of the Liquor Control Board. Interest on Public Debt amounted to \$18,425,099 or according to Mr. Hepburn's estimate 24 cents of every dollar collected in revenues.

Capital Account showed net disbursements for the year of \$41,932,823 as against Capital Receipts of \$11,936,182. The Net Provincial Debt stood at \$438,293,683, or an increase over the previous year of \$32,857,644.

### The Budget Debate

The Conservative's Want-of-Confidence Amendment to Mr. Hepburn's Motion for Committee of Supply was a charge that the Government had failed to carry out their pre-Election pledges to reduce the cost of Govern-

ment and the Public Debt. Mr. Henry (Cons., York E.) opened the Debate as financial critic for the Opposition and attacked the Government for cutting their highway programme for the year to \$14,000,000 as compared with the pre-Election programme of \$35,000,000. He questioned the soundness of a policy of financing the Government on short-term loans at a time of cheap money. After a Debate which lasted until Mar. 31, the Opposition Amendment was defeated by a 61 to 23 vote.

### The Power Contracts Validation Act, 1938

Bill No. 71, An Act to Validate Certain Contracts entered into with the Hydro-Electric Power Commission of Ontario, was introduced by the Hon. W. L. Houck (Minister without Portfolio and a Member of the Commission) on Mar. 14. It ratified, "notwithstanding anything contained in The Power Commission Act, 1935 (Cancellation of Contracts) or any other Act of this Legislature" (a) the contract with Gatineau Power Company and Gatineau Transmission Company of Dec. 14, 1937, for the sale to the Ontario Hydro-Electric Power Commission of power and energy with a periodicity of 60 cycles per second (as explained in Schedule A. to the Act); (b) the contract with the Gatineau Power Company of Dec. 28, 1927, being the first of the two contracts set out in Schedule B. to The Power Commission Act, 1935, as varied by the Contract referred to in (a); (c) the contract with Gatineau Power Company and Gatineau Transmission Company, of Dec. 14, 1937, relating to the sale of electrical power and energy with a periodicity of 25 cycles per second set out in Schedule B. to the Act; (d) the contract with Gatineau Power Company of May 19, 1926, being the first of the six contracts set out in Schedule A. to The Power Commission Act, 1935, as varied by the contract referred to in (c); (e) the contract with Beauharnois Light, Heat and Power Company and Coteau Rapids Transmission Company Limited of Dec. 14, 1937 as set out in Schedule C. to the Act; (f) a contract with Beauharnois Light, Heat and Power Company of Nov. 29, 1929, set out in Schedule C. to The Power Commission Act, 1935, as varied by the contract referred to in (e); (g) the contract with Maclaren-Quebec Power Company and The James Maclaren Company Limited of Dec. 14, 1937, as set out in Schedule D. to the Act; and (h) the contract with The James Maclaren Company Limited of Dec. 20, 1930, being the first of the two contracts set out in Schedule E. to The Power Commission Act, 1935, as varied by the contract referred to in (g).

The contracts, or agreements, were attached to the Act as Schedules A., B., C., and D.

The introduction of the Bill brought the second round of the Legislature battle on the power contracts. Mr. Macaulay, charging "deception and deceit" in connection with the contracts during the General Election of 1937, forced the appointment of a House Committee to investigate the "power" issue. (*The Globe and Mail*, Mar. 24, 1938). He drew from the Prime Minister (Mr. Hepburn) in reply to his charges, the statement: "I never at any time or in any way carried on any negotiations with any power company directly or indirectly until after the Election and then only through the proper channels." Mr. Macaulay accepted the Prime Minister's statement but insisted that there was talk of the new contracts before the General Election (1937). Mr. Roebuck supported this statement with the assertion that his knowledge of anticipated negotiations had been a factor in his resignation from the Hydro-Electric Power Commission. He stated that the Minister of Highways (Mr. McQuesten) had been opposed to the new contracts and he believed that he was still opposed.



(Mr. McQuesten later declared in the House that while in the Spring he had been opposed to the new contracts, by the Autumn he had become convinced that the Government "could not sensibly have taken any other action than settle with 'Beauharnois'").

Two days later Mr. Hepburn introduced his Motion for a 13-man Committee of the Legislature to commence its sittings on May 2 and to investigate the history of the Hydro-Electric Power Commission from 1926 to 1938. This, the Provincial Secretary (Mr. Nixon) later announced, would include the re-opening of the Abitibi Canyon purchase, the Madawaska purchase (in which the name of John Aird, Jr. had been prominent) and the Dominion Power and Transmission acquisition, all actions, he said, of the Conservative *régime*. From this point the debate turned to two issues, the refusal of the Government to appoint Mr. Roebuck to the committee and their refusal to delay validation of the Power agreements until the Committee had concluded its investigation. An Amendment to a Motion for second reading of the Bill calling for a six months' hoist was defeated by a vote of 62 to 24, Mr. Roebuck voting with the Conservative Members.

### Motions and Inquiries of the 1938 Session

A Motion by Mr. F. G. McBrien (Cons.), who had been returned to the Legislature as successor to Mr. W. H. Price in Toronto-Parkdale, called for legalization of sweepstakes to benefit hospitals in the Province. The Motion attracted attention partly because it was supported by the Prime Minister who stated that hospital costs had increased 100 per cent. during ten years. In answer to their criticism he accused clergymen of the Province of hypocrisy. Referring to the opposition expressed by individuals outside the Legislature, the Prime Minister said: "I am pursued by hundreds of church organizations to take tickets on various draws. I am hounded and importuned everywhere to buy tickets and have bought enough to paper this House. Yet when we bring this thing out in the open these are the people who protest. Everyone knows that this Province is blanketed with sweep tickets." (*The Globe and Mail*, Mar. 29, 1938). The speech brought several counter attacks from clergymen throughout the Province before the controversy died out. The sweep Resolution itself was adopted on a vote of 48 to 34 which wiped out Party lines. The Opposition Leader voted with the Prime Minister in favour of the Motion. A straw vote taken by *The Evening Telegram* among its readers showed 2,284 in favour of sweepstakes and 169 against.

To strengthen his stand before the Rowell Commission on Dominion-Provincial Relations the Prime Minister asked and received the unanimous support of the Legislature for a Resolution asserting the Province's prior right to collect income tax. Mr. Hepburn was not contesting the Dominion's right in this field but contended that the Province's position, constitutionally, was stronger. He condemned the relief administration at Ottawa declaring that Ontario, contributing 52 per cent. of the Dominion Income tax revenue and 58 per cent. of Corporation Income tax was being milked for the benefit of the Western Provinces. In the current year Ontario would pay 45 per cent. of its relief costs and the Dominion only 21 per cent. A vote of 74 to none was recorded for the Resolution.

A complaint made in the Legislature by Mr. Macaulay that four times during the Session his mail had been opened brought the immediate appointment of a Committee to investigate. To show his sincerity in this investigation Mr. Hepburn created precedent by putting Conservatives in

the majority on this Committee. The Committee held four sittings and examined employees of the Legislature post office as well as Dominion postal officials without throwing much light on the incidents. It reported that while it considered Mr. Macaulay had been justified in bringing his complaint before the Legislature it had found no evidence that any post office employee had tampered with the mail.

### General Legislation, 1938; Prorogation

Aside from the Power Contracts Bill there was little contentious legislation introduced in the 1938 Session which was prorogued on Apr. 8. A large number of the 46 Acts were social legislation which received almost unanimous endorsement in principle at least. A Bill (An Act for the Investigation of Remedies for Cancer) authorizing the appointment of a Cancer Commission for Ontario was introduced by the Minister of Health, the Hon. Harold J. Kirby and gave the Commission sweeping powers to investigate any type of so-called cancer cures. It provided that any person who "advertises, offers for sale, distributes, sells or administers . . . any substance or method of treatment as a remedy for cancer may be required by the Commission to submit samples of such substance or a description of such treatment." Penalties for first offenders under the Act were set at \$100 to \$500 but second offenders were made liable to fines of from \$500 to \$2,500. The Bill was given added interest by the application for re-instatement to the medical profession of Dr. J. E. Hett of Kitchener. Dr. Hett had been stricken from the rolls by the Disciplinary Committee of the College of Physicians and Surgeons as a result of alleged breach of professional ethics in relation to his cancer treatment. He appealed to the Legislature through a Private Bill which was withdrawn when the College agreed to his re-instatement on condition that he would submit his cancer formula to the new Commission.

The Cancer Commission was appointed by Order-in-Council on Aug. 18 with Mr. Justice Gillanders of the Supreme Court of Ontario as Chairman. The other Members appointed were: Dr. Robert Wallace, Principal of Queen's University, E. A. Collins, Assistant General Manager of the International Nickel Company, Dr. George S. Young, Toronto, Dr. W. J. Deadman, Hamilton, Dr. Thomas H. Callahan, Toronto and Dr. R. E. Valin, Ottawa.

An Amendment to the Public Health Act, also sponsored by Mr. Kirby, included a clause providing for compulsory pasteurization of all milk sold in the cities and towns of Ontario; it constituted the first step in a plan to make compulsory pasteurization applicable to the Province as a whole. The Bill was referred to the Agricultural Committee where evidence from prominent doctors, unanimously favourable, was heard. The only opposition in the Legislature was from a sprinkling of Members who declared that the legislation would put the small dairy out of business.

The new Minister of Public Works, the Hon. Colin A. Campbell, introduced a measure to provide for a large scale water conservation and flood control project in the Grand River Valley where flood damage for some years previous had been severe. The scheme called for an expenditure of \$2,000,000 to be borne by the Dominion and the Province, each paying 37½ per cent. and the balance to be assessed against the municipalities involved. Major works with the double object of providing a sufficient flow of water in the dry season and protection in flood seasons involved dams at Waldemar on the Upper Grand River near Orangeville and at Hollen on the Conestoga River. At the suggestion of Mr. Nixon the

Bill was amended to provide that it should come into force only by Order-in-Council in order to ensure that no money would be spent until the Dominion Government had agreed to carry its share.

Legislation (The Judicature Amendment Act, Chap. 18) to transfer \$15,000,000 in Provincial trust funds from the hands of the Accountant of the Supreme Court to a Finance Committee of three, appointed by the Lieutenant-Governor-in-Council, and to restrict investment to Ontario guaranteed securities. During its passage the Bill had been attacked by Mr. Macaulay who saw the possibility of using it for patronage appointments.

To prevent the International Railway Company from replacing the Falls View Bridge at Niagara, destroyed by ice, the Legislature passed a Bill (The Bridges Act, 1938, Chap. 2) barring bridge construction in Ontario without the consent of the Lieutenant-Governor. A joint toll-free bridge to be operated by an Ontario-New York Commission was contemplated and a Bill had already been introduced in the House of Commons at Ottawa. The Bill passed the House but was finally withdrawn after a deadlock in the Senate Private Bills Committee where representatives of the International Railway Company had been heard.

An Act to Amend the Highway Traffic Act permitted magistrates to impound automobiles after convictions for drunken driving.

The Mortgages and Purchasers Relief Act abolished the moratorium on payments of interest, taxes and insurance as at Oct. 31, 1938. The moratorium on payment of principal was extended until June 30, 1939. The Opposition Leader opposed the legislation on the ground that the Government were jumping too fast in cutting off relief on taxes and interest. (*The Globe and Mail*, Mar. 15, 1938).

A Dairy Products Act was passed regulating the premises of cheese factories and milk plants. Legislation was provided to ratify and confirm refunding plans for the debts of the Amalgamated municipalities of East Windsor, Walkerville, Windsor and Sandwich and of the Essex Border Utilities Commission.

### Private Bills, 1938

An attempt by osteopaths and chiropractors to gain the right of the prefix doctor by means of a Private Member's Bill came near to causing a riot in the corridors of the Legislative Buildings after the Private Bills Committee had killed the legislation. The Hon. Herbert A. Bruce, M.D., former Lieutenant-Governor, who had appeared before the Committee where he effectively opposed the Bill, was rescued by Provincial Police from an angry mob of drugless practitioners. (*The Globe and Mail*, Mar. 30, 1938).

Bills to incorporate the Village of Forest Hill on the outskirts of Toronto and the Township of York as cities were pushed to a successful vote in the Private Bills Committee but were rejected by the Legislature.

The City of Toronto Bill as finally passed had only one major feature, permission for increasing expenditures on airport construction from \$500,000 to \$1,000,000.

A City of London Bill confirmed and validated a settlement in the \$1,200,000 estate of Elsie P. Williams (deceased) giving the City use of a trust fund to build a hospital and library as well as for maintenance of the Williams home. This settlement by Private Bill was in accordance with the recommendation of the Ontario Court of Appeal.



Prorogation of the Second Session of the Twentieth Legislature took place on Apr. 8, 1938.

## The Conservative Party in 1938

The Provincial Conservative Party Executive met on Feb. 20 (1938) and recommended the elimination of the word "Liberal" from the Party title. (See under "Federal Administration and Politics, 1938"). The Hon. Earl Rowe, in Toronto for the meeting, announced that he had no intention of resigning the leadership. (*The Evening Telegram*, Feb. 20, 1938).

The decision of the Executive to postpone the Annual Meeting of the Association, called for May 28, brought a crisis when a small group calling themselves, "The Committee for Conservative Action," issued a newspaper demand: "that the Ontario Conservative Association should reform itself," and that the Annual Meeting should be held as arranged. On May 10, R. C. Roberts, Secretary of the Committee, issued an ultimatum that unless the Annual Meeting were held before June 15, 1938, the Committee would start a campaign to force the issue.

When the Meeting was finally called on July 21 (1938) Mr. Rowe announced his retirement from the leadership of the Provincial Party. He later said that his decision had been taken because of "disloyal elements in the Party" (*Canadian Press Dispatch*, Aug. 23, 1938). At the same time, W. H. Ireland declined to run for re-election as President and Cecil G. Frost of Lindsay was chosen to succeed him.

The Convention to choose a successor to Mr. Rowe, Leader of the Provincial Party, met in Toronto on Dec. 8 and 9, 1938. Mr. Macaulay, who, as House Leader, was expected to be one of the main contenders for the Party leadership had dropped from the race a few weeks previously. Lieut.-Col. George A. Drew, fresh from the arena of the Bren Gun Investigation at Ottawa was the favourite from the start. He was opposed, when the day for balloting arrived, by Wilfrid Heighington, former Member of the Provincial Legislature for St. Davids, the Hon. Earl Lawson, Member of the House of Commons for West York, and the Rev. Norman Rawson of Hamilton. Colonel Drew was elected on the first ballot with 796 votes against 413 for Mr. Lawson, 41 for Mr. Heighington, and 22 for Mr. Rawson. Among the speakers at the banquet which ended the Convention was the Dominion Conservative Leader, the Hon. R. J. Manion.

## Political Groups, 1938

The Co-operative Commonwealth Federation, Ontario Section, held its Fifth Annual Convention on Apr. 16, 1938, in Toronto and decided to amend its constitution in order to allow the affiliation of labour and other groups sympathetic with its aims. During the year it became the champion of the rights of free speech as demonstrated in park meetings; it clashed with more than one municipal council, bold enough to refuse it permits. The year saw the formation also of the Social Credit Association of Ontario with J. C. MacCorkindale, Toronto barrister, as its first President.

## By-Elections in Ontario, 1938

Four By-Elections were contested in Ontario during the year 1938, making no change in the Party standing.

In Hamilton Centre a vacancy occurred early in the year with the appointment to the County bench of W. F. Schwenger, Liberal Member.

The Conservative Party did not put a candidate in the field; John Newlands, the Liberal candidate by 6,461, won the seat easily against Labour opposition, on Mar. 2, 1938.

The death of Milton D. McVicar in January opened a seat in Lambton East. A By-Election on Mar. 22, 1938, resulted in a victory for the Liberal candidate, Charles O. Fairbank, with a majority of 2,596.

The death of the Provincial Labour Minister and former Mayor of the City, the Hon. M. M. MacBride, had left a vacancy in Brantford. A By-Election on July 20, 1938, resulted in a victory for the Liberal candidate, Henry L. Hagey, with a majority of 1,113.

In Parkdale (Toronto), the death of the Conservative Member, F. G. McBrien, in July, brought an October By-Election. The Liberal Party withdrew from the field after a riding convention had elected Aubrey Bond, K.C., as its standard bearer and the seat went, on Oct. 5, 1938, with a majority of 5,489, to William J. Stewart, Conservative candidate and former Mayor of Toronto.

The fifth By-Election in Waterloo South, followed the appointment of the Hon. Norman O. Hipel to the Hepburn Cabinet. It resulted in an acclamation on Sept. 28, 1938.

Date 1938	Riding	Member Elect	Defeated Candidates	Majority
Mar. 2	Hamilton Centre	John Newlands (Lib.)	{ Phil Luck (Prog.-Lab.) Stewart Woods (Soc. Lab.)	6,461
Mar. 22	Lambton East	Charles O. Fairbank (Lib.)	{ J. A. Currie (Cons.) Reginald Welsh (Cons.)	2,596 1,113
July 20	Brantford	Henry L. Hagey (Lib.)	{ W. J. Dowden (Lab.-Prog.) Paul Debragh (Soc.-Lab.)	
Sept. 28	Waterloo South	The Hon. N. O. Hipel (Lib.)		Accl.
Oct. 5	Parkdale	W. J. Stewart (Cons.)	{ Russell Harvey (C.C.F.) Robert Harding (Ind.) George Thompson (Ind.)	5,489

### Provincial Departments: Education, 1937-1938

The Reports of the Minister of Education for Ontario, the Hon. L. J. Simpson, for the calendar years 1937 and 1938 dealt extensively with the changes which were being put into effect in the elementary and secondary schools of the Province. To the new courses issued in 1937 for Grades I to VI and Grade IX, were added in 1938, revised courses for Grades VII, VIII, and X. This completed the programme for the first eight grades of the elementary schools, and carried the revision in secondary schools to the end of Grade X. The Report for 1937 stated that the courses were "purposely flexible"; that they permitted "choice of topics, within reasonable limits by the teacher"; and that they encouraged habits of initiative and self-dependence upon the part of the pupil. The revised course for Grade IX "is common to all pupils entering the secondary school," the Report continued. The introduction of practical courses in Shop Work for boys and Home Economics for girls was an outstanding feature of the revision. For pupils who would leave school at the end of Grade X complete units of work were planned in certain subjects. To mark the successful completion of Grades IX and X, a new certificate, called the "Intermediate Certificate," was being introduced by the Department. In 1938 the requirements for entrance examinations were revised to conform with the new curriculum.

Enrolment at Normal schools dropped from 1,087 for the school year 1937-38 to 990 for the school year 1938-39. Attendance of teachers at Summer courses on the other hand increased from 6,598 in 1937 to 6,795 in 1938.

The 1937 Report drew attention to the epidemic of infantile paralysis in the Autumn of that year which had kept large numbers away from school as well as postponing school openings as much as five weeks. Home instructional units, visiting teacher classes, hospital classes and correspondence courses had provided educational care for 276 of the victims.

The total number of schools in the Province in 1936 was shown by statistical appendices as 7,655 and in 1937 (period covered in the 1938 Education Report) had increased to 7,706. These figures for the respective years were made up as follows: Public, 6,347 and 6,377; Separate, 812 and 832; Continuation, 208 and 206; High School, 225 and 227; Vocational, 58 and 59; Senior Auxiliary, 5 and 5. The number of teachers in 1936 was 21,644, drawing an aggregate salary of \$27,548,891. In 1937, 21,789 teachers were paid \$28,473,611. The total enrolments of pupils for the two years were respectively: Public, 455,966 and 455,165; Separate, 101,010 and 102,505; Continuation, 8,935 and 9,251; High School, 68,921 and 70,288; Vocational, 60,316 and 68,162; Senior Auxiliary, 1,643 and 1,652. Legislative grants for the calendar year, 1937, totalled \$5,645,381, an increase from \$4,837,275 in 1936. Of this \$3,048,392 and \$2,601,815 went to Public Schools in the respective years and \$728,178 and \$564,019 to Separate Schools. Net municipal expenditures, less these legislative grants, totalled \$39,788,492 in 1937 and \$38,609,801 in 1936.

#### Cost of Education Inquiry, 1935-38

In March, 1938, a Committee appointed in 1935 to examine into the costs of education in the Province made its Report to the Minister. The Committee was composed of the Deputy Minister of the Department, Dr. Duncan McArthur (Chairman), G. F. Rogers (Vice-Chairman), E. C. Desormeaux, V. K. Greer, W. T. Kernahan, E. L. Longmore, B. B. Patten and John Stuart. The survey was made of ten counties. The first meeting had been held on June 10, 1935, and the last meeting was on Mar. 24, 1938. Following is a brief summary of the findings and recommendations:

(1)—It was found that while the cost of education had risen to a peak of \$44,298,456 in 1928-29, it had declined since that time to approximately \$38,000,000, and that municipal expenditures for education had increased to a less extent than those for other purposes; that the amount paid *per capita* in 1928-29 was \$13.51, and in 1936-37, \$10.42; that the total amount *per capita* paid by the Province for all educational purposes was \$2.73 in 1920-21, and the same in 1936-37; that the largest item of expenditure was accounted for by teachers' salaries, which had increased from \$10,180,851 in 1917, to \$27,548,891 in 1936. The Committee found, however, that it could not recommend staff reductions, as "financial rewards must be maintained at a reasonably high level." It also upheld the right of School Boards to arrange salaries suitable to local conditions. Increase in the cost of education was attributed: (a) to the demand of parents for longer periods of training in secondary schools, and (b) to the necessity of employing a larger number of teachers.

(2)—The Committee found that the burden of taxation for education was tending to bear too heavily on real estate, and was of the opinion that taxation of other forms of wealth by the Province, and increased grants for education might relieve this situation. It recommended rigid supervision of capital expenditures in an attempt to reduce costs. It found that the loss of the right to tax incomes in urban centres had shifted the greater operation of education costs to real estate. Equalization of assessments with larger taxation units was suggested as a means of counteracting existing inequalities in educational facilities.



(3)—The Committee found that the largest increase in educational costs during the previous twenty years could be attributed to the growth of secondary schools. An analysis of the division of elementary and secondary education costs showed that in 1900, 87.5 per cent. of municipal expenditures for education were allotted to Public and Separate schools, and 12.5 per cent. to High School and Collegiate Institutes. In 1925-26, 76 per cent. had been devoted to Public and Separate schools, 18 per cent. to High Schools, and Collegiates, and 6 per cent. to Vocational Schools. In 1936-37, the percentages were respectively 69, 20, and 11.

The Committee recommended (a) that courses of study in the first two years of the secondary schools be devised to provide a general education for pupils not likely to require the more specialized training of senior grades; (b) that organization of fifth classes in Elementary Schools should be encouraged in centrally located rural districts; (c) that Provincial grants for secondary education should be increased; (d) that county boards should be formed for the supervision of secondary education; (e) that payment of cost of educating county pupils should be made in such a manner that all secondary school districts would assume the cost for their own pupils, and be relieved of further payments except for vocational training; and that the cost of pupils in outside districts should be borne equally by the municipality and the county.

### **The Ontario Educational Association**

Annual Conventions of the Ontario Educational Association held in Toronto in April, 1937, and April, 1938, were marked by discussion of the important curriculum changes being considered and instituted by the Department of Education. To the 1937 Convention the Hon. L. J. Simpson, Minister of Education, announced the first step in the initiation of new courses for the elementary and secondary schools of Ontario. The main object of the new courses, he pointed out, was to lay new emphasis on the human relationships, by giving more time to the study of history, civics and geography. In the second year of high school four distinct courses were to be open to the choice of the pupil, a general course, industrial, agricultural or art, household science or commercial. In all these courses the backbone was provided by social studies, English and health education.

Dr. Duncan McArthur, Deputy Minister of Education, addressing the Music Section of the Association during their session in 1938 made a plea for a better balanced life by placing the emotions in the position that they should occupy in the life of the people, but "whose training in the past has been neglected." Speaking of music as a means of preserving a proper balance between the intellect and the emotions, he said, "we are anxious that music should be given the place to which it is entitled in any enlightened system of education."

At the 1937 session W. S. Salter of St. Catharines was elected President and at the 1938 session, Dr. G. G. McNab of Guelph.

### **The University of Toronto and its Colleges**

The enrolment of students in all faculties of the University of Toronto for the year 1937-38 was 4,889 men and 2,952 women, as compared with 4,987 men and 3,149 women for the year 1936-37. In 1938 a total of 1,102 men and 432 women were admitted to degrees and in 1937, 1,048 and 421. The degrees for 1937-38 and 1936-37, respectively, included: LL.D. (Hon.), 2 and 12; D.Eng. (Hon.), none and 1; D.Sc. (Hon.), none and 1; Ph.D., 35 and 32; M.A., 120 and 87; M.S., 3 and none; M.A.Sc., 5 and 11; C.E., 1 and

2; E.E., 1 and none; M.Arch., none and 1; D.Pæd., 1 and 3; M.S.A., 9 and 2; B.A., 622 and 643; B.Com. 30 and 31; M.D., 131 and 113; B.Sc. (Med.), 6 and 4; B.A.Sc., 164 and 130; B.Arch., 11 and 7; B.H.Sc., 16 and 21; B.Pæd., 27 and 42; B.L.S., 50 and 31; B.Sc.F., 6 and 9; Mus. Bac., 9 and 7; D.D.S., 31 and 51; D.Sc (Dent.), 3 and none; LL.B., 1 and 2; B.S.A., 106 and 108; B.V.Sc., 52 and 34; D.V.Sc., 1 and none; Phm.B., 91 and 84. In addition, 218 students received diplomas and certificates in 1937-38 and 181 in 1936-37.

On June 9, 1937, at a Special Convocation the following Honorary degrees were conferred: Doctor of Laws upon Walter Seymour Allward, sculptor; Dr. O. R. Avison, medical missionary; Lawrence Burpee, President, Royal Society of Canada; R. H. Coats, F.R.S.C., F.S.S. (Hon.), Dominion Statistician; the Hon. H. H. Davis, Judge of the Supreme Court of Canada; the Rev. H. T. Kerr, Minister of Shadyside Presbyterian Church, Pittsburgh, Pa.; Dr. Duncan McArthur, Deputy Minister of Education for Ontario; and M. A. Mackenzie, *Emeritus* Professor of the University of Toronto; the degree of Doctor of Science was bestowed upon A. J. Dempster, Professor of Physics of the University of Chicago; and the degree of Doctor of Engineering upon Andrew Harkness, Consulting Engineer. At a second Special Convocation of 1937, held on Oct. 22, the Honorary degree of Doctor of Laws was conferred upon the Hon. Cordell Hull, Secretary of State of the United States, Washington, D.C.

Three Special Convocations were held during 1938. On Mar. 21, the Honorary degree of Doctor of Laws was conferred upon Sir Howard d'Egville, K.B.E., of the Empire Parliamentary Association, London, England. On Sept. 2, 1938, the Honorary degree of Doctor of Laws was bestowed upon the Rt. Hon. the Viscount Greenwood. On Oct. 14, the Honorary degree of Doctor of Laws was conferred upon Her Excellency the Lady Tweedsmuir; the Rt. Hon. Ernest Lapointe, Minister of Justice and Attorney-General of Canada; W. Sherwood Fox, PH.D., LL.D., President of the University of Western Ontario; Sir Firozkhan Noon, High Commissioner for India in London, England; J. J. Gibson, B.A., a Governor of the University of Toronto; J. C. Robertson, M.A., Professor *Emeritus* of Greek Language and Literature, Victoria College; and Miss Jean Gunn, O.B.E., Superintendent of Nurses, Toronto General Hospital. At the same occasion the Honorary degree of Doctor of Science was conferred upon W. R. Graham, B.S.A., Professor of Poultry in the Ontario Agricultural College; and T. L. Walker, M.A., PH.D., F.R.S.C., Professor *Emeritus* of Mineralogy and Petrography, University of Toronto; the Honorary degree of Doctor of Engineering upon J. B. Challies, C.E., President of the Engineering Institute of Canada; and the Honorary degree of Doctor of Music, upon Henri Jordan, Conductor of the Schubert Choir of Brantford.

In 1937-38 the combined enrolment of the two Colleges at Victoria University was 1,051 and in 1936-37, 1,143. Victoria College had a total of 865 students in 1937-38 and 926 in 1936-37. Figures for Emmanuel College for the two years were 186 and 217, respectively. In 1937-38 Emmanuel College conferred 5 degrees of Bachelor of Divinity, as compared with 10 in 1936-37, and 21 diplomas, as compared with 29 in 1936-37. (Victoria College degrees are included in the total of the University of Toronto). On Apr. 27, 1937, Victoria University conferred 2 Honorary degrees and on Apr. 26 and Sept. 24, 1938, 4 Honorary degrees of Doctor of Divinity on each occasion.

The total enrolment for the two years at Trinity College in the University of Toronto was: 381 in the Session of 1936-37 and 380 in that of 1937-38. Degrees conferred during 1936-37 and 1937-38, respectively, were:

B.A., 95 and 68; B.D., 1 and none; L.Th., 5 and none; D.Ph., none and 1; M.A., none and 8. At a Convocation on Sept. 23, 1936, Trinity College conferred 3 Honorary degrees of Doctor of Divinity. On Sept. 22, 1937, at a Convocation, 1 Honorary degree of Doctor of Divinity was conferred. On Sept. 17, 1938, a new building for St. Hilda's College to accommodate 75 women students, was opened in Devonshire Place. Its cost, with equipment, was approximately, \$250,000.

The University of Toronto, Department of St. Michael's College which comprises three colleges, St. Michael's (men), Loretto (women) and St. Joseph's (women), had a total enrolment of 360 in 1936-37 and 449 in 1937-38. The degree of B.A. was conferred on 80 students in 1936-37 and on 97 in 1937-38.

Wycliffe College had a total enrolment of 55 students in 1936-37 and 63 in 1937-38. Eleven Licentiate in Theology Certificates and one degree of Bachelor of Divinity were conferred in 1936-37. In 1937-38, the degrees were 6 and 2 respectively. Three Special Convocations were held: at the first, on May 27, 1937, five degrees of Doctor of Divinity (*honoris causa*) were conferred; and on the second and third: Apr. 25 and Oct. 27, one degree on each occasion.

The enrolment at Knox College in Theology in 1936-37 was 36 undergraduates and 18 post-graduates; and in 1937-38, 35 undergraduates and 23 post-graduates. Those receiving Diplomas in 1936-37 totalled 14 and in 1937-38, the same number. There was one B.D. degree conferred in 1937-38.

Ontario Agricultural College at Guelph reported a total enrolment for the year ending Mar. 31, 1938, of 3,316, as compared with 2,981 in 1937. For 1938, enrolment in regular agricultural courses was 593, as compared with 570 in the previous year. In Home Economics there was an enrolment of 233, as compared with 228 in the previous year. The enrolment for Baking was 10 for both years, 1936-37 and 1937-38.

### Queen's University, Kingston

Enrolment of students at Queen's University for the year 1937-38 was 4,676, as compared with 4,694 in 1936-37. Degrees conferred in 1937-38 totalled 501 and in 1936-37, 373. The degrees for the two years 1937-38 and 1936-37, respectively, were as follows: Honorary, 4 and 11; B.D., 3 and 4; Ph.D., 1 and none; M.A., 15 and 15; M.Com., none and 1; B.A. (Honours), 74 and 50; B.A. (Pass), 201 and 136; B.Com., 38 and 20; M.Sc., 7 and 3; B.Sc. (Honours), 12 and 16; B.Sc. (Pass), 94 and 71; and M.D., C.M., 52 and 46.

During 1936-37, changes in staff were: the appointment of Dr. R. C. Wallace as Principal; and the promotion of Prof. R. O. Earl as Head of the Department of Biology.

Changes in the staff during 1937-38 included the appointments of F. A. Knox and C. A. Curtis as Professors of the Department of Economics, and G. H. Ettinger as Professor of Physiology.

At a Special Convocation, on Nov. 7, 1936, the Honorary degree of LL.D. was conferred upon His Excellency Lord Tweedsmuir. At the regular Convocation on May 7, 1937, the Honorary degree of LL.D. was conferred upon Walter S. Allward, Toronto, designer of the Vimy Ridge Memorial; Prof. W. T. MacClement, London, Ont.; and S. E. Smith, President of the University of Manitoba. At the same Convocation the Honorary degree of D.D. was bestowed upon the Rev. G. A. Sisco, Secretary of the United Church of Canada; and upon the Rev. B. Howard, Principal of Albert



College, Belleville. During 1937, Convocations were held on June 15 and Oct. 16. At the former, the Honorary degree of LL.D. was conferred upon the Hon. N. D. Baker, Secretary of War in President Wilson's Administration; Dr. I. Bowman, President of John Hopkins University, Baltimore, Maryland; Dr. L. H. Seelye, President of the St. Lawrence University, Canton, N.Y.; J. T. Shotwell, Professor of History of Columbia University, New York, N.Y.; and J. B. Scott, Secretary and Trustee of the Carnegie Endowment for International Peace, Washington. On Oct. 16, the Honorary degree of LL.D. was bestowed upon Sir Edward Beatty, President of the Canadian Pacific Railway Company, Montreal.

At the Canadian-United States Affairs Conference held in June, 1937, at the University a very representative group of men and women dealt with the problems affecting the two countries in finance, in labour organization, in literary and artistic outlook, in foreign policy, and in public opinion. The Conference, the second of its kind, was made financially possible through the generosity of the Carnegie Endowment for International Peace.

At the regular Convocation held on May 13, 1938, the Honorary degree of LL.D. was conferred upon Dr. L. W. Douglas, Principal of McGill University; and that of D.D. upon Rev. J. F. Smith.

The outstanding event of the year 1938 was the Special Convocation held on Aug. 18, when the Honorary degree of LL.D. was conferred upon Franklin D. Roosevelt, President of the United States. At the Autumn Convocation of the same year, the Honorary degree of LL.D. was conferred *in absentia* upon Dr. H. M. Tory, a former President of the National Research Council of Canada.

### University of Western Ontario, London

Registration at the University of Western Ontario was 2,382 in 1937-38, as compared with 2,616 in 1936-37. Graduates in 1937-38 totalled 358, as compared with 331 in 1937. The following degrees were conferred in 1936-37, and 1937-38, respectively: LL.D. (Honorary), 4 and 3; D.D., 1 and 2; M.A., 14 and 15; M.Sc., 2 and none; M.D., 46 and 33; B.D., none and 1; B.Sc., 4 and 5; B.A., 249 and 278.

The dates of Convocation during the two seasons and the Honorary degrees conferred at each were: Oct. 23, 1936, LL.D. 3; June 2, 1937, LL.D. 1; Oct. 22, 1937, LL.D. 1, and D.D. 1; May 25, 1938, D.D. 1; June 1, 1938, LL.D. 2; and Oct. 15, 1938, LL.D. 4.

In 1936-37 the University received from the Carnegie Corporation of New York the gift of a Music Library of records and books. The Diamond Jubilee of the University's foundation was celebrated in October, 1938. Important appointments during the year 1938 included: J. D. Ralph, PH.D., as Head of the Classics Department, to succeed H. W. Auden, who retired; M. I. Inman, PH.D., to succeed H. A. Logan as Head of the Economics Department; and Edward G. Pleva, as Head of the Department of Geography, a new Department for the Session of 1938-39.

### University of Ottawa

Enrolment in the University of Ottawa in 1936-37 totalled 1,029; and in 1937-38, 1,896. Degrees conferred in 1936-37 totalled 153; and in 1937-38, 169. The class of degree conferred in each year was, respectively, as follows: B.A., 91 and 93; B.Sc., 2 and 2; B.Com., none and 8; B.Ph., 11 and 16; B.Th., 6 and 17; M.A., 17 and 9; L.Soc.Sc., none and 4; L.Ph., 10 and 11; L.J.C., 1 and 2; L.Th., 9 and 2; D.Ph., none and 2; D.Th., none and 3; B.J.C., 2 and none; Ph.D., 1 and none; and D.J.C., 3 and none. In

1936-37, the Honorary degree of LL.D. was bestowed upon the Rev. Thomas W. Albin, M.D., Grand Rapids, Mich.; the Hon. Eugene R. Angers, Ottawa; the Hon. Patrick Kerwin, Ottawa; and the Hon. Edgar R. Chevrier, Superior Court of Ontario, Toronto. At Convocation in 1937-38, the Honorary degree of LL.D. was conferred upon the Rev. Patrick J. Kelly, Peterborough; the Hon. Charles Bourgeois, Three Rivers; W. Perkins Bull, C.R., Toronto; and Antonio Prince, Woonsocket, R.I. During the Session of 1936-37, the Rev. Arthur Caron, O.M.I., was appointed Dean of the Faculty of Canon Law. The University School of Translation (English-French) for Civil and Diplomatic Service was opened in 1936-37.

### **McMaster University, Hamilton**

Enrolment in McMaster University in 1936-37 totalled 1,104, including 463 Extension students; this compared with 1,150 in 1937-38, including 397 Extension students. Degrees conferred in 1937 and in 1938, respectively, were: B.A., 148 and 151; M.A., 7 and 3; B.D., 7 and 7; B.Th., 2 and 2. Honorary degrees of LL.D. were conferred on May 17, 1937, on A. E. Morgan, Principal of McGill University, and the Hon. Norman McL. Rogers, B.C.L. (Oxon.), Minister of Labour for Canada; and the Honorary degree of D.D. on the Rev. Hugh McDiarmid of the First Avenue Baptist Church, Toronto. On Nov. 4, 1937, His Excellency, the Governor-General of Canada, Lord Tweedsmuir, received the Honorary degree of D.Litt.; on Feb. 25, 1938, Sir Josiah Stamp, the Honorary degree of LL.D.; and on May 23, 1938, Samuel P. Capen received a similar degree, and Jesse E. Chute, the Honorary degree of D.D.

In August, 1938, Brandon College, Manitoba, severed its affiliation with McMaster and became affiliated with the University of Manitoba. The year 1938 also marked the celebration of the Semi-Centennial of Moulton College, Toronto, a preparatory Department of McMaster University. During the year the Rev. M. L. Orchard, M.A., B.D., Professor of Missions and Evangelism, and the Rev. C. R. Duncan, M.A., B.D., Educational Secretary, resigned.

### **Osgoode Hall Law School (Toronto) (Law Society of Upper Canada)**

The Annual Report of the Dean of Osgoode Hall Law School, John D. Falconbridge, K.C., reported the registration of students for 1937-38 as follows: first year, 101 (of whom 93 were University graduates); second year, 110; third year, 98; a total of 309. The registration for 1936-37 was: first year, 121; second year, 99; third year, 127; a total of 347. In place of John J. Robinette and Henry Borden, resigned, the following new members of the teaching staff were appointed in 1937: Arthur A. Macdonald, K.C., H. P. Edge and John S. D. Tory.

### **Agriculture, 1937 and 1938**

Declining prices for farm produce dominated statistical results of farm operations in the years 1936 and 1937. This influence was shown clearly in the Annual Reports of the Department of Agriculture presented by the Hon. Duncan Marshall, for the fiscal year ended Mar. 31, 1937 and by the Hon. P. M. Dewan for the fiscal year ended Mar. 31, 1938. For the calendar year of 1938 actual production of field crops in Ontario was greater than in 1937 but the value of the crop was only \$130,620,114, as compared with \$148,894,000 in 1937 and \$166,284,000 in 1936. Acreage devoted to field crops showed a slight increase in 1938 at 9,088,014 acres as against 9,041,300 acres in 1937.

Market value of Spring and Fall Wheat for 1938 was only \$12,639,849, as compared with \$19,871,000 in 1937 despite a jump of more than 1,000,000 bushels in production. Oats with an increase of nearly 8,500,000 bushels, showed a drop of approximately \$6,392,000 in value. Value of 2,492,258 head of cattle in Ontario at June 15, 1938 was \$88,251,957, as compared with 2,453,081 head valued in 1937 at \$93,360,874. Hog prices, on the other hand, showed an improvement with 1,430,309 hogs valued at \$18,751,968 in 1938, as against 1,457,886 hogs, valued at \$15,462,386 in 1937.

#### Gross Value of Agricultural Production in Ontario

	1938	1937	1936
Field crops .....	\$127,810,000*	\$149,100,000	\$166,284,000
Farm animals .....	51,095,000	50,885,000	46,732,000
Wool .....	345,000	593,000	533,000
Dairy products .....	89,153,000	87,647,000	81,830,000
Fruit and vegetables .....	13,469,000	13,003,000	18,002,000
Poultry and Eggs .....	22,329,000	21,659,000	22,939,000
Fur farming .....	1,215,000	1,351,000	1,131,000
Maple products .....	853,000	880,000	1,161,000
Tobacco .....	18,293,000	15,965,000	8,505,000
Flax fibre .....	120,000	133,000	155,000
Clover, grass seed .....	1,690,000	1,168,000	1,417,000
Honey and Wax .....	1,157,000	753,000	1,062,000
<b>TOTAL .....</b>	<b>\$327,529,000</b>	<b>\$343,137,000</b>	<b>\$349,751,000</b>

\*Further final Report of January, 1940, give figure for Field Crops, 1938, at \$130,620,114.

The Agricultural and Horticultural Societies Branch of the Department reported that the severe losses in gate receipts at 1937 Fall fairs were largely due to the epidemic of infantile paralysis. The Department grants covered 52 per cent. of the gate receipt losses in 1937-38 and 75 per cent. in 1936-37.

Horse breeding was active in the Province during 1937-38 according to the Report of the Live-stock Branch. Prices were exceptionally good during the early part of 1937 though they dropped off later in the year. There were 1,506 stallions enrolled in the Province, as compared with 1,402 reported for 1936-37. During 1936 there had been a grain shortage in the Province with a consequent decrease in the number of feeder cattle purchased. This situation was reversed in 1937 with crops generally good in Ontario and drought in the West forcing the sale of Western cattle. Markets for dairy cattle were satisfactory in both years under review. Hog markets were good in both years. Ontario, in 1936, reached the high point of many years with a total marketing of 3,577,619 head. In 1937 this dropped only slightly to 3,526,310 head.

During 1937, 23 Women's Institutes were disbanded in the Province and 34 organized, bringing the total to 1,366, with a membership of 42,100 as compared with 1,360 and a membership of 42,000 in 1936.

The Fruit Branch of the Department reported increased production in almost all fruit crops for the season of 1937, chiefly as a result of an exceptionally light crop in 1936. Production of grapes totalled 52,000,000 pounds, as compared with 21,000,000 pounds in 1936. The peach crop was 525,700 bushels, as against 402,300 bushels in 1936. (For value of fruit production for years 1936-38, see preceding table).

The Ontario Commissioner of Marketing reported 5 new co-operatives incorporated through the Marketing Office during 1936-37, making a total of 11 for the two years that the Department had been giving this service.

As at Mar. 31, 1938, the following marketing plans had been approved by the Ontario Farm Products Control Board under the 1937 Act and



Boards had been established: (1) *Ontario Cheese Producers*—local Cheese Boards assisted and activities directed toward having all cheese sold on the Boards under uniform regulations (88.21 per cent. of the graded cheese produced in Ontario in 1937 was sold on local Boards as against 35 per cent. in former years); *Peach Growers*—at the end of the first year's operations the vote required by the scheme was overwhelmingly in favour of continuing the Board (the plan regulated marketing processes only); *Holland Marsh Growers*—growers' support was withdrawn after a year's operation and the Farm Products Control Board exempted all designated products from its operation; *South Essex Growers*—compulsory grading and inspection not enforced up to March, 1938, but the scheme, almost identical to the Holland Marsh plan, was kept on the Statute; *Asparagus Growers' Processing*—to regulate marketing for canning and preserving in any form (of the 600 asparagus growers 537 voted for the regulations and none against it).

The Milk Control Board of Ontario reported conditions in the dairy industry during 1937 "reasonably satisfactory". This was an improvement over 1936 when drought conditions and increased costs had placed the producer in a serious situation. In 1937 prices for manufacturing milk had been established on a higher level and the fluid milk division of the industry was more stable. Prices to producers improved steadily and demand for canned milk, milk powder, casein, etc., continued firm. The Board held 113 meetings and heard 550 cases in 1938. Milk distributor licences in effect in 1938 totalled 1,538 as compared to 1,761 in 1937.

For the year ended Mar. 31, 1937, the Commissioner of Agricultural Loans reported payments to the Treasury of \$3,048,668, which was applied in retiring debentures and interest. A total of \$1,724,760 in principal and \$1,514,844 in interest was collected from mortgagors, an increase in principal payments over the preceding year of \$161,711. Arrears in principal at Mar. 31, 1938, were \$4,314,544 and in interest, \$4,023,746. There were 405 farms repossessed during the year and 379 farms sold. Loans outstanding numbered 16,059 amounting to \$44,379,023.

### Mines, 1937 and 1938

The Department of Mines (the Hon. Paul Leduc, Minister; and H. C. Rickaby, Deputy Minister) issued in 1938 and 1939 its usual Preliminary Reports for the calendar years 1937 and 1938 on the Mineral Production of Ontario (both prepared by A. C. Young). These Reports gave the value of Ontario mineral production for 1938 at \$221,421,017, as against \$230,173,459 for 1937. This decline of \$8,752,442 was due mainly to the decline in prices of base metals and structural materials. Copper prices dropped from 13.02 cents in 1937 to 9.7 cents in 1938. Platinum production dropped 10.6 per cent. in value though the volume of both copper and platinum production was well above the 1937 peak; gold production for 1938 was 2,895,640 oz., valued at \$101,915,564, as against 2,587,094 oz., valued at \$90,508,689 in 1937. Nickel production for 1938 was 210,576,454 lb., valued at \$53,914,865 and, for 1937, was 224,790,974 lb., valued at \$59,469,423. Copper production (metallic and in matte) of 324,490,585 lb. in 1938 was valued at \$31,947,218, as against 322,044,484 lb. in 1937, valued at \$40,417,754. The total production for 1938 in the metallic group was valued at \$199,419,338 and, for 1937, at \$204,843,193.

In the non-metallic group natural gas production for 1938 was 10,973,125 M. cu. ft., valued at \$6,583,875; and for 1937 it was 10,746,334 M. cu. ft., valued at \$6,588,798. Crude oil production for 1938 was 170,911 bbl., valued at \$355,667 and in 1937, it was 165,205 bbl., valued at \$356,358. The

total value of the non-metallic group in 1938 was \$10,123,441 and, in 1937, \$10,055,177. Structural materials produced in 1938 were valued at \$9,982,369 and, in 1937, at \$13,241,244. Clay products were \$1,895,869 in 1938 as against \$2,033,845 in 1937.

New mining companies incorporated in the Province during 1938 totalled 262. Of these 28 were "no par" value companies with 25,257,450 shares and the remainder represented nominal capital of \$297,390,000. This was somewhat below the record of 1937 when a total of 342 new companies were formed of which 312 companies represented a nominal capital totalling \$505,670,000. Dividends and bonuses paid by gold mining companies in Ontario for 1938 totalled \$32,321,929 as compared with \$35,444,678 for 1937; and by the nickel-copper industry, \$32,091,513 in 1938, as against \$35,749,206 in 1937.

### Lands and Forests, 1936-37 and 1937-38

Annual Reports of the Department of Lands of Forests (the Hon. Peter Heenan, Minister; and W. C. Cain, Deputy Minister) for the fiscal years ended Mar. 31, 1937 and 1938, showed a substantial increase in the revenues of the Department, mainly from timber operations. Revenues collected for the fiscal year, 1937-38, totalled \$4,458,438, as against \$3,655,288 for 1936-37. Expenditures were \$2,034,680 for 1937-38, and \$2,305,514 for 1936-37, the year of an unprecedented fire hazard. Of the total revenue for 1937-38, timber dues accounted for \$2,003,942 and of the 1936-37 total revenue, timber dues were \$1,372,280. Total revenue from timber operations in 1937-38 was \$3,501,447 and in 1936-37, \$2,809,980. Collections from the Provincial Land Tax in 1937-38 were \$234,942, an increase of approximately \$56,000 above 1936-37. Both 1936-37 and 1937-38 saw a continuance of a consistent decline in sales and grants of Crown land, noticeable since 1934. In the fiscal year 1937-38 there were 442 sales and 316 free grants as against 514 and 351 in 1936-37. The decline was attributed by the Report to strict control of pulpwood cuts and insistence that lands should be taken out for legitimate settlement and development. There were no placements in either of the two fiscal years, under the Dominion Relief Land Settlement Act. Of the 600 families placed between 1932 and 1935 the 1937-38 Report showed that 399 had remained and 200 had abandoned their holdings.

The total area under timber licence at Mar. 31, 1938, was 12,400 square miles, as against 12,733 square miles at Mar. 31, 1937. Bush operations for the year, 1937-38, employed 31,455 men in 727 camps owned by 319 operators. In 1936-37, there were 23,140 men employed in 557 camps under 227 operators. Export of pulpwood for the calendar year of 1937 was 512,597 cords valued at \$3,971,760 of which 242,372 cords were cut from Crown land. In 1936 the export was 340,331 cords (118,633 cords from Crown land), valued at \$2,671,863.

Ten major timber agreements were signed with pulp companies during the year, 1937-38. *Lake Sulphite Company Limited* agreement was signed on Mar. 3, 1937. It provided for a minimum cut of 250,000 cords a year in consideration of the construction of a \$6,000,000 mill near Nipigon. A second agreement was signed on July 24, 1937, extending 1926 concessions of the Nipigon Timber Corporation which had been acquired by the Lake Sulphite Company. The Lake Sulphite Company in return, agreed to extend *per diem* mill capacity from the original 200 tons to 225 tons. The plant was but partially completed when, owing to lack of sufficient capital, the Company went into Receivership. *The Abitibi Power and Paper Company Limited* agreement was executed on June 24, 1937. It was to provide

the Abitibi Power and Paper Company, Limited, with an opportunity of facilitating a reorganization. The Government considered it in the interests of the public that the Receivership occurring in September, 1932, should be extinguished and a new organization established. Although legal procedure was duly taken the plan for reorganization was not approved by the Supreme Court of Ontario, whose action was upheld by the Court of Appeal. Though certain suggestions had been made to bring about the desired end nothing of a decisive character resulted. The other eight agreements were as follows: *General Timber Company Limited*—signed on Mar. 31, 1937. It provided facilities for a cut of 50,000 cords a year in consideration of the construction of a 100-ton mill. A second agreement, Aug. 4, 1937, extended the lease areas in consideration of plans to construct a 150-ton per day chemical pulp mill. *Pulpwood Supply Company Limited*—signed on Mar. 31, 1937. It granted concessions in the Long Lac area in view of a projected Long Lac water diversion. *The Ontario Paper Company Limited*—signed on Apr. 1. It provided for a minimum cut of 160,000 cords a year to supply the Company's mill at Thorold, Ont. *Huron Forest Products Limited*—signed on Apr. 19. It provided for timber concessions in consideration of the construction of a pulp mill to cost \$2,500,000. *Soo Pulp Products Limited*—signed on Aug. 11. It disposed to this Company the old limits of the Transcontinental Development Company. The Company contemplated a \$5,000,000 mill. *English River Pulp and Paper Company*—concessions granted on Aug. 23, 1937, in consideration of a projected \$7,000,000 mill and rail development. *Vermilion Lake Pulp Limited*—concessions granted Aug. 23, 1937, in consideration of projected \$2,500,000 mill. *Western Pulp and Paper Company*—signed on Aug. 23, 1937. It disposed of the old North West Company limits.

The Forestry Branch of the Department reported a total of 1,453 fires during the calendar year, 1937, which had burned 224,746 acres. In 1936 there had been 2,264 fires destroying 1,264,433 acres. The average for the seven-year period was 1,769 fires and 513,256 acres. Lightning was the chief cause of forest fires, accounting for 78 per cent. in 1936 and 67 per cent. in 1937. An encouraging sign was the drop in fires started by campers. In 1937 the Department distributed 11,015,744 trees for permanent planting of which 6,969,112 were for reforestation and 1,390,955 for windbreaks. Highway plantings accounted for 53,650. In 1937 the distribution was 10,144,843, with 6,129,904 for reforestation and 1,188,879 for windbreaks.

### Game and Fisheries, 1936-37 and 1937-38

The Game and Fisheries Department (the Hon. H. C. Nixon, Minister; and D. J. Taylor, Deputy Minister) reported ordinary net revenues for the fiscal year ended Mar. 31, 1938, at \$866,558 and for 1936-37 at \$782,217. Both these amounts showed a substantial increase over previous years, a fact attributed largely to greater revenues derived from the sale of non-resident angling and hunting licences. In 1937-38 these licences contributed \$331,430, as compared with \$272,690 in 1936-37, and less than \$200,000 in the previous year. In this connection, the Annual Reports of the Department for both 1936-37 and 1937-38 stressed the importance of the Government activity in re-stocking Ontario lakes. Expenditures on fish hatcheries in 1937-38 were \$166,939 and in 1936-37, \$141,263. Total expenditures of the Department in 1937-38 were \$513,383, as compared with \$474,128 for 1936-37.

Commercial fishermen in Ontario derived from operations in 1937-38 the sum of \$2,644,163; and in 1936-37, \$2,614,748:



During 1937-38 more than 6,500 licenced trappers were operating in Ontario; they procured 557,876 pelts of an estimated value of \$966,552. The Government's share in royalties from this business was \$63,632. In 1936-37 the catch was 635,203 pelts valued at something over \$1,000,000. In both years muskrat predominated while closed seasons on beaver virtually eliminated this trade and resulted in substantial decreases in royalties.

There were 1,536 licences issued in 1937-38 to authorize fur farming operations. Of this number some 331 were new licences. Licences in operation showed a net increase of 188 over 1936-37. The 1937-38 Report drew attention to the fact that the stock of mink maintained on Ontario fur farms had increased from 8,605 to 21,982 in a period of only three years.

### **Public Works, 1936-37**

The Report of the Hon. Colin Campbell, Minister of Public Works, for the year ended Mar. 31, 1937 (latest Report in February, 1940) showed a total net expenditure of \$785,409, of which \$565,699 was ordinary and \$219,710 capital. The revenues for the same year amounted to \$14,266, of which \$7,283 was ordinary, and \$6,983 capital. During the year repairs were made to 60 bridges, while 71 new bridges were constructed. Capital programme in the engineering branch totalled \$49,042, and maintenance and repair work, \$19,412. A new residence building at the Training School for Girls at Galt, and a new residence and hospital at the Training School for Boys at Bowmanville constituted the major construction work of the Toronto branch. The capital programme for public buildings totalled \$170,668, while maintenance and repairs of buildings cost \$488,514.

### **Highways, 1936-37 and 1937-38**

The Report of the Department of Highways (the Hon. T. B. McQuesten, Minister; R. M. Smith, Deputy Minister) for the year ended Mar. 31, 1938, presented a picture of intense activity. Expenditures, which included for the first time those of the merged Department of Northern Development, soared to a peak of \$43,702,866. Department of Highways expenditures in 1936-37 were \$10,972,027 and for Northern Development, \$8,703,785, so that 1937-38 expenditures represented an actual increase of approximately \$24,000,000. Expenditures on Provincial highways increased from \$6,202,520 in 1936-37 to \$31,662,946 in 1937-38. Grants to counties were \$1,934,474 in 1936-37 and \$2,031,372 in 1937-38. Township grants in 1936-37 were \$1,819,231 and increased to \$2,289,499 in 1937-38. Secondary and trunk roads, which included the largest part of the northern development costs for 1937-38 accounted for \$5,252,160. Cost of administration and equipment increased by slightly more than \$1,000,000 from \$920,346 in 1936-37 to \$1,976,806 in 1937-38. Total revenues for 1937-38 were \$27,138,262 as against revenues for 1936-37 of \$28,175,418. Chief contributor in both years was the gasoline tax, \$17,650,580 in 1937-38 and \$15,761,876 in 1936-37. The increase in the gasoline tax, however, was offset by a drop in revenues from motor vehicle licences due to reductions announced in the 1937 Budget on commercial licences which was later extended to passenger vehicles. Motor vehicles in 1937-38 contributed \$8,767,689, as against \$10,916,491 in 1936-37. Road assessments totalled \$1,365,067 in 1936-37 and \$514,983 in 1937-38. During the fiscal year, 1937-38, 2,963.01 miles of road were absorbed in the Provincial system, making the total mileage of King's Highway at Mar. 31, 1938, 6,755.56 miles.

The Report of the Motor Vehicles branch for the calendar year of 1937 (latest Report available, February, 1940) showed registration of 541,802 passenger cars, 75,687 commercial vehicles, 1,847 convertible vehicles,

31,771 trailers and 4,582 motorcycles. Total registrations were almost 40,000 above the previous year. Drivers' licences issued in 1937 totalled 574,300 and chauffeurs' licences, 228,465. There were 97,286 instruction permits issued. The Accident recording division reported 13,906 accidents involving personal injury or property damage in excess of \$50. Resulting from these was a toll of 766 deaths, 12,092 persons injured, and damage loss to vehicles and other property amounting to \$1,712,467. This toll for 1937 represented an increase of 22.1 per cent. over 1936 for all accidents, 36.9 per cent. in fatalities, 14.7 per cent. in personal injury and 38.4 per cent. in property damage. Collisions of two motor vehicles accounted for 5,782 accidents; hitting of pedestrians, 3,749; collisions with bicycles, 1,285; and collisions with fixed objects, 1,269.

The last separate Report of the Department of Northern Development for the year ended Mar. 31, 1937, showed a total of \$6,422,606 as the Province's contribution to road projects in the North for unemployment relief. Of this, \$3,226,827 went to Trans-Canada construction, including the Schreiber to White River, and Schreiber to Fort William and English River sections (See Public Accounts Committee, Legislative Session, 1937). Mining roads on a dollar-for-dollar basis with the Dominion Government accounted for \$515,710, special highway projects, \$944,952 and general unemployment relief work, \$1,675,117.

### Labour, 1936-37 and 1937-38

The Report of the Department of Labour (the Hon. N. O. Hipel, Minister; and J. F. Marsh, Deputy Minister) for the year ended Mar. 31, 1938, the first under the *régime* of the Hon. N. O. Hipel, recorded a decided improvement in industrial conditions in Ontario. Calculations made from reports of trade union bodies in the Province showed the average percentage of unemployment at 8.4 per cent. as compared with 11.4 per cent. in 1937. Value of building permits for the fiscal year totalled \$25,531,628, an increase of 10.7 per cent. over 1936-37. In addition to new activity in the construction industry, gains were recorded in the mining and logging industries while manufacturing generally was active, especially in the iron and steel field.

Important changes in Department administration resulted in 1936-37 from new legislation which abolished the Minimum Wages Board, the Industrial Standards Board and the Apprenticeship Board and created the Industry and Labour Board to centralize these activities. A decrease of nine in the number of prosecutions and of 210 in the number of complaints was reported under the Minimum Wage Act in 1936-37. As a result of an Inquiry, one of the first activities of the Industry and Labour Board, a minimum wage of \$16 a week for men and \$12.50 a week for women in the textile industry was established on Mar. 1, 1938. At Mar. 31, 1937, 39 schedules were in force under the Industrial Standards Act. During the fiscal year, 1937-38, this number was raised to 56. Registration of apprentices during 1937-38 totalled 665, as compared with 310 during 1936-37. This was, in part, the result of greater activity under the Dominion-Provincial Youth Training Programme brought under the Department of Labour in September, 1937. During the ensuing six months the programme in Ontario resulted in 1,474 placements, including 638 learners absorbed by industrial employers.

The Ontario Employment Service reported 143,462 placements in the fiscal year 1937-38, as compared with 119,120 in 1936-37. In 1936-37, it was

reported that 58 per cent. of the placements were for work of a regular nature in private industry. In 1937-38 this had grown to 70 per cent.

The Workmen's Compensation Board which passed in October, 1937, from the Attorney-General's Department to the Department of Labour, reported a decrease in accidents handled from 70,582 for the year ended Dec. 31, 1937, to 59,834 for 1938. Total benefits awarded in 1938 amounted to \$6,464,261, as compared with \$6,129,960 in 1937. The average weekly wage used as a basis for compensation was \$18.82 for the calendar year, 1936, and \$19.97 for the calendar year, 1937. The average rate of assessment on companies under Schedule 1 of the Workmen's Compensation Act was \$1.31 per \$100 of payroll and in 1937, \$1.39. The total number of employers listed under Schedule 1 was 24,144 at the end of 1938, as compared with 23,871 at the end of 1937. Provisional surplus of the Board at Dec. 31, 1938, was \$2,621,717, as against \$3,634,789 at the end of 1937. Refunds of \$1,466,437 were made to employers during the year because of cancellation of the differential rating plan which had been found unsatisfactory.

### Health and Hospitals, 1937 and 1938

The Report of the Department of Health (the Hon. Harold J. Kirby, Minister; and Dr. B. T. McGhie, Deputy Minister) covering the calendar year 1938 drew special attention to the activities of the Department resulting from legislation of the 1938 Session of the Legislature, which provided for compulsory pasteurization of milk and for the assumption by the Province of the cost of sanatorium treatment of all tubercular patients unable to pay. Under the new pasteurization law a long list of regulations for construction and inspection of plants was prepared and made effective by Order-in-Council of June 24, 1938. The legislation was made to include all urban municipalities of 1,000 or more population and all suburban areas adjacent to large centres. It was made effective, Oct. 1, 1938. Proportion of the cost of venereal disease treatments borne by the municipalities was reduced to 25 per cent.

The Report for the calendar year, 1937, made special reference to the disastrous epidemic of poliomyelitis in that year. Activities of the Department were concentrated on two phases of the battle against this disease, consultation and advice in the affected areas and free distribution of splints, hospital treatment and advice of orthopaedic surgeons in an attempt to lessen permanent crippling. The epidemic resulted in 109 deaths out of the 2,544 cases reported in the Province.

The 1938 Report recorded 160 cases of poliomyelitis and 18 deaths which was slightly under the average. There were six cases of smallpox in the Province in 1938, the first reported since 1935. None was fatal. Scarlet fever cases numbered 5,359, with 35 deaths, as compared with 5,581 and 27 deaths in 1937. Diphtheria cases showed a drop from 506 in 1937 to 234 in 1938, with only six fatal cases against 29. Measles cases, 15,809 in 1937 were 16,606 in 1938, both years showing a substantial reduction from the epidemic figures of 1936. Typhoid Fever resulted in 31 deaths in 1938 and 17 in 1937. Deaths from tuberculosis decreased from 525 in 1937 to 505 in 1938. There were 88 cases of spinal meningitis in 1938, with 22 deaths; and 67 cases with 27 deaths in 1937. Influenza was kept well under control in 1938. The 1937 record was 13,380 cases with 185 deaths. In 1938 there were 943 cases and 31 deaths. Pneumonia took its consistent toll with 2,585 deaths in 1937 and 2,185 deaths in 1938. An increase was noted in venereal diseases in 1938 with 48 deaths as compared with 24 in 1937. No fatal cases were reported in 1938 for chicken pox, German measles, mumps, undulant fever or para-



typhoid. In 1937 there were two deaths from paratyphoid and one from chicken pox. Septic sore throat cases were fewer in 1938 with six fatalities against 12 in 1937. There were no municipal outbreaks caused by water or milk during the year 1938 and a reduction of 21.5 per cent. in the total number of communicable diseases was shown in 1938 as against 1937. Infectious jaundice reached epidemic proportions in 1938 with 701 cases reported, as compared with 89 in 1937. There were no fatal cases but loss of school attendance was marked. Epidemiological investigations were launched and were not completed by the end of the year.

The Hospital Division of the Department of Health stated that at the close of the fiscal year, Mar. 31, 1938, there were 13,574 patients in residence at the 12 Ontario Mental Hospitals, an increase of 555 during the year. In addition to these there were 482 patients under supervision in boarding homes and 680 on probation. During 1937-38 a total of 2,004 patients were discharged of whom 548 were classified as "recovered" and 826 "improved". Deaths during the year totalled 818 for all institutions, 24.5 per cent. of new admissions. The rate of discharges was 60.1 per cent. of new admissions. The 1937-38 Report made reference to experiments in insulin shock therapy. The first injection had been given to 34 patients. The Deputy Minister, Dr. B. T. McGhie, comments: "While insulin may not be specific in its action, observations so far suggest that under this treatment patients become more accessible and thus more responsive to other forms of psychiatric treatment."

Reports of the Department of Health upon public and private hospitals and sanatoria for the years ended Sept. 30, 1937 and 1938, showed total numbers treated during the latter year as 285,798 as against 282,665 in 1936-37. The 1937-38 Report, however, omitted patients treated at sanatoria for consumptives who in 1937 numbered 6,006. Comparative figures for the two years are: public hospitals, 274,590 in 1938 and 267,263 in 1937; Red Cross outposts, 8,145 and 7,140; hospitals for incurables, 1,556 and 1,558; convalescent hospitals, 1,237 and 698. *Per capita* operating expenses in 1938 were \$3.24, as compared with \$3.42 for 1937. This was accomplished despite an increase in staffs from 10,627 to 11,570. The total operating revenue of Ontario's 117 public hospitals amounted to \$11,548,046, a slight increase over 1937. Of this \$7,486,071 was contributed by paying patients, \$2,820,321 from municipal grants, \$1,176,371 from Provincial maintenance grants and \$65,281 from Provincial grants for clinics and radio therapy.

### The Registrar-General: Vital Statistics

The 68th Annual Report of the Registrar-General, the Hon. H. C. Nixon, covering the year ended Dec. 31, 1937, recorded 61,645 living births. This was at the rate of 16.6 per thousand of population. Of these, 31,655 were boys and 29,990 girls. The rate for illegitimate births during 1937 was 45.3 per thousand living births, as compared with 44.6 in 1936. The rural population was increased by 25,051; town population by 4,164; and cities by 32,430. Deaths recorded in the Province totalled 38,475, or a ratio of 10.4 per thousand of population. Of these, 19,298 occurred in cities; 2,419 in towns; and 16,758 in rural areas. Leading causes of death during the year were: organic heart disease, pneumonia, influenza, tuberculosis, cancer, violent or accidental deaths, cerebral hemorrhage, cerebral embolism and thrombosis, diseases of the arteries, infantile diarrhoea, nephritis, diabetes. There were 366 suicides during 1937, or a rate of 9.8 per 100,000 of population. Of these, 271 were males and 95 females. Marriages in 1937 totalled 29,893, or a ratio of 8.1 per thousand of population. A total of 607 divorce

returns were filed with the Registrar-General, and 209 divorces granted, 111 to men, and 98 to women.

### **Public Welfare, 1936-37 and 1937-38**

The Seventh Annual Report of the Department of Public Welfare under the Hon. Eric Cross showed total ordinary expenditures for the year ended Mar. 31, 1938, of \$18,590,478, more than one-half of which (\$9,959,710) was accounted for by unemployment relief. The Report for the previous year, 1936-37, had recorded another increase in the number receiving Old Age Pensions which then stood at 55,950. By Mar. 31, 1938, this had been increased by 1,580 to 57,530. Pensions for the blind were inaugurated during 1937-38 and 683 applications were granted in the seven-month period reported. A total of \$3,082,105 was contributed by the Province to the total of \$12,535,669 distributed to blind and aged persons. This compared with \$1,882,713 and \$11,928,808, respectively, for 1937. The increase in Provincial contribution resulted from the assumption by the Province of municipal costs.

More than 13,000 families benefited during the year, 1937-38, from Mothers' Allowances, a net increase during the year of 4.21 per cent. Here again the Province had assumed municipal contributions with the result that expenditure jumped from \$2,477,971 in 1936-37 to \$4,851,641 in 1937-38.

Children's Aid Societies, operating under the supervision of the Department, had 10,745 children under their direct care while cases during the fiscal year, 1937-38, involved 23,175 children. Legal adoptions during 1937-38 showed a slight increase, the total being 818. Cases dealt with under the Unmarried Parents Act numbered 2,401 in 1937-38 as against 2,203 in 1936-37.

The Gross cost of unemployment relief was 25 per cent. less in 1937-38 than in 1936-37. The monthly average for those receiving direct relief was 221,387, as compared with 317,793 in 1936-37. Total cost was \$21,056,441 in 1937-38 and \$28,139,889 in 1936-37. Provincial and Federal contributions were made to 673 of the 902 organized municipalities in the Province.

### **Loan Corporations, 1937 and 1938**

The Registrar of Loan Corporations (H. D. McNairn) reported to the Hon. Gordon D. Conant, K.C., Minister in charge of the Department of Insurance, for the years ended Dec. 31, 1937 and 1938. The Reports showed that total assets of Loan corporations at the end of the calendar year, 1937, were \$208,500,000 and for the year 1938, they were \$202,305,775. Total debentures outstanding in 1937 amounted to \$103,972,000, of which \$76,155,000 were payable in Canada and \$27,817,000 elsewhere; the figures for 1938 were: \$102,034,000, \$74,850,000, and \$27,184,000. Trust deposits amounted in 1937 to \$32,606,000; and in 1938 to \$33,589,000.

Total assets of Trust companies (exclusive of those held for estates, trusts, and agencies) amounted to \$205,286,708 at Dec. 31, 1937; and to \$205,831,000 at Dec. 31, 1938—an increase of over 300 per cent. in 24 years. Total assets of estates, trusts and agencies as at Dec. 31, 1937, were \$2,363,500,000; and as at Dec. 31, 1938, \$2,369,655,193.

Mortgages held by Loan corporations in Ontario and elsewhere at Dec. 31, 1937, amounted to \$147,600,000 and interest due and unpaid was \$3,200,000; at Dec. 31, 1938, mortgages amounted to \$147,400,000, and interest due and unpaid was the same as in the previous year, \$32,000,000. Mortgages held by Trust companies at Dec. 31, 1937, totalled \$82,459,000, with

interest due and unpaid of \$3,900,000; at Dec. 31, 1938, the total was \$86,000,000 with interest due and unpaid of \$4,000,000. Western mortgages held by Loan corporations were 36 per cent. of their total mortgages; and those held by Trust companies were 31 per cent. of their total holdings.

Real estate held for sale by Loan corporations in 1937 was valued at \$11,121,891 and, in 1938, at \$11,333,700. Similar holdings of Trust companies in 1937 totalled \$8,895,000; and in 1938, totalled \$9,278,000. Collateral loans of both Loan and Trust corporations totalled \$30,590,000 in 1937 and \$27,090,000 in 1938.

Bonds and Debentures held by Loan corporations in 1938 totalled \$21,437,000 and, by Trust companies, \$57,352,000, a total for both Loan and Trust corporations of \$78,789,000 which represented an increase in the year of \$5,600,000. Holdings of Trust companies increased in Company Funds by \$2,000,000 and in Guaranteed Funds by \$3,700,000, while holdings of Loan corporations decreased by some \$100,000. Bonds held by Loan corporations did not increase to any extent during the years 1928-1938 inclusive, although, owing to a decrease in the assets of such companies, the percentage of bonds held to total assets increased from 8.82 per cent. in 1928 to 10.6 per cent. in 1938. Bonds held by Trust companies, however, showed a steady increase during 1928-1938; in 1928 the total was \$27,943,000 and in 1938 it was \$57,352,000.

The paid-up capital of Loan corporations in 1938 was \$33,700,000; and the reserve fund, \$18,800,000. The paid-up capital of Trust companies in 1938 was \$28,000,000, with a reserve fund of \$15,000,000. Net profits of Loan corporations (excluding transfers to and from Investment Reserves) amounted to \$3,136,000 in 1937 and \$3,263,000 in 1938. Trust companies' net profits on the same basis were \$3,061,000 in 1937 and \$2,772,000 in 1938. Dividends declared in 1938 by Loan corporations amounted to \$2,026,000—3.7 per cent. of the shareholders' equity. Dividends declared by Trust companies were \$1,848,000 in 1938—4 per cent. of the shareholders' equity.

## Municipal Affairs, 1937

The Report of the Minister of Municipal Affairs, covering the year ended Dec. 31, 1937, showed the total debt of all Ontario municipalities as \$425,744,206. Tax levies for all Ontario municipalities for general and school purposes totalled \$116,505,000, or a *per capita* tax of \$34.52.

The report of the position of sinking fund investments showed that 27 cities in the Province had a total investment of \$55,811,846, as against actuarial requirements of \$53,872,767. Payments in 1937 totalled \$2,334,751, as against requirements of \$9,973,992. Twenty-nine towns with sinking funds had investments with a book value totalling \$1,732,839, as against actuarial requirements of \$1,539,476. Payments to sinking fund for 1937 totalled \$62,588, as against requirements of \$67,228.

Important progress was reported in the re-establishment of municipalities which had defaulted in payment of their debentures and other obligations. These supervised municipalities in 1937 totalled 34. Refunding plans had been completed in the cities of Niagara Falls, Sudbury, and Windsor; the towns of Leamington and Leaside; and the townships of Calvert, Etobicoke, and North York. Refunding plans were pending in the towns of Fort Erie, Kingsville, Midland, Mimico, New Toronto, Pembroke, Riverside, Trenton, and Weston; and the townships of Sandwich East and Sandwich West. Refunding plans were under preliminary consideration in the towns of Blind River, Eastview, Essex, Hawkesbury, La Salle, Pene-



tanguishene, Rockland, Sturgeon Falls, Tecumseh, and Thorold; the townships of Dysart *et al.*, East York, Scarborough, and York; and the village of Long Branch.

### **The Municipal Board, 1937 and 1938**

The Thirty-Second and Thirty-Third Reports of the Ontario Municipal Board, under the Hon. Eric Cross recorded consideration of 1,144 applications during the calendar year of 1937 and 1,322 for 1938. During 1937 there were 118 public hearings, among them the protests over the proposed Windsor refunding scheme of 1936. The matter was finally disposed of by an Amendment to the 1936 judgment to allow revision of the mandatory interest rates instead of postponing such action until 1940. Mandatory rates, so far as income was concerned were reduced on all classes of debentures from 5 to 4½ per cent. There were 205 public hearings in 1938.

In 1937 and 1938 no applications were filed for an Order of the Board to place the financial affairs of a municipality under the supervision of the Department of Municipal Affairs. The plan for funding and refunding the debts of the amalgamated municipalities of East Windsor, Walkerville, Windsor and Sandwich (now City of Windsor) was heard at length by the Board during 1937 and disposed of, pursuant to "The Department of Municipal Affairs Act." In 1938 the Board considered and approved the plan of funding and refunding the bonded indebtedness of the following supervised municipalities: Towns of Kingsville, Leamington, Midland, New Toronto, Pembroke (also Board of Trustees of Roman Catholic Schools) and Weston and the Essex Border Utilities Commission.

Applications totalling 501 for undertakings of capital expenditure involving an amount of \$15,440,254 were considered in 1937. In 1938 applications involving an amount of \$10,568,955 were considered and approval refused in respect to approximately \$2,000,000 thereof.

In 1937 the Board approved the funding of a portion of Direct Relief costs by ten municipalities; five of these issued debentures in the same year in a total of \$1,085,384. In 1938 three applications for small amounts were approved out of five received.

### **The Hydro-Electric Power Commission, 1937 and 1938**

The Thirtieth Annual Report of the Hydro-Electric Power Commission, covering the fiscal year ended Oct. 31, 1937, was signed by T. H. Hogg, Chairman (and Chief Engineer). The total operating revenues for 1937, excluding Northern Ontario Properties, were \$31,225,988. Total expenditures, including provision for reserves of \$8,266,816, were \$30,793,166, leaving a net balance to the credit of municipalities under cost contracts, of \$432,823. The operating results of the Northern Ontario Properties were: revenue, \$2,967,796; current expenses, \$1,814,121; provision for reserves, \$1,231,542; and deficiency after sinking fund appropriation of \$77,867.

The Thirty-first Annual Report, covering the fiscal year ended Oct. 31, 1938, and the operating year ended Dec. 31, 1938, was signed by the new Chairman, Dr. T. H. Hogg. It bore also the names of the other new Commissioners: the Hon. W. L. Houck and Mr. J. A. Smith. The Report showed total operating revenues of \$30,620,707, excluding Northern Ontario Properties; total expenses, including provision for reserves of \$5,885,145, of \$30,650,876, leaving an adverse balance of \$30,168. Operating results of Northern Ontario Properties (held and operated by the Commission in trust for the Province of Ontario) reported a surplus of \$108,418 for the fiscal year 1937-38.

During the fiscal year 1937-38 there was an increase of \$2,000,000 in the cost of purchased power from the Quebec contracts settlement. This, the Report of the Commission stated, had been foreseen when the Agreements were revised. "Notwithstanding this increase in Niagara system expenses," the Report continued, "the Commission was able to set up the full sinking fund requirement, and normal depreciation after meeting all operating, maintenance and interest expenses."

The capital investment of the Hydro-Electric Commission at Oct. 31, 1938 was \$436,821,576. Capital additions during the year amounted to \$10,876,458, as compared with \$8,041,000 in 1937.

Throughout the two fiscal years operating conditions were unusually favourable with the exception of the plants on the Niagara River which had been severely affected by an unprecedented ice jam in the lower river in January, 1938. The Ontario Power plant was flooded with water and ice and completely put out of commission. The output of the Queenston plant at times was curtailed due to high tail water. The condition was relieved about the middle of March.

The growth in the distribution of power to rural power districts continued during the two years. The peak of rural demand, which occurred in August, was 15 per cent. higher in 1938 than the corresponding load of 1937. The total load in December, 1938, for all co-operative systems and the Northern Ontario Properties, including both primary and secondary loads, reached 1,954,083 horse power, the highest ever carried by the systems of the Commission, and 9.0 per cent. above the December peak of 1937.

The Commission's primary peak load (*i.e.*, the sum of all system primary peak loads) was 1,468,226 horse power during the year 1936-37 and 1,533,174 horse power during the year ended Oct. 31, 1938—an increase of 65,000 horse power or 4.4 per cent. over the year 1936-37. Although the increase in energy for primary consumption was insignificant during 1937-38, a survey of the monthly peak loads showed an improvement in load conditions toward the Autumn which continued to gain ground through November and December, 1938, the December primary peak load being 5 per cent. greater than that of December, 1937. The following table gives a comparative statement of power generated and purchased during the two years under review:

	1937 Horse Power	1938 Horse Power
Power purchased contract amount .....	372,475	540,005
Maximum normal plant capacity .....	1,443,700	1,519,400
Total available capacity generated and purchased..	1,816,175	2,059,405
	Kilowatt-hours	Kilowatt-hours
Total Energy purchased .....	1,513,516,252	2,114,914,807
Total Energy generated .....	6,237,058,004	5,467,157,766
Total Energy generated and purchased .....	7,750,574,256	7,582,072,573

The capital programme in 1937-38 included completion of the Ragged Rapids development on the Musquash River, increasing generating capacity by 10,000 h.p., and a water storage project to augment the low water flow at the Abitibi Canyon which increased dependable capacity by 40,000 h.p. A new 9,000-k-v-a transformer station was installed for Thunder Bay system, new transformer and distributing stations were built to take care of the increased load in Northern Ontario and 135 route miles of high voltage transmission lines were added to the systems.

Rural primary power lines constructed in 1938 totalled 2,660 miles and served 14,000 additional customers. Additions in 1937 totalled 2,300 miles.

Surveys for additional power development projects were made during 1938 in various areas of Northern Ontario. On behalf of the Province the Commission completed the dams and other hydraulic works in connection with the Long Lac development scheme. This scheme comprised a dam north of Long Lac on the Kenogami River, a tributary of the Albany River, and a control dam and diversion channel south of Long Lac. The immediate function of the work was to make possible the economical transportation to Lake Superior of pulpwood from an area tributary to Long Lac and the Kenogami River. If it were desirable later, the Report of the Commission stated, these works would permit the diversion of water from this watershed to Lake Superior. This diversion, however, the Report continued, would require international agreement.

Municipal electrical utilities under the supervision of the Commission in nearly 300 centres reported, for the calendar year 1938 a surplus of \$1,045,368 as against \$1,460,057 in 1937. Total revenues were \$33,981,832 as compared with \$34,165,476 in 1937. Cost of power and provision for sinking fund and reserves amounted to \$32,936,464 in 1938 and \$32,705,419 in 1937. Reserves of the Commission at Oct. 31, 1938, were \$114,601,575. Reserves and surplus of Municipal Electrical utilities were \$85,501,806.

Reviewing the new contracts for the purchase of power, the Report of the Commission for the year 1937-38 stated that in November and December, 1937, a determined effort had been made to bring to a satisfactory settlement the disputes with the Quebec power companies respecting the purchase of supplementary power supplies. "As a result of discussion and negotiations," the Report stated, "new agreements were entered into with Gatineau Power Company, Maclaren-Quebec Power Company, and The Beauharnois Light, Heat and Power Company which, it is believed, are fair to the companies and satisfactory to the Commission. The termination of the unprofitable litigation was to both parties a major gain, effected by the new contracts. In addition, the companies ended the uncertainty with respect to a market for their power, but, recognizing the changed conditions resulting from the long economic depression, agreed to a reduction in the price for power, and to a modification of certain other terms of the contracts."

Continuing, the Report stated that during the year 1937-38 "the supplies of purchased power gave the Commission valuable and readily available power reserves. The necessity for such reserves was brought forcibly to attention by the terrific ice jam in the Niagara River, which, early in 1938, brought down the Falls View bridge, flooded the Ontario Power plant and disabled it for months, while at the same time the output of the Commission's other Niagara River generating stations was curtailed, so that the maximum simultaneous loss to the Commission in generating capacity approximated 255,000 horse power. The settlement with the Quebec power companies was desirable and necessary, and, all things considered, the terms were favourable to the Commission." The following tabulation summarizes the power supplies arranged for under the new agreements.

*Gatineau Power Company and Gatineau Transmission Company:* 25-cycle Power Contract. Maximum supply 260,000 horse power, to be supplied as follows—Dec. 1, 1937, 165,000 horse power; Nov. 1, 1938, 200,000 horse power; Nov. 1, 1939 to Nov. 30, 1970, 260,000 horse power.

*Beauharnois Light, Heat and Power Company and Coteau Rapids Transmission Company, Limited:* Maximum supply 250,000 horse power, to be supplied as follows—Dec. 14, 1937, 125,000 horse power; Nov. 1, 1938,



150,000 horse power; Nov. 1, 1941, 200,000 horse power; Nov. 1, 1942, 225,000 horse power; Nov. 1, 1943 to Nov. 1, 1976, 250,000 horse power.

*Ottawa Valley Power Company*: This contract for 96,000 horse power was unchanged.

*Maclaren-Quebec Power Company and The James Maclaren Company, Limited*: Maximum supply 100,000 horse power to be supplied as follows—Dec. 14, 1937, 40,000 horse power; Nov. 1, 1938, 60,000 horse power; Nov. 1, 1940, 80,000 horse power; Nov. 1, 1944 to Oct. 31, 1970, 100,000 horse power.

*Gatineau Power Company and Gatineau Transmission Company*: 60-cycle power contract. Maximum supply 60,000 horse power as follows—Dec. 1, 1937, 42,000 horse power; Oct. 1, 1938 to Nov. 30, 1970, 60,000 horse power.

The Eastern Ontario system took delivery of the last block of 60-cycle power available under the Gatineau contract, namely, 18,000 horse power, on Oct. 1, 1938, and this power would take care of the 1939 increase in load and act as a reserve for the system.

## Liquor Control Board of Ontario

Sales of spirits, beer and wine in Ontario during the fiscal year ended Mar. 31, 1938, totalled \$51,005,668, an increase of 10.6 per cent. over 1936-37 according to the Report presented to the Prime Minister by the Chief Commissioner of the Liquor Control Board, E. G. Odette. The total reported for 1936-37 was \$46,109,900. The total sale of spirits, beer and wine from liquor stores in 1937-38 was \$22,830,002, and \$20,733,367 in 1936-37. Sales of domestic spirits from liquor stores were valued at \$13,825,094 in 1937-38 and \$12,266,537 in 1936-37; sales of imported spirits from liquor stores totalled \$5,690,553 in 1937-38 and \$5,183,489 in 1936-37. Domestic wines sold from liquor stores in 1937-38 were valued at \$1,470,894, as against \$1,445,688 in 1936-37. Imported wine sales were \$621,414 in 1937-38 and \$644,276 in 1936-37. Beer sales from liquor stores in 1937-38 were \$1,136,143 (domestic) and \$85,901 (imported) and, in 1936-37, \$1,114,811 (domestic) and \$78,563 (imported). Brewery and brewery warehouse sales (domestic) in 1937-38 were \$26,289,136 and, in 1936-37, \$23,715,895. Winery sales of \$1,886,530 in 1937-38 and \$1,660,637 in 1936-37.

The total net profit of the Board for 1937-38 was \$9,893,587, as compared with \$8,960,600 in 1936-37. Of these totals trading profits in 1937-38 and 1936-37 were, respectively, \$6,515,053 and \$5,869,206.

From accumulated and current profits the Board remitted to the Provincial Treasurer, \$10,500,000 in 1937-38 and \$10,000,000 in 1936-37.

On Mar. 31, 1938, there were 126 liquor stores in operation in the Province—no increase had occurred during the year. There were 1,147 hotels holding authorities to sell beer and wine; this was an increase of 4 during the year. Club authorities increased from 218 in 1936-37 to 233 in 1937-38. Military mess authorities were reduced from 129 to 119. Payments to municipalities of 20 per cent. of the fees from hotel authorities issued in their localities amounted, in 1937-38, to \$194,524 and, in 1936-37, to \$174,957.

## Miscellaneous Reports

In his Reports to the Provincial Secretary (the Hon. H. C. Nixon) covering the years ended Mar. 31, 1937 and 1938, C. F. Neelands, Deputy Provincial Secretary, stressed the increase in the number of prisoners in

recent years, "an increase out of all proportion to the increase in total population in Ontario." The increase in commitments was mainly in crimes against "Order" and "Peace" and against "Property." Commitments for the fiscal year, 1937-38, were 30,345, as compared to 27,592 for 1936-37 and 24,053 for 1935-36. The total population of reformatories and industrial farms in the fiscal year, 1937-38, was 6,652, as compared with 6,194 for 1936-37. In spite of this large increase, however, the Report for 1937-38 noted that repeaters dropped from 48.6 per cent. in 1936-37 to 45.3 per cent. in 1937-38. During 1937-38, 13 prisoners escaped and were not recaptured and in 1936-37, four escaped. Of the 4,787 prisoners discharged in 1937-38, 3,665 had completed their sentences and 757 were paroled. Of the 4,320 discharged in 1936-37, 3,008 completed sentences and 830 were paroled. Attendance at industrial and training schools in 1938 was: 415 boys and 122 girls and in 1937 the attendance was: 388 boys and 105 girls.

An increase in the 1937-38 operating expenses of \$414,807 over those of 1936-37 reduced the net profit of the Temiskaming and Northern Ontario Railway from \$1,369,763 for the year ended Mar. 31, 1937, to \$1,208,256 for the fiscal year 1937-38, according to the Report submitted by the Commission Chairman, Malcolm Lang.

The Reports of the Ontario Research Foundation for the calendar years 1937 and 1938 recorded 645 investigations undertaken for 244 industrial firms, as compared with 549 investigations in 1937 for 190 firms.

Inspection of motion picture films during the fiscal year ended Mar. 31, 1938, resulted in only four rejections, three films from the United States and one from Russia. Alterations were made in 478 of the 2,474 films considered. For the fiscal year ended Mar. 31, 1937, the Board reported three rejections and 369 alterations in the 2,107 films submitted. There were 127 British films submitted during 1937 in 31 of which alterations were made. During 1938 only 77 films were submitted, in 38 of which alterations were made. The British producer, the Board stated in its 1938 Report, "appears to show less inclination to adapt himself to American customs or he prefers to accept the continental attitude." The Board noted an awakening among producers to the consciousness that their best box office interests were served by wholesome film fare. On Jan. 10, 1938, the Board of Motion Picture Censors and the Amusements Revenue Branch of the Treasury Department were amalgamated into one department known as the Motion Picture Censorship and Theatre Inspection Branch, resulting in an annual saving of \$10,000. Thirteen new theatres were built throughout the Province during 1937-38, five of them in Toronto. Theatre licences issued for 1937-38 were 354, as compared with 329 for 1936-37. Public Hall licences dropped from 3,344 in 1936-37 to 2,921 in 1937-38. Travelling shows in 1936-37 numbered 326 and only 156 in 1937-38.

### Miscellaneous Incidents of 1937 and 1938

Floods occurring in the Thames and Grand Valleys of Western Ontario in the Spring of 1937, drove 10,000 people from their homes and resulted in property damage, estimated by The Canadian Press, at more than \$4,000,000. After days of heavy rain the two main rivers had overflowed their banks, bringing damage and suffering to twelve centres of population. Loss of life was surprisingly small; two people were killed and two others were drowned. On Apr. 26, the washout of a section of the Canadian National Railway track near Beachville sent the engine and one car of the Chicago-Montreal flyer hurtling down an embankment. The engineer and fireman were killed. Passengers escaped with minor injuries. Dr. J. H. MacDonald,

Medical Health officer of Ingersoll, was drowned in an effort to reach the scene when a bridge wash-out carried his car into the turbulent river. In the city of London 6,000 were evacuated from their homes, many of which were wrecked as the Thames River swept over its banks. With the artesian water supply of the City flooded, a water famine ensued and only the efficient work of the City's health department averted a typhoid epidemic. The village of Thamesville, at one time under eight feet of water, was completely isolated and virtually without food. The Canadian Red Cross Society answered the emergency call and enlisted doctors and nurses throughout the Province. After four days the waters receded and rehabilitation work was started. A Red Cross Rehabilitation Committee was established under the chairmanship of T. Gordon Thompson and a drive for \$250,000 met a ready response from all sections of Canada. The Spring of 1938 threatened a recurrence of the disaster and again families in London were forced from their homes. Little damage was done, however, and the waters subsided in a comparatively short time.

The Hepburn Amendment to the Assessment Act of 1936 granting Separate Schools a larger share of Corporation taxes led to a test case in the Ontario courts. It was brought by John Dillon, Toronto Separate School Assessment Commissioner and Fred L. Dolson, Toronto Board of Education Assessment Reviser. Appeal was taken to the Ontario Court of Appeals from 23 cases where the regularity of company assessments had been questioned. Chief Justice N. W. Rowell in his judgment of Jan. 11, 1937 upheld the right given to Roman Catholic Separate School supporters under Amendments to the Ontario Assessment Act to have their interest in corporations assessed for Separate School support. He found no obligation on the part of companies to investigate the religious complexion of their shareholders.

The announcement of the inauguration of Ontario's first health insurance project was made on Feb. 25, 1937. The scheme, sponsored by the Ontario Medical Association and given impetus by the active support of the Hon. Herbert Bruce, M.D., F.R.C.S., Lieutenant-Governor of the Province, was designed to be self-supporting. Incorporated as *Ontario Medical Services Inc.*, it offered complete service, including hospital care and operation costs at a rate which, for a family of four, amounts to \$6.50 a month. Though its first year of operation was difficult, the organization established itself on a permanent basis.

The prosecution of Miss Dorothea Palmer, Ottawa social worker and part-time employee of the Parents' Information Bureau of Kitchener, on a charge of advertising birth control information and contraceptives, occurred in the Spring of 1937. Crown Attorney Raoul Mercier prosecuted the case under Section 207 of the Criminal Code dealing with the distribution of obscene literature. F. W. Wegenast, Defence Counsel, described it as an attempt to put the canon law of the Church above the state law and declared that public opinion would no longer tolerate suppression of birth control information. The case was heard in the Village of Eastview by Magistrate Lester Clayton, who acquitted Miss Palmer under the "escape" clause of the Section on the ground that she performed the actions "in the public good and without excess."

To mark their third birthday Ontario's famous quintuplets gave their first broadcast on May 28, 1937, over an international network. The year also marked publication for the first time of a financial statement showing the fortune which had been accumulated by the Province on their behalf. This amounted to \$765,181 made up from motion pictures, news photo-



graphs and advertising. The period covered was from July, 1934 to January, 1937. The largest contract was for \$300,000 with Twentieth Century-Fox Films for three feature pictures. Of a total expenditure of \$95,996, expenditure on buildings at Callander accounted for \$57,654. Dr. A. R. Dafeo, the children's physician, received professional fees of \$200 a month after May, 1935, in addition to an expense account of \$537. The Ontario Legislature in 1937 passed a Statute transferring the guardianship of the quintuplets from the Minister of Public Welfare to the official guardian, Percy D. Wilson. One of the first actions taken by Mr. Wilson at the request, it was believed, of Dr. Dafeo, was an investigation of the guardianship, an investigation which was conducted with the utmost privacy. At the time of the legislation the father, Oliva Dionne, had given a statement to the newspapers expressing his satisfaction and appreciation of the Government's guardianship. It came as something of a surprise, therefore, when in April, 1938, he made formal application, through his legal representative, Henri St. Jacques of Ottawa, for a judicial inquiry into the guardians' management. Dr. Dafeo interpreted the action as an attempt by outside interests, working through the father, to get control of the affairs of the quintuplets (Canadian Press dispatch, Apr. 22). The Attorney-General, Mr. Conant, delayed action on the application until he had studied the findings of Mr. Wilson. On Apr. 28, the Provincial Prime Minister (Mr. Hepburn) announced that there would be no investigation and no change in the guardianship. At the same time, Mr. Conant announced that the education of the "quints" would be undertaken under the bilingual section of the Department of Education. He refused Dionne's request for the reinstatement of their former teacher, Clare Tremblay, and a nurse, Jacqueline. In August the Dionne guardians, accompanied by Mr. Conant and the Hon. Colin Campbell, met Oliva Dionne at North Bay to discuss future arrangements for the quintuplets. While no statement was given out after this meeting it was understood that an agreement had been reached with the father (*The Globe and Mail*, Aug. 15, 1938).

May 30, 1938, saw the end of the strangest court case in the history of the Province resulting from the will of a Toronto lawyer, Charles Vance Millar, who died on Oct. 31, 1926. He bequeathed \$500,000 to the Toronto mother who bore the largest number of children during the 10 years subsequent to his death. In 1937, a judgment of Mr. Justice Middleton holding the clause in the will valid and excluding illegitimate children was contested by the next of kin in the Ontario Court of Appeal. The judgment was upheld and an appeal taken to the Supreme Court of Canada which in its turn held the clause valid in a judgment given on Dec. 22, 1937. Meanwhile, six contenders in what was popularly known as the "Stork Derby" were presenting their claims and on Feb. 12, 1938, Mr. Justice Middleton accepted the claims of four, each with nine children registered in the 10-year period. They were: Mrs. Kathleen Nagle, Mrs. Lucy Timleck, Mrs. Annie Smith, Mrs. Isabel MacLean. On Mar. 21 Mr. Justice Middleton rejected the claims of the other two contenders, Mrs. Lillie Kenny and Mrs. Mae Clarke. The rejected mothers filed appeals against the Middleton judgment which were finally dropped under a settlement with the successful mothers, whereby they were given \$12,500 each. On May 30 the initial payment of \$100,000 was made from the estate to each of the four mothers.

A new court precedent was set for Canada in 1938 by the series of appeals in the murder case involving John Comba of Renfrew. Comba was convicted by a jury under Mr. Justice Chevrier in the Fall of 1937 for the

slaying of a 13-year-old Renfrew girl and sentenced to hang. The Ontario Court of Appeal, by a four to one majority judgment, acquitted the prisoner. The judgment, delivered on Apr. 12, 1938, pointed out that the prisoner had been arrested by the police and "examined for hours on four separate days in the police station by local and provincial police-experts in extracting admissions." "This conduct on the part of the police," said the judgment, "was open to severe condemnation." Mr. Chief Justice Latchford, dissenting, thought a new trial should have been ordered. The Attorney-General of Ontario appealed to the Supreme Court of Canada which, on June 23, 1938, upheld the Appeal Court judgment and declared that Mr. Justice Chevrier should have ordered an acquittal in the original trial.

A sensational legal controversy followed the death on July 6, 1938, of Mrs. Mabelle Horlick Sidley, of Racine, Wisconsin, heiress to the Horlick malted milk fortune. Mrs. Sidley died at the Toronto home of W. Perkins Bull, lawyer and historian, where she had been a guest for some months. Nine days after the death an inquest was ordered by the Hon. Gordon Conant, Attorney-General of Ontario and later opened by Coroner Smirle Lawson. Mrs. Sidley's son, William Horlick Sidley, who subsequently brought suit to contest the will, made a statement from his home in Racine, Wisconsin, charging foul play in his mother's death. Several prominent Toronto doctors including the former Lieutenant-Governor of Ontario, Dr. Herbert Bruce, were drawn into the case. Dr. Bruce had been requested by Mr. W. H. Sidley to make an examination of his mother shortly before her death and to report to him upon her condition. His attempt to carry out Mr. Sidley's orders had been defeated by those in charge of the sick woman at Mr. Bull's residence. D. L. McCarthy, K.C., Toronto, acting for the executors of the estate, was successful in obtaining an injunction stopping the inquest. Among other things he argued that the inquest had been instituted in an attempt to get evidence for the civil suit contesting the will. The injunction was later upheld by Mr. Justice C. P. McTague who found that the order instituting the inquest was void; he ruled that the jury was to be dismissed. In the face of this decision Mr. Conant declared his intention of continuing the probe. He admitted that the Judge's decision was sound according to the existing law but he intimated that an Amendment to the Coroners Act might be passed by the Legislature of Ontario. The civil suit contesting the will had not been completed at the end of the year 1938.

An unprecedented ice-jam on the Niagara River in January, 1938, which at certain places rose as high as 90 feet above the normal ice level, left a spectacular trail of damage in its wake. The wreckage included the Falls View bridge of the International Railway Company and the Ontario Power Company plant owned by the Hydro-Electric Power Commission. Long before the giant span of the bridge finally collapsed its doom was sealed and crowds were attracted to the Falls to see the final victory of ice over steel. The bridge crumbled on Jan. 27 in a mass of twisted steel which for weeks lay on the ice bridge while officials of the Hydro-Electric Commission pressed the Railway Company for its removal. It was feared that the wreckage might damage the Queenston power plant if the ice bridge broke. It was claimed, too, that the wrecked bridge was a menace to life as well as to property. On Feb. 2, after repeated demands had been ignored, the Attorney-General threatened court action against the Company (*The Globe and Mail*). Two days later, with thousands gathered to witness the spectacle, 583 pounds of dynamite were touched off and the

wreckage blown to pieces. It was not until April, however, that it disappeared under the surface of the River.

During 1938 the Dominion Government and the Ontario Department of Highways completed restoration of historic Fort Henry at Kingston. The project cost approximately \$250,000 and was part of an unemployment relief programme. Fort Henry was the scene of the last engagement on the Canadian-United States border when in 1838 a United States citizen, leading a band of some 1,800 Canadian rebels planned an attack on the Fort. Their intention, however, became known and in face of a force of approximately 1,600 militia men, sent to reinforce the garrison, the rebels soon retreated.

A controversy arose in 1938 over what were reputed to be Viking relics, purchased in 1937 by Dr. C. T. Currelly for the Royal Ontario Museum. J. E. Dodds claimed that while working a mining claim in the vicinity of Port Arthur, he had discovered the Norse weapons buried on the property. While Dr. Currelly was engaged in establishing proof of their authenticity (proof which he later stated had been obtained) the story of the "find" became public (*The Globe and Mail*, Toronto, Jan. 27-28, 1938). A Port Arthur building contractor charged Dodds with having planted the relics and then unearthed them; he further claimed that he (the contractor) had owned similar weapons years before. Dr. Currelly discounted the importance of this controversy in an interview with *The Globe and Mail* (Jan. 28, 1938). He attached, he said, great significance to the discovery of the relics—a Norse shield handle, axe and sword. Mr. James W. Curran, the widely-known Ontario publisher of *The Sault Ste. Marie Star*, devoted much time and money to this and similar discoveries in support of a theory that Norsemen not only had visited the North Atlantic coast prior to the year 1000 A.D., but had penetrated *via* Hudson Bay and tributary waters far into the interior of what is now Canada. His series of articles on the subject since embodied in book form, attracted wide-spread attention.

On Aug. 15, 1938, Daniel Dodge, 21-year-old heir to the Dodge automobile millions, was drowned during his honeymoon in the Georgian Bay district. The accidental explosion of a stick of dynamite had severely injured the young bridegroom. As he was being rushed to Little Current in a speedboat, with his wife, also badly injured, driving, he lost his balance and fell from the boat. It was believed that he was attempting to relieve his wife at the wheel. Owing to the strong current, the efforts of those in the boat to save him were unsuccessful. His body was not recovered until Sept. 6. The young bride was a Canadian girl who had been employed as a telephone operator at Gore Bay, Ontario, before her marriage.

A dry Summer brought heavy fire losses to the Province in 1938. The climax was reached in October when a holocaust in the Fort Frances and Rainy River district claimed the lives of 17 persons and left hundreds homeless. Plans for a \$100,000 programme of rehabilitation were soon under way.

The Twenty-Fifth Annual Convention of the United Farmers of Ontario was held in Toronto on Nov. 22, 1938. W. G. Nicholson of North Bruce was re-elected President, D. E. Stauffer of Bright, Vice-President and R. S. Heatherington of Freeman, as a member of the Executive. The Convention adopted a manifesto calling for (a) organization of the farmers into voluntary marketing associations under elected and controlled producer boards; (b) organization of farmers as consumers into locally-owned and controlled district co-operatives and, later, into national and international



federations of co-operatives, and (c) organization of a farmers' council which could speak with one voice for the industry.

## The Province of Ontario

(As at Dec. 31, 1938)

Lieutenant-Governor ..... The Hon. Albert Matthews, LL.D.

### The Hepburn Ministry (Liberal)\*

(As at Dec. 31, 1938)

Prime Minister, President of the Executive Council and Treasurer .....	The Hon. Mitchell Frederick Hepburn
Secretary and Registrar .....	The Hon. Harry Corwin Nixon
Minister of Lands and Forests .....	The Hon. Peter Heenan
Minister of Education .....	The Hon. Leonard J. Simpson, M.B.
Minister of Highways .....	The Hon. Thomas B. McQuesten, K.C.
Minister of Mines .....	The Hon. Paul Leduc, LL.M.
Minister of Health .....	The Hon. Harold J. Kirby, K.C.
Minister of Labour .....	The Hon. Norman O. Hipel
Minister of Agriculture .....	The Hon. Patrick M. Dewan, B.S.A.
Minister of Public Works .....	The Hon. Colin A. Campbell, M.E.
Attorney-General .....	The Hon. Gordon Daniel Conant, K.C.
Minister of Municipal Affairs and Public Welfare .....	The Hon. Eric W. B. Cross, M.A., K.C.
Minister without Portfolio .....	The Hon. William L. Houck, B.S.
Minister without Portfolio .....	The Hon. A. St. Clair Gordon
Speaker of the House .....	The Hon. James Howard Clark, K.C.

\*NOTE.—No changes occurred in the Ministry between Dec. 31, 1938, and Dec. 31, 1939.

### Administrative Services\*

(As at Dec. 31, 1938)

Assistant Provincial Secretary .....	Francis Vickers Johns
Clerk, Executive Council .....	Charles Frederick Bulmer
Deputy Minister of Lands and Forests .....	Walter Charles Cain
Clerk, Legislative Assembly .....	Major Alexander Cameron Lewis
Deputy Minister of Highways .....	Robert Melville Smith
Deputy Provincial Secretary .....	Clarence Fletcher Neelands
Deputy Minister of Hospitals and Health .....	Dr. Bernard Thomas McGhie
Deputy Attorney-General .....	Israel Arthur Humphries, K.C., LL.B.
Deputy Minister of Game and Fisheries .....	David James Taylor
Deputy Minister of Education .....	Duncan McArthur, M.A., LL.D.
Civil Service Commissioner .....	Charles J. Foster
Deputy Minister of Labour .....	James Frederick Marsh
Surveyor-General, Lands and Forests .....	Charles Herbert Fullerton
Controller of Finances and Deputy Minister of the Treasury Department .....	Chester Samuel Walters
Superintendent of Insurance and Registrar of Loan Corporations .....	Hartley Dewart McNairn
Deputy Minister of Municipal Affairs .....	Edward Austin Horton
Deputy Minister of Public Works .....	Raphael Andrew McAllister
Deputy Minister of Agriculture .....	William Robert Reek
Deputy Minister of Mines .....	Harold Colman Rickaby
Provincial Auditor .....	Harvey Alexander Cotnam
Chairman, Mothers' Allowances Commission .....	The Hon. J. A. Faulkner, M.D.C.M.
Chairman, Old Age Pensions Commission .....	The Hon. J. A. Faulkner, M.D.C.M.
Law Clerk of the Legislative Assembly .....	Eric Silk, K.C.
King's Printer .....	T. Ernest Bowman
Public Trustee .....	A. N. Middleton
Chairman, Workmen's Compensation Board .....	John Harold
Chairman, Minimum Wage Board .....	Arthur Wesley Crawford
Inspector of Legal Offices .....	Walter Wallbridge Denison, K.C.
Chairman, Athletic Commission .....	Patrick J. Mulqueen
Chief Commissioner, Liquor Control Board .....	Edmund G. Odette

\*NOTE.—Changes in Administrative Services during 1939 were: James Roy Cadwell, Inspector of Legal Offices; Arthur St. Clair Gordon, Chief Commissioner, Liquor Control Board; and Cecil Logue Snyder, K.C., Deputy Attorney-General.

## THE PROVINCE OF QUEBEC

### Provincial Affairs in 1937—1938

New hands held the reins of Government in the Province of Quebec at the beginning of the two-year period of 1937 and 1938. Five months previously an election landslide had brought the young Union Nationale Party into power. At the beginning of 1937 the Government, headed by the Hon. Maurice Duplessis, were still confronted with the Province's major problem of unemployment. There was evidence of economic betterment, however, in the Financial Report of the Provincial Treasurer for the year ended June 30, 1937; it showed an increase in Revenue of approximately \$7,000,000 over the previous year's total. The improvement continued for the fiscal year ended June 30, 1938, when the Provincial Income rose over the \$50,000,000 mark, as compared with the 1936-37 total of more than \$40,000,000.

In spite of mounting revenues, the Government found it necessary, mainly for refunding purposes, to issue during the two years, four loans totalling \$86,000,000. The betterment in Provincial Revenues was achieved without the imposition of new taxation but early in 1937 provision was made by the Legislature for the appointment of a Commission to undertake a study of possible revision of the entire fiscal system.

The general policy of the Union Nationale Government was centred in agriculture: \$25,000,000 was put into a rural loan system during the two years, and plans were laid for the further expansion of colonization.

No change was made in the Government's policy with regard to electricity, notwithstanding pressure from a small group of Union Nationale Members of the Legislature who demanded public ownership of all hydro-electric power systems in the Province. Legislation was passed at the 1937 Session setting up the National Electricity Syndicate, a board authorized to spend \$10,000,000 for the establishment of Government-owned electricity plants or for electricity production on a partnership basis with private enterprise. Mr. S. A. Baulne, a Montreal civil engineer, was appointed Chairman of the Syndicate. Rather than take over electricity systems, the Government intended to set up State competition to hydro-electric companies through the operation of Government plants and to bring about a reduction of rates. In June, 1938, Mr. Duplessis made public the fact that the Government had taken over certain power sites of the Noranda Power Company, Limited, of the Gatineau Power Company, and of Price Brothers and Company, Limited, which were to be put to use in the production of electricity.

The question of Quebec's Natural Resources industries was to the fore during the two years. A 1937 enactment of the Legislature requiring corporations, exploiting the natural resources of Quebec, to incorporate in the Province, brought objection from the Hon. Harry C. Nixon, Provincial Secretary for Ontario, who described it as violating a reciprocal agreement which had been effected between the two Provinces some years previously. The law remained, however, in the Statute books of Quebec. Mr. Duplessis and the Hon. Mitchell F. Hepburn, Prime Minister of Ontario, co-operated in a two-year effort to find a solution of forestry and other economic problems which beset both

Provinces. Conditions in the newsprint industry were disturbing to the Quebec Government during 1937 and 1938. The Prime Minister declared that the Government would not permit the building of any new newsprint mills in Quebec until idle plants were in operation. A huge mill was inaugurated, however, in the Summer of 1938. In the previous year a mill at Chandler, in the Gaspé Peninsula, had been re-opened after seven years' idleness. Speaking at the opening, on July 28, 1937, Mr. Duplessis declared that with the co-operation of the Ontario Government, which he hoped to obtain, the two Governments would direct the industry. He again enunciated the Government's policy, that there should be no exportation of Quebec's pulpwood so long as it could be used in the Province. (Canadian Press dispatch, July 29, 1937). An interprovincial conference in Quebec City of Government officials and leaders in the forestry industry was planned by Mr. Duplessis early in 1937 when the industry faced a crisis as a result of shrinkage of markets for newsprint. It was the intention of Mr. Duplessis to seek the enactment of uniform legislation for the industry in all the Eastern lumber-producing Provinces.

In 1937, the Government announced that they would refrain from imposing new taxation on the mining industry. Full support was pledged to that industry which at the time was on its way to record-breaking developments.

During the same period, a campaign was started in the Province of Quebec to prevent the establishment of a national system of Unemployment Insurance as proposed by the Dominion authorities. The objection of Quebec Government leaders to the plan was that it involved an Amendment to The British North America Act. Mr. Duplessis attacked that proposal and declared the Provincial Government never would agree to it though they were willing to co-operate in a "sound and fair" insurance project which would not infringe on the constitutional rights of the Provinces.

Newspaper reports of a speech by Mr. Duplessis at Shawinigan Falls on Dec. 16, 1937, brought a storm of protest throughout Canada. The Prime Minister was quoted as having suggested the formation of a *bloc* by the five Provinces of Eastern Canada with the idea not "to be run by Ottawa." On the following day Mr. Duplessis declared that he had been misquoted; that he had not uttered what had been taken as a grave threat to Confederation. He explained that he had discussed only the economic alliance existing between Ontario and Quebec, although he had expressed the hope that the alliance might be extended to the Maritime Provinces. The campaign, in defence of what the Prime Minister called the "autonomy" of Quebec, continued throughout the year 1938 and, on numerous occasions, Mr. Duplessis charged that the Dominion Government sought to infringe and centralize the administration of the Provinces. He joined Mr. Hepburn in condemning the St. Lawrence Waterways project, contending that there was no necessity for the scheme.

### Cabinet Changes, 1937 and 1938

Changes in the Cabinet during the two-year period at one time left the Prime Minister holding four portfolios. Upon the Government's formation in 1936, besides heading the Cabinet, Mr. Duplessis took over the duties of Attorney-General following the example of the Hon. L. A.



Taschereau, the downfall of whose Government in 1936 paved the way for the Union Nationale election triumph. Mr. Duplessis acquired the portfolio of Lands and Forests the day before the opening of the 1937 Session of the Legislature. The move came as a result of the resignation of the Hon. Oscar Drouin who had been the Lands and Forests Minister since the formation of the Cabinet. A disagreement over electricity policy caused the retirement of Mr. Drouin. He stated that he had favoured a hydro-electric power commission for the Province but the Government had not shared his view on this policy, nor his opinions on other questions.

The repercussions following the Cabinet shift were mild in comparison with what accompanied another in 1938 by which the Prime Minister assumed the portfolio of Roads. On July 7 after rumours of an impending Cabinet reorganization had flown about for days, Mr. Duplessis suddenly announced that the Minister of Roads, the Hon. F. J. Leduc, was no longer in the Cabinet. It was revealed later that, owing to Mr. Leduc's refusal to comply with a request of the Prime Minister that he resign, his portfolio had been taken from him by means of the resignation of the Government and the re-appointment of all the Ministers except Mr. Leduc. While Mr. Leduc publicly called upon the Prime Minister to give a full explanation of his removal, attention was drawn to the fact that four of the Ministers, though re-appointed, had not been re-sworn immediately and new rumours arose of further Cabinet alterations. Rumours even of a General Election went about when, on July 10, the Prime Minister of Ontario, Mr. Hepburn, conferred with Mr. Duplessis at Quebec. But the four Ministers took the oath of office within a few days and the Prime Minister quelled the election talk with a statement that it was without foundation.

Before the end of 1938, the Prime Minister gave up both the portfolio of Roads and the portfolio of Lands and Forests. The Hon. John S. Bourque, Minister of Public Works, became also Minister of Lands and Forests. Mr. Anatole Carignan was sworn in as Minister of Roads.

### Operation of the Padlock Law, 1937 and 1938

Probably no enactment of the Legislature during the *régime* of the Union Nationale Government brought them more attention than the Act of 1937 which attempted to curb Communist activities in the Province. The new law prohibited the preparation and distribution of Communist literature; permitted its seizure and destruction; and permitted also the closing by police of all establishments employed for the propagation of "Communism or Bolshevism."

There was no application of the measure until November, 1937, when Provincial police padlocked the Montreal offices of "La Clarte," a newspaper, it was alleged, of Communist leanings. Then followed a series of other raids by the police under orders from the Attorney-General's Department. Offices in Montreal of "The Daily Clarion," Communist publication of Toronto, were raided and 700 copies of the newspaper were seized. Other raids were carried out in 1938. A school in Maxim Gorky Hall, Montreal, was visited by police and children were sent home after seizure of their text books. Mr. J. S. Woodsworth, leader of the Co-operative Commonwealth Federation, insisted upon the disallowance of the law after it was reported to him that some of his writings had been seized in a raid.

Mr. R. L. Calder, K.C., of Montreal, Counsel for the Civil Liberties' Union, made a lecture tour of a number of Provinces criticizing the anti-

Communist Act. Finally, the Hon. Ernest Lapointe, Canadian Minister of Justice, proposed a conference to hear protests against the law and a defence of it by its Quebec sponsors. Mr. Duplessis declined to send a representative to the conference. The Civil Liberties' Union demanded disallowance. But on July 6, 1938, in a Ministerial Report to the Governor-General-in-Council, Mr. Lapointe said he was prepared neither to recommend the disallowance of the law nor to make a reference on its constitutionality to the Supreme Court of Canada. He suggested that action to test the law should be based on a concrete case. He observed in his report that most of the protests had been made outside the Province of Quebec.

Shortly after, F. X. Lessard, a Quebec carpenter whose apartment home had been padlocked, deliberately broke into the locked flat while a companion imprisoned police guards in their automobile in the street below. Lessard and Joseph Drouin were arrested and tried on a charge of conspiracy to obstruct the police in the performance of their duty. Both were convicted. Mr. Calder acted in their defence and, after the conviction, entered an appeal which at the end of the year had not yet been heard.

### Commissions of Inquiry, 1937 and 1938

Personnel of the Provincial Taxation Revision Commission, created at the 1937 Session of the Legislature, was announced by the Prime Minister in October, 1937. Mr. Edouard Montpetit, Professor of Economics at the University of Montreal, was President, and Mr. Arthur Larue, a Quebec Accountant, and Mr. George C. McDonald, a Montreal Accountant, were appointed to act with Mr. Montpetit. *Ex-officio* members of the Commission were the Provincial Treasurer, the Assistant Treasurer and the Provincial Comptroller. The Commission got down to work before the end of the year. During 1938 public and private sittings were held to hear the representations of various groups of taxpayers. (No Report had been submitted to end of 1939). The Commission sat in Quebec City in May of 1938 at the same time as the Royal Commission on Dominion-Provincial Relations which the Quebec Government refused to recognize.

Another Commission, set up in January, 1937, to examine the position of the small property-holder in the Province presented a Report on its findings to the Hon. Joseph Bilodeau, Minister of Municipal Affairs, Trade and Commerce, shortly before the end of the year. The voluminous Report recommended the imposition of a general Sales tax in Quebec, taxation upon the equipment of public service companies, an improved system of assessment of real estate, and taxation of all classes of society for school purposes. It expressed disapproval of proposals for an urban credit system, backed by the Government, to benefit small property-holders.

Late in 1937 a special Commission was appointed to revise and consolidate the Statutes of the Province. Mr. Auguste Désilets, K.C., a former Battonnier of the Quebec Bar, was appointed as Chairman, and Messrs. A. W. Buchanan and Gerard Simard, as Members. The personnel was changed immediately after the end of 1938. (No Report had been submitted to the end of 1939).

On Mar. 24, 1937, a law was proclaimed (an Act to authorize the procedure necessary to establish the extent of exemptions and commutations of municipal taxes and school taxes). Mr. Adhémar Reynault was

appointed Chairman of the Commission which was established to operate the Act. (Oct. 14, 1939, the Chairman of the Commission resigned; and on Dec. 15, 1939, the Secretary resigned. No Report had been published to either of these dates.)

At the 1938 Session of the Legislature (Apr. 12) measures were taken for the appointment of a Commission to study the abolition of Seigniorial rents. (The Commission was not appointed until May 7, 1939; on Oct. 14, 1939, it ceased to exist. No Report was published. Upon the coming into power of the Godbout Government it was decided that "Le Syndicat National du Rachat des Rentes Seigneuriales", established under The Seigniorial Rent Abolition Act of May 18, 1935, would resume its activities in 1940. The Chairman of "Le Syndicat" was Mr. T. D. Bouchard.)

### Party Politics, 1937 and 1938

Politically, the two-year period under review was a lively one. The noteworthy event already referred to—a break from the Union Nationale Party of five dissidents—occurred early in 1937 about six months after the Party's election to power. The rift between the Government and the five men, one of them a Cabinet Minister (Mr. Drouin), came as a result of what the little group called failure of the new Administration to smash the "electricity trusts," through nationalization of hydro-electric systems. The dissidents, led by Dr. Philippe Hamel, Member of the Legislature for Quebec Centre, formed the National Party about five months after their split with the Government. The First-lieutenant of the party was Mr. Drouin who resigned as Minister of Lands and Forests. The other Nationals were René Chalout, Member for Kamouraska, Mayor J. E. Grégoire of Quebec, Member for Montmagny, and Adolphe Marcoux, Member for Quebec. The five were joined by the Hon. J. C. E. Ouellet and the Hon. Elysée Thériault, Members of the Legislative Council. Their break from the Government ranks was announced on the eve of the opening of the 1937 Session of the Legislature but formation of their party became official only in June.

The Liberal Party continued its activities in 1937 under the leadership of Mr. Adelard Godbout who had headed the short-lived Liberal Government which took over after the resignation of the Taschereau Administration in 1936 and then went down to defeat at the hands of the Union Nationale Party in the General Election. Following its overwhelming defeat, the group began to reorganize under Mr. Godbout who toured the Province speaking at Liberal rallies which kept the Party spirit alive. The Liberals did not, however, enter a candidate in a Provincial By-Election in Beauce constituency on Mar. 17, 1937. The By-Election, which was the first after the General Election of 1936, was made necessary by the resignation of Dr. Raoul Poulin, Union Nationale Member of the Legislature. Joseph Emile Perron, the Government candidate, was victorious. He defeated Vital Cliche, Action Liberale Nationale candidate, and Wilfrid Doyon, an Independent.

Early in the year (1937) plans had gone forward for a Liberal Party Convention at Quebec in order to set the organization back on its feet. Rumours went about that Mr. Edouard Lacroix, Member of Parliament for Beauce, sought the Party leadership but, in a statement issued at Ottawa, Mr. Lacroix asserted that in the interest of Party unity he would make no move to become Leader unless he were asked to do so by the Convention. The Convention opened June 10, attended



by three Dominion Cabinet Ministers, the Hon. Ernest Lapointe, the Hon. P. J. A. Cardin, and the Hon. Fernand Rinfret. As part of the Liberal programme, the gathering approved women's suffrage, and favoured the abolition of the Quebec Legislative Council, the Provincial Upper House. Mr. Godbout's Provincial leadership was approved by the Convention which gave him a renewed mandate.

The Action Liberale Nationale Party also became active once more and its leader, Mr. Paul Gouin, conducted a tour of various centres in the Province to expound his doctrines. Mr. Gouin's leadership was confirmed at a Provincial Convention of the Action Liberale Nationale held at Sorel during the Summer of 1938.

The Social Credit movement made a formal appearance in Quebec in 1938 with a Convention at St. Hyacinthe held in May. It was attended by leaders of the group from other parts of Canada. At the meeting, Mr. Grégoire, the National Party Member, declared himself to be a follower of Social Credit.

The Quebec Council of the Co-operative Commonwealth Federation was active in Montreal during 1937 and 1938 and held its Provincial Conventions in the Metropolis both years. Dr. J. Stanley Allen of Montreal was elected President of the C.C.F., Quebec Section, in 1937, and W. E. Walsh of Montreal, in 1938.

Four Provincial By-Elections were held in the Province in 1938 and the Government candidates won all of them. In the first, in Bagot constituency, Feb. 16, Dr. Philippe Adam, Union Nationale, defeated Cyrille Dumaine, Liberal, who had been victorious in the 1936 General Election over Dr. Adam. The 1936 result had been nullified by the Courts.

The resignation of Arthur Larouche, Member of the Legislature for Chicoutimi, brought the second By-Election on May 25, 1938. Antonio Talbot, Union Nationale, defeated Alfred Tremblay and Mayor Henri L. Duhaime of Chicoutimi, both of whom professed allegiance to the Government Party.

On Nov. 2, 1938, By-Elections were held simultaneously in Stanstead and Montreal-St. Louis. The resignation of Mr. Rouville Beaudry, Union Nationale Member of the Legislature, caused the vacancy in Stanstead, and the resignation of Mr. Peter Bercovitch, Liberal Member, the vacancy of the Montreal-St. Louis seat in the Provincial Lower House. Mr. Henri Gerin, Union Nationale, won over Eudore Charron Cabana, a Liberal, in Stanstead, and Mr. Louis Fitch, K.C., won in Montreal, over Raoul Trepanier, President of the Montreal Trades and Labour Council, who ran as a Liberal Democrat.

## The Second Session, the Twentieth Legislature

The 1937 Session of the Legislature was opened on Feb. 24 and adjourned on May 27. The Speech from the Throne, delivered by the Lieutenant-Governor, the Hon. E. L. Patenaude, contained a fitting reference to the accession of King George VI to the Throne. On the following day, a Loyal Address to His Majesty was passed by the Legislature; it offered "the assurance of our fidelity to the British Crown and the tribute of our respectful attachment to Your person, to that of Our Gracious Sovereign the Queen, and to their Royal Highnesses, the Princesses Elizabeth and Margaret Rose . . . ."

The Speech from the Throne stated that the Government would introduce legislation intended to set the Province upon the road to

public ownership of hydro-electricity. The proposed legislation, the Speech explained, would remedy existing abuses by electric companies; would grant, in an effective and equitable manner to every municipality of the Province, the right to municipalize the electricity service in its territory; and would create an organism with power to instal certain electric plants which "shall remain the property of the Province and the exploitation of which, independent of the electricity companies and of political patronage, shall be effected in the general interest." Another proposed measure had in view the protection of the growing mining industry; it would prevent frauds in the sale of mining securities. Other Bills that would be introduced, the Speech stated, provided for the voluntary conversion of municipal debts; confirmed the authority of Quebec Courts and made their jurisdiction incontrovertible; co-ordinated and revised the laws of the Province; provided better means of assisting needy mothers and orphans; improved the unemployment situation; protected the working classes; guarded the public health; affected education; and assisted agriculture.

The Address-in-Reply to the Speech from the Throne was moved in the Legislative Assembly by Mr. René Labelle, Member for Montreal-St. Henri, and seconded by Mr. William R. Bulloch, Member for Westmount. In the Legislative Council it was moved by the Hon. L. A. Giroux whose appointment to the Upper House to fill the vacancy caused by the death of the Hon. W. S. Bullock had been announced the day before the opening of the Session. The Hon. Gordon W. Scott was the seconder.

The Address was adopted in the Council two days after the Speech was read. The only long speech in the Debate was made by the Hon. J. C. E. Ouellet who held the floor two hours criticizing the Government and their legislative plans. Though the Council quickly disposed of the Debate, it was carried on in the Legislative Assembly until Mar. 11. When the turn of Mr. T. D. Bouchard (Opposition Leader since the General Election of 1936, Mr. Adelard Godbout being still the official Provincial Liberal Leader without a seat in the House) came he spoke four hours in an attack on the policies of the Government which had been in office little more than six months.

The Debate was brought to a close by one of the liveliest incidents of the Session when Opposition Members, with Mr. Bouchard at their head, marched from the Legislative Assembly Chamber in protest against the action of the majority which had voted down a Motion by Mr. Cyrille Dumaine (Bagot) for adjournment of the Debate and its resumption at the following sitting. The Prime Minister (Mr. Duplessis) had refused to consider, on the score of triviality, Mr. Bouchard's proposed Resolution reproaching the President of Columbia University and Prof. W. B. Pitkin for a statement, in *The Globe and Mail*, Toronto, comparing French-Canadians to Alabama "niggers" and asking them to retract the libel. At this point Mr. Duplessis demanded that Mr. Bouchard's suggestion should be ignored and that the Speech from the Throne should be forthwith accepted. The Liberal Leader and his followers left the Chamber and did not return to their places until the following week.

Once the Opposition Members had withdrawn, the Address was adopted on Motion of the Prime Minister, Mr. Duplessis. In the course of the Debate, Government and Opposition Members clashed on a number of occasions. One strongly-worded discussion arose out of a speech by Dr. Philippe Hamel, Member for Quebec Centre and leader of a five-man

National group formed of Union Nationale dissidents. Another followed a Motion by the Prime Minister for consideration of Resolutions on legislation while the Debate was still in progress.

### The Budget Speech of 1937; Public Accounts; Estimates

The Budget Speech of the Hon. Martin B. Fisher, Provincial Treasurer, delivered on Apr. 6, 1937, pointed out that in the six-month period, since the election of the new Government, "the economic position of 90 per cent. of the population has improved"; that this situation was reflected in "higher earnings and more permanent employment"; and that the recovery had been more widespread than during a similar period since the low point of the depression. He proceeded to stress the slow pace of re-employment; it had created a "serious problem" for the Government and, in order to provide alleviation for the situation they proposed an expenditure of \$5,000,000 for useful works.

Mr. Fisher reported that for the first eight months of the fiscal year, 1936-37, Ordinary Expenditures had exceeded Ordinary Revenues by \$1,215,016; and that in the corresponding period of the 1935-36 fiscal year there had been a deficit on Ordinary Accounts of \$6,856,722. He pointed to the decreased Deficit as evidence of improvement.

The Budget for the 1937-38 fiscal year called for Ordinary Expenditures of \$46,791,012 and fixed Estimated Ordinary Revenues at \$46,829,053, leaving an Estimated Surplus of \$38,040. But Mr. Fisher estimated that the total of Ordinary, Extraordinary and Capital Expenditures would reach \$78,194,907 and leave a Deficit on all accounts of \$31,365,854. "It must not be overlooked," he commented, "that commitments made by the former *régime*, amounting to millions of dollars, have had to be included in the Estimates. . . ." He declared that the Government did not consider the time was one for curtailment of necessary and urgent expenditures and announced appropriations of \$15,000,000 for the improvement of roads, of more than \$12,000,000 for direct relief and of almost \$10,000,000 for colonization.

Mr. Fisher tabled a Report of the Public Accounts of the Province for the fiscal year 1935-36. The Report placed the Consolidated Debt of Quebec at \$149,747,606, an increase of \$14,999,600, as compared with the fiscal year 1934-35. The Report also noted an increase of \$96,800,577 in the Net Consolidated Debt of the Province since the end of the fiscal year, 1930-31. It recommended a change in the date of the end of the fiscal period from June 30 to Mar. 31 in order to facilitate the preparation of the budgets for certain Departments and to bring Quebec in line with the Dominion and other Provinces with respect to the dates of their financial years.

The Debate on the Budget lasted only one day and the Legislative Assembly went into Committee of Supply after an Amendment introduced by the Opposition Leader, Mr. Bouchard, had been defeated.

Supplementary Estimates were tabled by Mr. Fisher on Apr. 23, 1937. Their total was \$4,285,044, the largest item being one of almost \$2,000,000 for Old Age Pensions.

### Legislation of 1937

Legislation concerning hydro-electricity was contained in three separate Bills introduced by the Government. The first, approved by the Lower House only after more than a week's discussion, was introduced



by the Hon. Joseph Bilodeau, Minister of Municipal Affairs, Trade and Commerce, on Apr. 21. It provided that any municipal corporation in the Province might municipalize privately-owned electricity systems within its limits for purposes either of lighting, heating or power. It received third reading in the Legislative Assembly after Opposition Members failed in a move to bring in an Amendment.

The second electricity measure, a Bill to set up a five-man Provincial Electricity Commission with authority to control and survey enterprises for production, sale and distribution in the Province, was pushed through to adoption in the Lower House on May 5.

The third Electricity Bill came before the Legislative Assembly on May 10 (1937). Providing for the appointment of the "National Electricity Syndicate," it authorized an initial Government expenditure of \$10,000,000 from the Consolidated Revenue of the Province, either for the establishment of Government-owned hydro-electric plants or for the establishment of electricity plants on the basis of partnerships between the Government and private initiative with Government control. The Bill received final reading in the Assembly the day after its introduction although the National group claimed the law did not go far enough.

Amongst the score of Bills receiving the Royal Assent on Apr. 14, was a measure requiring all companies exploiting the natural resources of Quebec to incorporate in the Province regardless of any charters they had from the other Provinces. This law was to have an important effect on the Quebec mining industry, although, at the time, it gained only a fraction of the attention given to other Bills introduced by the Government.

An Act to protect the Province against Communistic propaganda banned the printing, publication and distribution of Communist literature and authorized its seizure and destruction. It authorized, also, the closing, upon orders of the Attorney-General, of any establishments used in the propagation of "Communism or Bolshevism." After its adoption in the Legislative Assembly, this "Padlock" Bill was passed unanimously by the Legislative Council. The enactment provoked much criticism in other Provinces.

On May 20, when Prorogation was just about due, the Prime Minister presented a Bill for revision of the judiciary system. It was passed by the Legislative Assembly with little debate but its provisions for abolition of the Recorder's Court and replacement of the Juvenile Court by Social Welfare Courts proved contentious in the Upper House. Prorogation actually awaited passage of the Courts Bill by the Legislative Council and a six-day adjournment of the Legislature was decided upon to permit Members of the Upper House to examine 159 clauses in the Bill privately. The Council met again on May 26 to discuss the Bill. It was finally passed in amended form by the Upper House and received the Royal Assent on May 27.

On May 26, the Legislative Assembly studied and approved a measure introduced by the Minister of Labour, Mr. Tremblay, to provide fair wages and working conditions for unorganized labour in Quebec. The Bill provided for the appointment of a Fair Wage Board of five members. It received the Royal Assent. Another Act affecting labour assured reasonable wages to workmen engaged in forest operations.

In the Session (1937) both Houses of the Legislature devoted much of their time to the financial affairs of the debt-ridden City of Montreal.

The outcome of their discussions was an Act amending the Charter of the City, assented to on May 20, 1937. In the view of *The Gazette*, Montreal, May 28, (1937) this Measure went far to protect the interests of a great metropolis and its citizens against "the outrageous exactions contemplated by a money-mad Council." The new Act threw safeguards around the voting of City electors—safe-guards designed to prevent telegraphing and personation. The City was authorized to borrow money for the financing of a central market, for necessary viaducts, and for the burial of the electric wires of telegraph, telephone, and electric light companies. The Montreal Tramways was to advance, and did advance, to the City \$1,000,000 on account of rentals. The Bell Telephone Company, and the Montreal Light, Heat and Power Company made parallel contributions of \$150,000 and \$300,000 respectively. New tax levies were authorized upon fire insurance companies, brokers, credit unions, restaurants, money-lenders, five-cent stores, multiple concerns and other business enterprises. Fresh powers of valuation and assessment were conferred upon the civic government. The Act restored to the Mayor the powers lost under the legislation of some years previously. The Measure provided for a Commission to study suggestions for better government. The Act was, in effect, a definite attempt to help the City Administration in its efforts to place the finances of the metropolis on a sounder basis.

The Legislature put through an Act to amend the Charter of the City of Quebec. The Amendment authorized a series of loans for special purposes. It authorized the issue of bonds on certain conditions and provided for a sinking fund to take care of such issues. It directed that the City should provide a pension fund for permanent employees and surrounded the financial administration at the City Hall with fresh safeguards. It conveyed power to impose special taxes to assist in meeting existing obligations and stipulated that the City Council must each year levy taxes adequate to provide for current and estimated expenditures. It authorized the City to unite with the Provincial Government in the creation of a Town Planning Commission "for the embellishment of the whole extent of its territory."

On May 13, with the Session barely a week away from its third month, the Hon. William Tremblay, Minister of Labour, introduced a Bill to extend the scope of The Collective Labour Agreements Act. After some discussion, the Bill received the approval of the Legislature and, later, the Royal Assent.

After considerable debate, the Legislative Council approved a Bill which gave priority to the French texts of Quebec laws where differences existed between the French and the English versions. The Bill, "An Act respecting the interpretation of the laws of the Province," received the Royal Assent on May 20, 1937.

Owing to the vital importance of the work of the ecclesiastics of the Seminary of St. Sulpice of Montreal in the educational field of Quebec and to their being unable to liquidate reasonably their assets which exceeded their liabilities, an Act of the 1937 Session provided that the Government should pay \$5,000,000 to meet the debts and obligations of the order. The Act permitted the Government to order the complete or partial payment of the amount by loans for a term not exceeding thirty years and bearing interest at rates not exceeding four per cent. per annum. The Act authorized the order to cede to the Government their property before the transaction took place.

An Act provided for the establishment of a Commission of three members which, with the assistance of the Provincial Treasurer and the comptroller of Revenue, was to conduct an examination of Quebec's taxation systems.

Legislation affecting the agricultural industry included the Dairy Act; an Act to increase to fifteen million dollars the Provincial Farm Credit; and an Act providing for the formation and maintenance of Committees whose members should be competent in pedagogy and in agricultural science, to be entrusted with the preparing of a programme of agricultural teaching in the Province; the services of the members of the Committees were to be gratuitous but they might be reimbursed their expenses. Another enactment furthered the progress of the fishing industry.

In the social service field, the Act extending pensions to blind persons and the Act granting pensions to needy mothers, were conspicuous.

The Session was prorogued on May 27, 1937, by Sir Mathias Tellier, Chief Justice of the Court of King's Bench, acting for the Lieutenant-Governor.

### **The Third Session, the Twentieth Legislature**

The 1938 Session of the Provincial Legislature was convened on Jan. 26, 1938. The Lieutenant-Governor, the Hon. E. L. Patenaude, read the Speech from the Throne. It described the Union Nationale Government as "specially solicitous for the agricultural class" and forecast additional grants to the Farm Credit Bureau for rural loans, expansion of rural education and development of the dairy industry. The Speech described proposed measures which would provide for the establishment at Quebec of a school of Mining, a general plan of road construction and improvement, and relentless warfare against Communism, supported by further reorganization of the Provincial Police Force.

The day after the opening of the Session, the Address-in-Reply to the Speech was moved in the Legislative Assembly by Mr. Antonio Barrette, Member for Joliette, and seconded by Mr. P. A. Sherman, Member for Compton. In the Legislative Council, the Address was moved by Mr. J. L. Baribeault, new Member of the Upper House, and seconded by Mr. John Hall Kelly.

In the Debate on the Address-in-Reply to the Speech from the Throne in the Assembly Mr. Adhemar Reynault (Lib., L'Assomption) demanded new sources of revenue for education. Large corporations, he stated, by being situated just outside cities and towns, escaped taxation; this increased the burdens of small property owners. He suggested a special education tax. Mr. Francis Connors (Lib., Montreal) supported Mr. Reynault's suggestions. Other speakers were Messrs. Charles Lawn (Lib., Pontiac), J. E. Perron (Un.-Nat., Beauce), and Alexander Tache (Un.-Nat., Hull). The Debate on the Address was concluded in the Assembly on Feb. 15 (1938).

### **The Budget Speech of 1938; Public Accounts; Estimates**

The Budget Speech was delivered by the Provincial Treasurer, the Hon. Martin B. Fisher, in the Legislative Assembly on Mar. 1. He stated



that the year 1937 had been "one of progress in most lines of endeavour, especially business and finance;" that the Revenues of the Province had "greatly increased", and that the Government saw the year 1938 as "leading to greater prosperity and success." During the first eight months of the 1937-38 fiscal year, Revenues had exceeded the Government's expectations, Mr. Fisher explained. The Administration had applied sane business methods in the collection departments, with a resulting increase of \$7,000,000 in Receipts. More than \$2,000,000 had been raised by billing some 3,000 corporations which had been doing business in Quebec without ever paying corporation taxation.

The Public Accounts for the fiscal year ended June 30, 1937, laid on the table by the Provincial Treasurer, showed that Revenues were \$46,280,019, and Ordinary Expenditures, \$42,311,454 leaving a Surplus of \$3,968,565 on Ordinary Account. The Provincial Treasurer compared the Surplus with a "two million dollar Deficit during the preceding year." He stated that more than \$3,000,000 also had been paid out in Old Age Pensions and for the cost of Provincial Elections and a Special Session of the Legislature.

Mr. Fisher announced a balanced Budget for the fiscal year 1938-39 with an expected Surplus on Ordinary Account of \$7,480,078 from Ordinary Revenue, estimated at \$57,034,433, and contemplated Ordinary Expenditures of \$49,554,354. The Budget called for Extraordinary Expenditures of \$7,427,887 cutting the predicted Surplus to \$52,191.

The Provincial Treasurer, in his Speech, referred to the problem of Unemployment Relief costs in Quebec and declared that the Quebec Government were "firmly convinced that the Dominion Government were not paying their fair share to our Province," that the Dominion authorities admitted that "unemployment is a national affair; and as a proof of this, they pay 100 per cent. of unemployment relief in the Prairie Provinces. It is quite evident that the Federal Government is attempting to balance its Budget at the expense of the Province of Quebec," he concluded.

Mr. Fisher remarked on the appointment in 1937 of the Provincial Taxation Revision Commission whose inquiries were not intended to discover sources of new revenues but to "more equitably distribute taxation." He noted that since 1937, when \$17,000,000 expenditure had been authorized by the Government for highways, the Roads Department had become greatly active. Under a four-year plan of road construction, gravel surfaces would be replaced, he explained, by dustless bituminous carpets on all main highways and main arteries would be widened, straightened and relocated to assure safer and more rapid travel.

Supplementary Estimates, announced by Mr. Fisher, called for Ordinary Expenditure of \$2,936,050 and Capital Expenditure of \$1,194,000.

The Debate on the Budget took place on Mar. 8-9, 1938, when Mr. Peter Bercovitch, Member for Montreal-St. Louis, led off the Opposition's attack on the fiscal policies of the Government with a speech in which he claimed that during the eighteen months following their election, the Administration had raised the *per capita* debt of Quebec from \$50.08 to \$73.34. He asserted that the Government had been borrowing at the rate of over seven and a half million dollars a month; and he warned that any undue increase of debt would impair the credit of the Province. The fact that

the Government had been able to do their financing on such good terms, he said, had been due to the general economic improvement. The Hon. Onesime Gagnon, Minister of Mines and Fisheries, followed Mr. Bercovitch; he reviewed the financial situation and told of the accomplishments of the Government in that direction. The Liberal Leader, Mr. Bouchard, spoke on such financial details as rates of interest, debt increase and rural credits. Notwithstanding protests from the Prime Minister against his introducing the question when the Government's Budget was under discussion, Mr. Bouchard brought to the fore Ontario's contracts with Quebec power companies. "Under new contracts," Mr. Bouchard stated, "Ontario will buy considerable electric power produced by Quebec's natural resources. We know that the amounts will be much greater than the sister Province's needs. . . . I want to know if we intend to export power to the United States. Unless good reason can be shown for such exportation, I am opposed to export while some of our own industries could make use of that power." No response came from the Prime Minister to Mr. Bouchard's questions.

### Legislation of 1938

Two Bills of the 1938 Session which aroused a lengthy discussion in both Houses and which were finally passed with clauses objectionable to labour groups, were Bills Nos. 19 and 20: these amended The Collective Labour Agreement and The Fair Wage Acts, respectively. The Provincial Federation of Labour had asked the Legislative Council to permit their representatives to appear before its Public Bills Committee in order to explain the reasons for their opposition to the Bills. While this request was rejected by a small majority, the Minister of Labour received a delegation in respect to the matter. Mass meetings were organized by the Provincial Federation at Three Rivers, Montreal, Quebec and St. Hyacinthe on Mar. 12 and 15 (1938) at each of which resolutions were unanimously adopted protesting against the Amendments to the two Acts. The meetings claimed that the proposed enactments were a direct infringement of the collective labour agreements freely arrived at between one or more groups of employees and one or several associations, and that they were "even a danger to the existence of union action and violation of the acquired civil rights of the worker." The meetings also protested against the Amendment to The Workmen's Compensation Act as proposed by Bill No. 178, sponsored by Mr. Philippe Monette. Opposition Members in the Legislative Assembly and in the Legislative Council objected to clauses exempting Government works from the terms of labour agreements and wage ordinances, and to clauses fixing penalties for intimidation of workers by unions and giving retroactivity to certain collective wage agreements. The Bills (Nos. 19 and 20) were passed, on division, on Feb. 23, in the Lower House in face of protests from the Liberal House Leader, Mr. Bouchard and other Members. Their approval on a close vote of 8 to 7 in the Legislative Council was preceded by a long and stormy discussion. Mr. Hector Laferté, Liberal Leader, demanded that the parties affected, including Labour representatives, should be heard in Committee. Sir Thomas Chapais argued that the Government gave employment to help the poor and should not be subjected to agreements

and ordinances which were applicable to private employment. Those who voted with Sir Thomas Chapais were: Messrs. Alphonse Raymond, Giroux, Scott, Lemieux, Kelly, Simard, and Martin. Those who voted with the Opposition were: Messrs. Laferté, Letourneau, Roy, Moreau, Ouellet, Thériault and Tremblay. During the Council sitting on Mar. 17 when they were given Third Reading, four divisions were called. Amendments proposed by Mr. Kelly were defeated. Eventually the two Acts received the Royal Assent.

The Amendments incorporated in Bills 19 and 20 gave to the Governor-in-Council power to abrogate or modify at will a collective labour agreement without consulting the interested parties. The Government might set wages and wage conditions for Quebec workers and allow such exemptions from the Act as they saw fit. In addition, neither the Government, nor any Department thereof, nor any third party doing work for the Government, would be bound to observe the terms of either collective labour agreements or orders of The Fair Wage Board. These conditions were made retroactive and therefore applicable to work already under way or completed.

The Bill to Amend the Workmen's Compensation Act, and which was withdrawn, provided for claims for compensation in labour accidents and industrial diseases to be referred to the Courts instead of being settled by the Workmen's Compensation Commission. It also replaced the collective responsibility of the industry and sought to restore the individual liability of each employer. In effect it limited, to a considerable extent, the powers of the Commission. The Canadian Manufacturers' Association's Legislative Committee supported the stand taken by the Provincial Federation of Labour, against the contemplated Amendment. As a result, the Prime Minister proposed, seconded by the sponsor of the Bill, Mr. Monette, that the measure should be withdrawn at least for one year and that, in the meantime the Government should appoint one or more medical revision-officers and an administrator for the collective fund of the Commission. An Amendment to the Workmen's Compensation Act, to come into force only after proclamation, authorized the appointment of a medical board of three physicians to rule on evidence as to accidents. It also provided for the substitution, in place of the Commission, of a special officer to administer the accident fund and to fix and impose, with certain exceptions, assessments.

On the last day of the Session (Apr. 7) the Prime Minister presented a Bill entitled "An Act to facilitate the exercise of certain Rights". It rendered each member of a labour union personally responsible for any damage caused collectively by the group of which he was a part. Indirectly, according to the claim of the Provincial Federation of Labour, the Bill tended to compulsory incorporation of all labour organization. After strong protests from Members of the Opposition, the Prime Minister introduced several Amendments to the Bill which gave an entirely different significance to the measure which was passed by both Houses and received the Royal Assent.

Both Houses approved the much amended Bill of the City of Montreal and authorized the setting up of a voters' identity card system in the Metropolis. During the study of the Bill by the Private Bills Committee of the Legislative Assembly, the Prime Minister declared that the Quebec Government would be willing to look after the Province's unemployment relief costs single-handed were it given the collection of the Income Tax.



On Mar. 30 as the Legislature Members began to look forward to prorogation, the Lower House pushed through Bills for the appointment of Commissions to inquire into Municipal tax exemptions and Seigniorial titles and for the establishment of a school of textile spinning.

The Legislature repealed an Act of the 1937 Session which gave priority to the French texts of the Provincial Statutes over the English versions. The Prime Minister explained that the repeal was sought because of the "error" of the enactment of the law.

An Act to Assure the Advantages of a First-class Highway System authorized the Government to expend up to \$50,000,000 for that purpose over the ensuing four years. The Youth Aid Act enabled the Government to co-operate with other Governments, persons, and corporations in facilitating the establishment of youth in life; \$1,000,000 was set aside for this purpose.

An Act of interest to agriculture increased the Government's Provincial Farm Credit from \$15,000,000 to \$25,000,000 to stimulate agriculture and promote land colonization. Another Act in the same field created a Provincial Chamber of Agriculture of 15 members to study farm problems and to advise the Government as to steps for their solution.

On Apr. 7 Mr. Frank Carrel congratulated the Government upon their measure providing for the expenditure of \$200,000 to encourage the Maple Sugar Industry. The Bill was unanimously adopted.

Bills for the establishment of mining and fisheries schools; for the reorganization of the Provincial Police Force; and to give the Government a mortgage on the property of any persons who had collected interest on public moneys to their personal profit, all were enacted in the 1938 Session.

Prorogation of the 1938 Session by the Lieutenant-Governor came on Apr. 12 after 48 Bills had been passed in a crowded final week. The Session had been 76 days long. Altogether 144 Bills were adopted.

### **Miscellaneous Incidents of the 1938 Session**

During discussions of the Estimates a number of questions arose which received the attention of the Assembly. On Mar. 2 (1938) the Prime Minister (Mr. Duplessis) denounced what he termed a "campaign in the United States directed against the Province of Quebec"; for this he blamed Communists for spreading stories of the growth of Fascism in the Province. "It is an old story," he said, "Communism in Quebec is in a corner as a result of our fight against it and Fascist talk is made to draw attention from the Communists." On Mar. 15, during consideration of an item in the Estimates concerning the cost of post delivery in the Legislature Buildings, Mr. Duplessis claimed that Communist literature had been delivered through postal channels into the Provincial Buildings. He warned Dominion Government leaders against permitting the distribution of such propaganda through His Majesty's Post. He recalled the 1937 anti-Communist measure of Quebec designed to halt the dissemination of such propaganda in the Province. The Quebec Government stood ready, he said, to "denounce any Justice Minister or Prime Minister at Ottawa who will not take steps to safeguard Canadians' rights and the rights of the people of Quebec."

A discussion on freight rates and their alleged unfairness to the Province of Quebec was precipitated in the Lower House on Mar. 10 during the study of a Budget Estimate of \$11,000 for an economic research

organization which had been established in 1937; this body had before it for examination the freight rates question. Mr. Laurent Barré, Member for Rouville, pointed out that it cost more to transport freight from Montreal to Toronto by rail than from Toronto to Montreal and that such a condition should not exist. The Prime Minister interjected, with the remark that it cost more to ship from Quebec to British Columbia by railway than from the Pacific Coast to Quebec and that such conditions were "sapping the strength of Confederation."

On Mar. 16, Dr. Camille Pouliot, Member for Gaspé South, introduced a Motion for Amendment of the Quebec Public Assistance Act to provide free treatment for indigent sick. The Hon. J. H. Albiny Paquette, Provincial Secretary and Minister of Health, replied that the Government already were studying the question of revision of the Act. The perennial Bill to grant Quebec women the right to vote in Provincial Elections sponsored by Mr. Gregoire Belanger, Member for Montreal-Dorion, appeared before the Legislative Assembly on Mar. 17. It was defeated in the Lower House for the 13th time in almost as many Sessions—this time by a vote of 48 to 16.

The Prime Minister on Mar. 29 told the Legislative Assembly that the Government looked with disfavour on the St. Lawrence Waterways plan. He said that from the point of view of Quebec Province there was no reason for the project "when we already have hydro-electric resources beyond our needs." Mr. Duplessis attacked the Dominion authorities for having "laid down the principle that export of power by the Provinces must be authorized by Ottawa" (Parliament).

#### **The Public Accounts Committee, 1937 and 1938**

During the Session of 1937 the Public Accounts Committee of the Legislature continued its Inquiry into alleged misuses of public moneys by persons connected with the Taschereau Administration. At the first sitting (Apr. 7) there were new statements concerning perquisites of office.

The Inquiry undertaken by the Committee was continued during the 1938 Session. The first sitting was on Mar. 9. A former accountant of a Montreal lumber firm declared that the firm had charged the Taschereau Government for lumber which had not been delivered. On another occasion, the accountant said, the firm had shipped to the Government material of inferior grade, stamped as being first grade goods.

Mr. Duplessis stated as the Inquiry was adjourned that arrests were forthcoming on the strength of evidence which had been heard and that action would be taken to bring restitution of whatever amounts had been lost to the Province. In April, 1938, two arrests were made.

#### **Administrative Services:— The Secretary and Registrar**

Revenue of the Department of the Provincial Secretary and Registrar, derived from fees, amounted to \$153,691 in 1935-36, \$262,573 in 1936-37 and \$200,521 in 1937-38, according to the Annual Reports for the three fiscal years, 1935-36, 1936-37 and 1937-38. There were 811 companies with a total capital of \$102,281,514 incorporated by Letters-Patent under the Great Seal of the Province in 1935-36, as compared with 999 companies with a total capital of \$433,643,368 in 1936-37 and 937 companies with a total capital of \$175,883,987 in 1937-38. Approximately, 6,754 companies sent in their annual reports in 1935-36; 8,105 in 1936-37; and 9,290 in 1937-38.

School grants totalled \$775,555 in 1935-36; \$753,676 in 1936-37; and \$1,002,811 in 1937-38. Of these totals boys' academies received \$15,000 in each of the three fiscal years under review; rural or colonization schools received \$370,559 in 1935-36, \$176,000 in 1936-37, and \$444,817 in 1937-38; and other elementary schools received \$389,996 in 1935-36, \$562,666 in 1936-37, and \$546,994 in 1937-38.

During the calendar year 1935 the number of births in the Province was 75,267. The calendar years 1936 and 1937 had births totalling 75,285, equivalent to 24.3 per 1,000 population, and 75,635, equivalent to 24.1 per 1,000 population, respectively. The year 1938 showed a slight increase with 78,145 births, equivalent to 24.6 per 1,000 population.

Marriages during the four calendar years under review showed a steady increase. There were 19,967 marriages in 1935; 21,654, in 1936; 24,876, in 1937; and 25,044, in 1938. The total deaths in the Province were as follows: during 1935, 32,839, or 10.7 per 1,000 population; 1936, 31,853, or 10.3; 1937, 35,456, or 11.3; and 1938, 32,609, or 10.3.

## Lands and Forests

The Annual Reports of the Minister of Lands and Forests for the fiscal years 1935-36 and 1936-37 showed that on June 30, 1936, there were 9,698,708 acres of land sub-divided into available farm lots, as compared with 8,678,721 at the end of the preceding fiscal year; and that on June 30, 1937, there were 9,756,529 acres available. The increase during the year 1935-36 was attributed to new divisions, cancellations or exchanges. The total increase for that year (1935-36) was 1,296,932 acres, reduced by 276,945 acres as a result of sales, exchanges or grants. In the year 1936-37 the increase of 57,821 acres was achieved by further divisions and re-transfers totalling 459,734 acres while 401,913 were disposed of through sales or grants. The Total Income of the Department in 1935-36 was reported at \$4,213,101, and in 1936-37, at \$4,420,379. The receipts came principally from cutting rights. Other income included revenues from Woods and Forests, hydraulic services, and Crown Lands. In the former year, the Department's expenditures were \$1,658,158 for surveys, for the Protection Service, Forestry and Inspection Service, for reforestation, for grants to Forestry and Paper-Making Schools, and for the Forest Products Commission and the Forest Operations Commission, (which disappeared in the latter year). Expenditures in 1936-37 for administration decreased slightly to \$1,546,457.

The Chief of the Forestry Service reported that recovery noted during 1934-35 had been maintained in the two following fiscal years. However, an early thaw in the Spring of 1936 prevented transportation from the forests of timber amounting to more than 100,000,000 f.b.m. He estimated the total cut in the Province in 1935-36 at 1,354,672,617 f.b.m. In the Spring of 1936, the Department put into effect a system employing the cubic foot as the unit of measurement of cutting to make the forestry statistics conform with those of other Provinces and other countries. The 1936-37 cut in the Province was reported at 312,122,145 cu. ft., which was an increase, as compared with the preceding year. The 1935-36 Report said the newsprint industry had benefited by an increase in orders though the price of paper remained too low. It expressed the hope that negotiations for a \$5 a ton price boost would be successful. The Report of the year 1936-37 stated that excellent results had followed the steps taken by the Government for the re-opening of a pulp mill at Chandler in Gaspé



Peninsula and that realization of the project would benefit the entire Gaspé district. Revenues from leased forests were estimated at \$3,418,253 in 1935-36 and at \$3,689,972 in 1936-37. The revenues of the Province from Woods and Forests since Confederation were estimated at \$111,864,458 at the end of 1936-37. An inventory of leased and unleased forests begun in 1923 had covered at the end of 1936-37 more than 79,000 square miles, about 30 per cent. of the total area of forests South of the 52nd parallel of North latitude. At the end of the next year the Chief of the Forestry Service reported that, approximately, 85,000 square miles had been covered by various inventories. Progress was reported to have been maintained both in 1935-36 and 1936-37 by schools subsidized by the Department.

The Protective Service reported 1,277 fires in the 1935 season, 62 per cent. of them during the dangerous period of May and June. Altogether, 280,295 acres were burned over and 82.5 per cent. of that area in the two months which were particularly dry in 1935. In the 1936 season, there were 556 fires which burned 29,546 acres. The most destructive fires occurred in July when 21,310 acres were burned.

Twenty beach and deep water lots were leased by the Department in 1935-36 and total receipts of the Hydraulic Service were \$693,520. The Report of the Hydraulic Service noted an almost complete halt in applications for leases of hydraulic power of more than 500 h.p. as a result of legislation passed in 1935 stipulating that any alienation or lease of power, having an average natural force of 500 h.p. or more, could be made only under an Act of the Legislature unless the leases were sought by municipal corporations. During 1935-36, cancellation by the Ontario Hydro-Electric Power Commission of certain contracts with Quebec Companies became effective. The Report said that the Beauharnois Light, Heat and Power Company lost the sale of 250,000 h.p. and the Ottawa Valley Power Company's 112,000 h.p. installation at Rapides des Chats had ceased operation following the cancellation. The Gatineau Power Company also had been affected. In 1935-36, Maclaren-Quebec Power Company added a 30,000 h.p. unit to its plant at Rivière du Lievre, bringing its capacity to 120,000 h.p. The new Electricity Commission was asked to inquire into the distribution of 25-cycle power in Abitibi. Elsewhere in the Province only 60-cycle power had been distributed. Ten beach and deep water lots were leased in 1936-37 and a number were transferred to the Dominion Government in connection with works projects. Receipts of the Hydraulic Service during the fiscal year decreased to \$640,293.

## Roads

The total length of permanently improved roads (gravel, bituminous carpet coat on gravel road, macadam, bituminous macadam, cement concrete and bituminous concrete) in Quebec was 17,365 miles in 1936; 17,878 miles in 1937; and 18,518 miles in 1938, according to the Annual Reports of the Department of Roads for the years 1936, 1937 and 1938. The length of improved earth roads totalled 17,468 miles in 1936; 17,122 miles in 1937; and 16,609 miles in 1938.

In 1936, the total length of roads maintained at the Government's expense was 16,910 miles, as compared with 16,881 miles in 1937 and 17,500 miles in 1938. The length of Provincial and regional highways maintained was 5,706 miles in 1936; 5,690 in 1937; and 5,955 miles in 1938. The length of municipal roads maintained was 11,104 miles in 1936; 11,191 miles in 1937; and 11,545 miles in 1938. Bridges and culverts rebuilt or repaired

totalled 9 in 1936; 52 in 1937; and 63 in 1938. There were 5 level crossings eliminated in 1936; 31 in 1937; and 7 in 1938. Roads opened and maintained for automobile traffic during the Winter of 1936-37 comprised 719 miles, as compared with 985 miles during 1937-38 and 1,262 miles for 1938-39.

## Mines

The Annual Reports of the Quebec Bureau of Mines for the years 1936 and 1937 showed that improvement in economic conditions was reflected in sharp increases in the value of mineral production in the Province. A Preliminary Report by the Bureau for 1938 showed still further growth.

Mineral production in 1936 reached a record value of \$49,755,985, a 27 per cent. increase over 1935. In 1937, a 31 per cent. jump over the value in the preceding year brought a new record figure of \$65,203,976. The preliminary Report for 1938 estimated the value of production for that year at \$68,256,308, a less spectacular increase.

The Report for 1936 attributed the production increase of \$10,614,251 as compared with the previous year particularly to expanded gold and asbestos outputs. The 1937 Report said that while the three main subdivisions of Quebec mineral production—metals, non-metallics and building materials—had shown increases, the development of metal mining in the Province had played a most important part in offsetting the effects of the depression years which had caused declines in the operations of all other basic industries. The value of metal production had risen from \$12,367,932 in 1931 to \$38,615,175 in 1937, the Report stated.

Figures in the Reports for the three years, including the Preliminary 1938 Statement, showed that the value of metal production increased from \$30,643,787 in 1936, to \$38,615,175 in 1937, and to \$43,152,345 in 1938. The value of non-metallics was reported at \$12,388,178 in 1936; \$17,232,860 in 1937; and \$14,946,562 in 1938. Building materials increased from \$6,724,020 to \$9,355,941 and to \$10,157,401, respectively, during the three years under review.

Throughout the three years, gold was by far the most important in value of all minerals produced. In 1936, the gold output of 666,905 oz. was valued at \$23,361,682; in 1937, 711,482 oz., at \$24,894,755; and in 1938, 875,285 oz., at \$38,788,150. Asbestos ranked second with 301,287 tons valued at \$9,958,183 in 1936; 410,024 tons, at \$14,505,541 in 1937; and 289,793 tons, at \$12,890,195 in 1938. Production and value of copper was as follows: in 1936, 66,340,175 lb., at \$6,287,058; in 1937, 94,653,135 lb., at \$12,378,737; and in 1938, 112,645,797 lb., at \$11,233,039.

By the end of June, 1937, a network of roads built to serve the mining regions of Quebec reached a total of 724 miles, 194 miles more than in 1936. In the fiscal year 1935-36 expenditures of \$2,551,764 were made by the Province for the opening and improvement of mine roads; and in 1936-37, approximately \$590,000. During the fiscal year 1935-36 claims recorded totalled 12,962, while 4,043 miners' certificates and 525 mining licences were issued, with 1,245 licences being renewed. In the fiscal year 1936-37, there were 23,823 claims recorded, 7,099 miners' certificates and 954 mining licences issued, and 1,313 licences renewed.

Important legislation affecting the mining industry was enacted by the Quebec Legislature in 1937. One measure which became commonly known as "Bill No. 5" required the incorporation in the Province of all companies exploiting the natural resources of Quebec.

## Fisheries and Game

The total revenue of the Fish and Game Service was \$405,227 in 1935-36; \$390,138 in 1936-37; and \$403,472 in 1937-38, according to the General Reports of the Minister of Mines and Fisheries for the years ended June 30, 1937 and 1938.

The total commercial value of marketed furs, except silver fox, black fox and mink which are products of fur farms, was reported at \$1,435,911 in 1936-37, and \$1,067,189 in 1937-38. Bounties of \$15 each were paid for 237 wolves killed in 1936-37, and 251 wolves killed the following year.

Total value of Quebec Fisheries (Dominion Bureau of Statistics), was \$1,947,259 in 1935; \$2,108,404 in 1936; \$1,892,036 in 1937; and \$1,954,377 in 1938. In 1936 the production of sea fisheries was valued at \$1,206,425 and inland fisheries, at \$617,135; in 1937, sea fisheries, at \$1,308,224 and inland fisheries, at \$583,812; and in 1938 sea fisheries, at \$1,391,792 and inland fisheries, at \$562,585. The amount of capital invested in equipment used for catching and landing fish was \$2,472,954 in 1936; \$2,151,246 in 1937; and \$2,258,498 in 1938. In 1936, 13,778 men were employed in primary fishing operations, in both the sea and inland fisheries, as compared with 11,385 in 1937, and 12,684 in 1938.

The Superintendent of the Laurentides National Park reported that in 1937, 1,078 Quebec fishermen and 1,122 from outside the Province stayed in Park camps, making an increase of 388 visitors to the Park, as compared with 1936. In 1938, 1,131 Quebec fishermen and 1,053 foreign fishermen stayed in the camps. In 1938 there were 18 establishments in the Park, composed of 42 camps for visitors and 50 accessory buildings.

The work on the National Park in Gaspé continued in 1938 and it was expected that it would be opened to the public by 1939.

## Public Works

Receipts of the Department of Public Works totalled \$279,726 with Budgetary and Statutory Expenses of \$1,757,605 and \$600,792 in 1935-36; in 1936-37, Receipts totalled \$310,627 with Budgetary and Statutory Expenses of \$1,596,313 and \$187,028; and in 1937-38, Receipts totalled \$337,991 with Budgetary and Statutory Expenses of \$2,368,356 and \$200,617, according to the Annual Reports for the three fiscal years, 1935-36, 1936-37 and 1937-38.

In 1935-36 repairs were made to 310 bridges; in 1936-37, to 177 bridges; and in 1937-38, to 246 bridges. In 1935-36, a total of 37 bridges were built, while a similar number were erected in 1936-37. At the end of the fiscal year 1935-36, 26 bridges were under construction and at the end of the year 1936-37, 29. During the year 1937-38, 46 bridges were built and 33 others were still under construction at the end of the fiscal year. From 1908 to the end of the fiscal year ended June 30, 1938, bridges built numbered 1,432, at a total cost of \$23,592,519, of which the Government contributed in subsidies an amount of \$17,622,711. The total length of bridges under construction on July 1, 1936, was 2,922 ft.; on July 1, 1937, 4,683 ft.; and on July 1, 1938, 4,606 ft. The estimated cost of these works was, in 1935-36, \$779,964; in 1936-37, \$490,341; and in 1937-38, \$974,856. Revenue from the 10 toll bridges in 1935-36 totalled \$238,990; in 1936-37, \$269,333; and in 1937-38, \$302,796. Work on the Island of Orleans Bridge, the last one of the large bridges built under authority of Act 21, Geo.



V, Ch. 5. was completed and the Bridge was opened to traffic at the beginning of the fiscal year, July 6, 1935.

In virtue of The Fire Prevention Act during the three years (1935-36, 1936-37 and 1937-38), the Fire Commissioner reported that in 1935-36 subsidies totalling \$140,401 were paid to 50 Corporations; in 1936-37 subsidies totalling \$192,816 were paid to 61 Corporations; and in 1937-38 subsidies totalling \$103,331 were paid to 54 Corporations. Special bonuses for standardization equipment were paid to 17 Corporations in 1935-36; 16 in 1936-37; and 24 in 1937-38. These bonuses in 1935-36 totalled \$2,875; in 1936-37, \$1,390; and in 1937-38, \$3,677. Property loss by fire in 1935 amounted to \$7,404,965 of which \$5,602,300 was covered by insurance. Corresponding figures for 1936, 1937 and 1938, respectively, were: \$6,645,210 and \$5,367,140; \$6,499,420 and \$4,966,280; and \$8,551,735 and \$6,767,623. In the four calendar years under review, there were 112, 98, 106 and 136 fires, in which the loss was more than \$10,000. The total loss caused by these fires was \$2,765,533, \$2,962,421, \$3,236,089 and \$4,208,075, respectively.

## Agriculture

Budgetary expenditures by the Government of Quebec to aid agriculture and promote the expansion of the best farming methods reached a total of \$4,818,574 in 1938, as compared to \$3,527,230 in 1937, and \$3,575,830 in 1936. A considerable portion of this expenditure was devoted to the maintenance of agricultural schools and their staffs, as well as to the support of farmers' societies and clubs.

The total revenue derived from agriculture in Quebec in 1938 was \$188,580,000; in 1937, \$188,844,000 and in 1936, \$187,234,000.

In 1938 the estimated acreage of field crops under cultivation in Quebec was 6,103,300 acres; in 1937, 6,042,300 acres; and in 1936, 6,018,400 acres. The estimated value of field crops was in 1938, \$81,023,000; in 1937, \$81,629,000; and in 1936, \$91,276,000.

In 1936 Quebec's live stock were valued at \$93,612,000; in 1937, at \$107,872,000; and in 1938, at \$106,522,000. The estimated number of live stock in the Province was 3,325,300, 3,475,900 and 3,412,800, respectively, for 1936, 1937 and 1938.

The value of dairy products in 1938 was \$55,702,500; in 1937, \$55,711,347; in 1936, \$50,437,572; and in 1935, \$48,222,100. In 1938, creamery butter production amounted to 79,214,400 lb., valued at \$19,407,500, as compared with 74,557,923 lb., at \$19,390,003 in 1937; 74,487,024 lb., at \$17,176,664 in 1936; and 72,999,000 lb., at \$14,745,800 in 1935. Dairy butter production totalled 13,045,000 lb., valued at \$2,740,000 in 1938; 14,494,000 lb., at \$3,189,000 in 1937; 14,099,000 lb., at \$2,961,000 in 1936; and 14,174,000 lb., at \$2,736,000 in 1935. Factory cheese production totalled 27,554,100 lb. in 1938, as against 30,362,479 lb., 25,375,881 lb., and 20,357,000 lb., in 1937, 1936 and 1935, respectively. The values were \$3,719,800 in 1938; \$4,128,268 in 1937; \$3,306,850 in 1936 and \$2,239,300 in 1935. Farm-made cheese production amounted to 225,000 lb., 256,000 lb., 255,000 lb., and 251,000 lb., valued at \$31,000, \$36,000, \$35,000 and \$28,000, respectively, for 1938, 1937, 1936 and 1935.

Farm egg production in the Province totalled 31,765,000 doz., valued at \$6,671,000 in 1938; 33,166,000 doz., at \$6,302,000 in 1937; 32,566,000 doz., at \$6,513,000 in 1936; and 30,613,000 doz., at \$5,816,000 in 1935. Quebec was the first Province to export fresh eggs to England. Every week, from January to July, 1938, 50 cases of "Certified Quebec" eggs were sent to

London. This initiative started the shipping of fresh eggs to the English market by several of the Canadian Provinces. Through the new outlet, which helped to eliminate the over-production, the Canadian egg market retained a markedly higher level in 1938, than in 1937. In England, great publicity was given to "Quebec Certified" fresh eggs in 30 newspapers and by radio.

The honey crop for 1938 was above that for 1937 but not up to the 1936 high. Production totalled 5,108,200 lb., 3,588,700 lb. and 5,395,600 lb., respectively, for the three years. The value of the honey crop was \$529,500 in 1938, as compared with \$358,900 in 1937, and \$539,600 in 1936.

The statistics for maple sugar and maple syrup varied considerably during the three years under review. In 1938, there were 3,212,100 lb. of sugar valued at \$321,200; and 2,353,800 gal. of syrup valued at \$2,589,100. Figures for production and value in 1937 and 1936, respectively, were—sugar: 4,020,000 lb., \$442,200; 8,506,000 lb., \$927,200; and syrup: 780,000 gal., \$865,800; 1,387,900 gal., \$1,554,400.

In 1937 reports were filed by 188 co-operative associations with the Department of Agriculture; this compared with 168 in 1936, and 158 in 1935. The associations included, in 1937, a Provincial federation for the purchase and sale of all agricultural products; five Provincial and thirteen regional co-operative societies of varied activities. The remaining number were local associations.

The sales transacted by the co-operative societies in 1937, amounted to \$19,337,650; in 1936, to \$15,800,606; and in 1935, to \$12,074,032. The Government made the usual grant of 1½ per cent. on the amount of sales to associations during these years, fulfilling the conditions of the Act of 1930. In 1937, 153 associations benefited thereby; in 1936, 128 associations; and in 1935, 108 associations.

The first Provincial Agricultural Instruction Congress was held in the Parliament Building, Oct. 18-20, 1937, with more than 200 in attendance. The creation of an Agricultural Instruction Committee for the Province of Quebec was approved by a Special Act of the Legislature at the Session of 1938.

### The Farm Credit Bureau

Farm credit was established on Nov. 12, 1936, in order to procure for the farming class long-term loans at a low rate of interest. For this purpose, the Quebec Farm Bureau was instituted. The amount at the disposal of the Bureau, which was fixed at first at \$10,000,000, was gradually increased to \$35,000,000 (*Statistical Year Book, 1938*). The Bureau made loans to two classes of farmers: (1) to established farmers who wished to consolidate their debts at a lower rate of interest or to improve their buildings, land, method of farming or live stock; and (2) to persons acquiring a farm with a view to settling thereon. In the first instance, according to the provisions of the Act, the loan might represent as much as 65 per cent. and in the second, 75 per cent. of the value of the farm as fixed by the Bureau. In no event could the loan exceed \$6,000.

From Apr., 1937, to the end of Feb., 1939, the Farm Credit Bureau made 9,571 loans amounting to \$22,702,765, the amount applied for having been \$24,454,518. The loans settled the following claims: mortgages, \$17,245,160; municipal taxes, \$178,104; school taxes, \$177,372; church taxes, \$84,786; seigniorial rents, \$9,683; ordinary debts, \$5,007,659. According to

statements made by the borrowers, their combined assets amounted to \$76,961,665 against \$24,667,732 in liabilities. The farmers valued their property, comprising land and buildings at \$53,800,713 and the municipal evaluation was \$27,272,607. However, through the services of local appraisers and special inspectors, the Reviewing Office fixed the value of the farms at \$38,019,525, the live stock at \$8,457,143 and equipment at \$7,727,990. Eight thousand, one hundred and thirty-five borrowers were married, 596 were widowers and 840 were single; the greater number of the latter, however, declared their intention of marrying shortly. There were 43,344 of which 22,908 were boys and 20,436 girls living on the farms.

## Colonization

The sum of \$10,000,000 was set aside in 1935 by legislation for colonization purposes and the carrying into effect of the project was completed by June 30, 1937. In 1937-38, colonists were settled in accordance with the several plans.

*Rogers-Auger Plan*—Under an agreement signed by the Dominion and Provincial Governments on Dec. 9, 1936, every qualified would-be colonist might obtain, in order to permit him to settle on Crown Land, a maximum grant of \$1,000 of which \$820 was to be paid in the two first years and, if necessary, \$100 the third year and \$80 the fourth year. The Dominion of Canada, the Province of Quebec and the municipality wherein the would-be settler resided, contracted to pay in equal shares the amount of the grant. However, the Provincial Government had consented to pay the municipality's share, except in the case of towns where it contributed toward direct relief. The choice of families and the control of grants were in the hands of a commission comprising representatives of the Dominion and Provincial Governments and of the two principal railroad companies. Up to June 30, 1938, the Commission had received 4,854 applications, of which 1,281 had been refused and 2,373 accepted. The families established numbered 1,200 and formed a population of more than 7,400 souls. One hundred and nine other heads of families settled on the land had abandoned their lots. In accordance with this plan the sum of \$326,414 had been paid out.

*Provincial Plan*—Only married men, without means of support or likely to be without, were allowed the benefits of the Rogers-Auger Plan. A great number of others, without being in actual want, lacked the means to settle themselves. To help these and the unmarried men, the Provincial Government provided another plan. The Colonization Department sold to them lots of arable land at the ordinary rates but allowed them the various subsidies hereafter enumerated. During the 1937-38 financial year, 7,711 applications were made to this Branch. Of these several applicants went no further than the preliminary step; others took advantage of the Rogers-Auger Plan and still others asked to be settled on unoccupied land or in accordance with the plan for farmers' sons. In all, 1,324 colonists were established by means of the Provincial Plan.

*Settlement of Farmers' Sons*—To a farmer who established his son on a farm, of which he became the purchaser, or on land he already owned or on a part, consisting of from 50 to 100 acres, of his own farm the Government made three consecutive yearly grants of \$100. From July 1, 1937, to June 30, 1938, the Government made 1,569 first payments, 2,752 second payments and 3,713 third payments, amounting



in all to \$803,400. Since this policy was adopted in 1933, 11,105 farmers' sons had been settled.

*Settlement on Unoccupied Land*—Of the 909 applications made in 1937-38, 471 were granted. During the same period, the Department made 467 first, 576 second and 837 third payments of \$100 each. Besides, 167 loans amounting to \$40,723.91 were granted for the purchase of rolling stock.

*Colonization Premiums*—In order to induce settlement in the regions open to colonization, the Government, in 1923, granted premiums to settlers, payable (as in 1937-38) as follows: I. To resident settlers, \$10 per acre, at the rate of 5 acres per annum, up to: (a) ten acres per hundred per lot, for clearing and 5 acres for ploughing, to unmarried settlers; (b) twenty acres per hundred per lot, for clearing, and 10 acres for ploughing to married settlers; and (c) thirty acres per hundred, per lot, for clearing and 15 acres for ploughing to settlers having six or more children under 18 years of age. II. To non-resident settlers, \$10 per acre at the rate of 5 acres per annum, up to 10 acres per hundred for clearing. Premiums paid in 1935-36 totalled \$393,592; in 1936-37, \$858,741 and in 1937-38, \$847,275.

## Labour

The year 1937 brought considerable activity on the labour front in the Province of Quebec and the establishment of the Fair Wage Board with broad powers in the matter of workers' wages and conditions. There had been one major strike and a few of less importance until the coming of the Board which was followed by comparative calm.

The Board was set up under legislation passed during the 1937 Session in the Spring. Its personnel, including Judge Ferdinand Roy as Chairman, was announced on Sept. 1, 1937, and work was started almost immediately. The Board assumed among other duties those of the Women's Minimum Wage Commission.

The most sweeping Ordinance of the Fair Wage Board was Ordinance No. 4 announced three days before the end of 1937. It came into force on May 15, 1938. It provided wage increases for workers paid less than accepted minimum standards and was estimated to affect nearly 80 per cent. of the 670,000 workers in the Province, including 155,000 women employees. The decree was intended to benefit particularly unorganized workers and members of the Fair Wage Board said it covered every class of wage earner in all industrial and commercial establishments; office workers, clerks, clinical assistants, nurses, workers classified as "domestics" in commercial establishments, such as cooks, waiters, chambermaids, and elevator operators, male and female teachers, theatre employees. It covered also "any day labourer working at any work whatsoever, manual or otherwise, for whom there had been no special provision. No. 4 also decreed that wage minimums previously set by the Women's Minimum Wage Commission were extended to male workers. It divided the Province into three Zones according to population and economic conditions with a particular set of wage scales and working conditions for each. On Feb. 10, 1938, Ordinance No. 4 was indefinitely suspended, but it was revised in May. Other Ordinances were approved in November, 1938.

Among the strikes which drew the most attention in 1937 was one in the dress manufacturing industry in Montreal. It affected about

5,000 employees. About 2,000 of them returned to work after their two unions had signed a Collective Wage Agreement with their employers. The 3,000 others, members of the International Ladies' Garment Workers' Union seeking recognition of the principle of the closed shop, returned to their jobs only after the Hon. William Tremblay, Minister of Labour, ordered their Union to accept Provincial arbitration, and declared, in a message to strike leaders, that the Union's demand for a closed shop could not be considered as an acceptable excuse for delay in settlement. Before there was a settlement, Bernard Shane, Manager of the Montreal Branch of the I.L.G.W.U., and Raoul Trepanier, President of the Montreal Trades and Labour Council, who acted as the Union's Strike Committee Chairman, were arrested on orders of the Attorney-General's Department. They were released within a few hours. Some weeks after, the Prime Minister (the Hon. Maurice Duplessis) declared closed shops would not be tolerated in the Province. He described the closed shop as a cause of disorder and an attempt against the freedom of the worker.

A strike broke out in the textile industry of the Province in the Summer of 1937 following failure of the National Catholic Federation of Textile Workers to bring about negotiations with the Dominion Textile Company for a collective agreement. The strike which affected 10,000 workers in the eight plants of the company and affiliates was settled Aug. 27 (1937) after the plants had been idle 25 days. Mr. Duplessis acted as mediator after Cardinal Villeneuve had issued a plea for settlement of the dispute.

The Committee for Industrial Organization was reported in the Spring of 1937 to have been seeking to extend its activities in Quebec. Late in 1937, the Prime Minister told a delegation representing International Labour groups in the Province that the Government would not recognize affiliates of the C.I.O.

The Inspection Service of Industrial and Commercial Establishments and Public Buildings, in addition to inspection, saw to the enforcement of hours of work, weekly days of rest, and working conditions legislation throughout the Province. In 1935-36 the 19 inspectors of the Service made 6,305 inspections of all kinds; in 1936-37, the 25 inspectors made 5,475 inspections; and in 1937-38, 27 inspectors made 12,468 inspections.

Labour disputes in the Province of Quebec during 1936 totalled 20, as compared to 46 in 1937, and 19 in 1938. Persons involved in 1936 totalled 5,922; in 1937, 24,419; and in 1938, 2,191. The number of man-working days lost during strikes totalled 33,251 in 1936; 358,024 in 1937; and 10,533 in 1938.

The Provincial Employment Bureaux had in 1935-36, 102,543 registrations; in 1936-37, 144,635; and in 1937-38, 159,864. Positions offered in 1935-36 numbered 62,644; in 1936-37, 83,831; and in 1937-38, 94,335. References submitted in 1935-36 totalled 66,698; in 1936-37, 82,744; and in 1937-38, 92,811. The number of placements was 52,549 in 1935-36; 70,088 in 1936-37; and 81,061 in 1937-38. In 1936-37 a new bureau was opened in Montreal Maisonneuve while the Montreal North bureau was replaced by a better located one. In 1937-38 two new bureaux were opened in Val d'Or and Matane; the Port Alfred bureau was transferred in Bagotville.

The Receipts of the Department of Labour for the three fiscal years, 1935-36, 1936-37, and 1937-38 amounted to \$248,132, \$263,103, and \$307,944 respectively. Expenditures for the same three fiscal years amounted to

\$552,979, \$4,960,575, and \$16,596,352. The abnormal increase in the expenditures of the Department was due, practically, to the enforcement of new Acts adopted during the years 1936-37 and 1937-38.

### **Workmen's Compensation Commission**

The Annual Reports of the Quebec Workmen's Compensation Commission stated that 46,999 accident claims had been made in 1936; 70,100 in 1937; and 58,335 in 1938. The number of employers registered with the Commission was 9,308 on Dec. 31, 1936, and 10,558 on Dec. 31, 1937. Total claims for 1936 and 1937, respectively, were as follows: medical aid only, 17,196 and 18,294; compensation, 17,821 and 21,086; and death, 146 and 122. The Commission accorded benefits totalling \$3,470,492 in 1936; \$4,912,076 in 1937; and \$5,669,368 in 1938. Compensation payments amounted to \$2,754,586 in 1936; \$3,871,393 in 1937; and \$4,543,421 in 1938; medical aid, \$715,905 in 1936; \$1,040,683 in 1937; and \$1,125,947 in 1938. The total expenses of administration were \$276,106 in 1936; \$339,907 in 1937; and \$351,445 in 1938. Of these amounts, \$26,466 was charged in 1936; \$26,663 in 1937; and \$30,000 in 1938 to employers under Schedule 2 who were permitted to pay compensation personally to their workers. Included in the costs of administration were salaries amounting to \$207,027 in 1936; \$230,896 in 1937; and \$265,624 in 1938.

No serious disasters occurred in any of the three years under review and the Disaster Reserve Fund of the Commission remained at \$184,111. The Pension Fund totalled \$4,251,981 at the end of 1936; \$5,445,942 at the end of 1937; and \$6,820,656 at the end of 1938. The amounts did not include reserves for temporary rents.

Operations of the Commission showed a deficit of \$537,914 in 1936, and surpluses of \$55,358 and \$210,169, respectively, in 1937 and 1938. The Commission issued 141,661 cheques in 1936, and 222,716 in 1937. The assessment roll comprised 12,298 notices during the former year and 14,080 during the latter year.

### **Direct Relief and Unemployment, 1936—1938**

During the period, Aug. 1, 1936, to Dec. 31, 1938, direct relief in the Province of Quebec cost \$70,132,317, apportioned as follows: Provincial contribution, \$42,384,829 or 60 per cent.; Federal contribution, \$16,971,482 or 24 per cent.; and Municipal contribution, \$10,776,005 or 16 per cent. of the total. From Aug. 1, 1937, to Dec. 31, 1938, Public Works effected to aid unemployment cost \$24,472,336, apportioned as follows: Provincial contribution, \$23,206,343 or 95½ per cent. of the cost; the Federal contribution, \$1,169,646 or 4 per cent. of the cost; and the Municipal contribution, \$96,347 or ½ per cent. of the cost.

### **Education**

The Annual Reports of the Superintendent of Education for the three fiscal years, 1935-36, 1936-37 and 1937-38 showed that the number of school municipalities increased as follows: from 1,677 at the end of June, 1936, to 1,685 at the end of June, 1937, to 1,730 at the end of June, 1938. The number of school corporations was 1,862 at the end of June, 1936; 1,870 at the end of June, 1937; and 1,916 at the end of June, 1938. The number of Catholic corporations increased from 1,520 to 1,527 to 1,569, respectively, and the number of Protestant corporations from 342 to 343 to 347, respectively. Of the Catholic corporations the number under Commissioners and Trustees was: 1,477 and 43, respectively, at the end



of June, 1936; 1,484 and 43 at the end of June, 1937; and 1,526 and 43 at the end of June, 1938. The figures for Protestant corporations under Commissioners and Trustees were: 200 and 142, respectively, at the end of June, 1936; 201 and 142, at the end of June, 1937; and 204 and 145, at the end of June, 1938.

Catholic schools numbered 8,254 in 1934-35 (given in the Report of the Superintendent of Education for 1935-36); 8,374 in 1935-36; and 8,586 in 1936-37. Both the numbers of male and female teachers in the Catholic schools increased during the three years as follows: 7,004 and 17,025, respectively, in 1934-35; 7,037 and 17,428, in 1935-36; and 7,169 and 17,778, in 1936-37. In 1934-35 there were 697 Protestant schools with 955 male and 2,311 female teachers; in 1935-36, 690 schools with 960 male and 2,311 female teachers; and in 1936-37, again 690 schools with 997 male and 2,324 female teachers.

The level of the average salaries paid to the teaching staff in primary schools was increased in the last of the three years under review. The average salary paid to lay male teachers in Catholic schools was \$1,459 in 1934-35; \$1,441 in 1935-36; and \$1,666 in 1936-37; that of female teachers was \$315 in 1934-35; \$316 in 1935-36; and \$337 in 1936-37. In Protestant schools, the average salary paid to male teachers was \$1,586 in 1934-35; \$1,560 in 1935-36; and \$1,743 in 1936-37. The averages for Protestant female teachers were \$446 in 1934-35; \$440 in 1935-36; and \$458 in 1936-37.

School attendance statistics (from the 1935-36 Report) showed that in 1934-35, 602,543 children attended Catholic schools, the number comprising 308,089 boys and 294,454 girls. In 1935-36, the total attendance of 613,000 comprised 312,075 boys and 300,925 girls; and in 1936-37, 622,526 children attended, 316,223 being boys and 306,303 girls. In the Protestant schools the attendance in 1934-35 was 84,389, comprising 44,357 boys and 40,032 girls; in 1935-36, 82,168, comprising 43,100 boys and 39,068 girls; and in 1936-37, 81,793, comprising 42,971 boys and 39,002 girls. Average attendance at the Catholic schools during the three years was as follows: 1934-35, 503,618; 1935-36, 507,394; and 1936-37, 510,943. In the Protestant schools it was: 64,985 in 1934-35; 63,660 in 1935-36; and 63,289 in 1936-37.

The statements of general school contributions showed that the Department of Education paid out: \$3,821,321 in 1934-35; \$3,365,771 in 1935-36; and \$3,365,520 in 1936-37. Other Departments paid: \$1,413,683 in 1934-35; \$2,042,877 in 1935-36; and \$2,398,130 in 1936-37. Contributions from municipalities and independent institutions totalled \$28,022,461, \$28,610,829 and \$28,705,810, respectively, in the three years.

The Second Canadian French Language Congress was held in Quebec at the end of June, 1937. Ten thousand delegates from all parts of Canada, and from the United States, France, Hayti, Belgium and Switzerland attended the five-day meeting which opened June 27.

### **Inquiry into Protestant Education**

In September, 1937, the Director of Protestant Education requested the resignation of seven members of the Protestant Committee of the Council of Public Education in a move for reorganization. The resignation of only seven members was sought in order that the Committee might continue to operate while the rebuilding was in process. However, it appeared as if certain members had been singled out so all members of the Committee were asked to resign to make it clear that such was not the case. Some of the Committee members refused to resign and it

was more than a month later before the waters were calmed by the announcement of the Prime Minister (Mr. Duplessis) that all the members had been reinstated. The Prime Minister explained the reinstatement was effective until competent Protestant authorities had decided just what action would be taken.

The result of the discord was the appointment of a Committee of Eleven made at the end of November, 1937, with Mr. W. A. F. Hepburn of Ayrshire, Scotland, a prominent educator, as its Chairman. The Committee was charged to conduct a thorough study of Protestant Education in Quebec and upon its completion to recommend whatever action was seen as necessary. The Committee went to work soon after the arrival in Canada of Mr. Hepburn early in 1938. In its Report at the end of the year, the Committee recommended the dissolution of the Protestant Committee of the Council of Public Education and its reconstitution with wider representation to those directly connected with school administration; reorganization of administration on the Island of Montreal; creation of new administrative districts in the Province; and other changes including an increase of three mills in the tax allocation for educational purposes in the Greater Montreal District.

### **Educational Institutions**

At McGill University, Montreal, the total enrolment for the year 1936-37 was 3,138, including 2,575 degree students. In 1937-38, the total enrolment was 3,310 including 2,689 degree students. The University conferred degrees on 582 students at Convocations on Oct. 6, 1936, and May 27, 1937; and on 571 students at Convocations on Oct. 6, 1937, and May 26, 1938. At the Spring Convocation in 1937, the Honorary degree of Doctor of Laws was conferred on Mr. Albert Richardson Carman, Editor-in-Chief of the Montreal Daily Star; the Hon. Newton Wesley Rowell, Chief Justice of Ontario; Sir Josiah Stamp, Chairman of the London, Midland and Scottish Railway, and Director of the Bank of England; and Mrs. Susan Cameron Vaughan, retiring Warden of the Royal Victoria College. The Honorary degree of Doctor of Laws was bestowed on the Hon. Esioff Leon Patenaude, Lieutenant-Governor of Quebec, at the Founder's Day Convocation, Oct. 6, 1937. At the Spring Convocation, May 26, 1938, the Honorary degree of Doctor of Laws was conferred on Miss Mabel Frances Hersey, retiring Superintendent of Nurses, Royal Victoria Hospital; the Rt. Hon. Ernest Lapointe, Minister of Justice for Canada; Mr. William Allan Neilson, President of Smith College, Northampton, Mass.; Mr. Harry Joshua Stern, Rabbi of Temple Emanu-El, Montreal; and Robert Charles Wallace, Principal of Queen's University, Kingston, Ont. The Chancellor of McGill University, Sir Edward Beatty, received the Honorary degree of Doctor of Laws from Dartmouth College and from the University of Alberta during the year 1937-38. The Chancellor also was made freeman of the town of London, Ont. Various bequests during 1936-37 totalled \$169,830, and \$407,000 during 1937-38. The University's general income in 1936-37 was \$1,708,963 and its expenditures, \$1,792,343. In 1937-38, its general income was \$1,341,954 and its expenditures, \$1,379,806. The resignation of Principal A. E. Morgan was announced Apr. 29, 1937, and became effective May 31 when Dr. W. H. Brittain, Vice-Principal of Macdonald College was appointed Acting Principal. The retiring Principal said he had decided to resign because he did not "see eye to eye" with the Board of Governors of the University. On Jan. 7, 1938, Dr. Lewis W. Douglas, whose appoint-

ment had been announced three months before, was inducted into office as Principal and Vice-Chancellor. The installation was conducted in the presence of His Excellency, Lord Tweedsmuir, Governor-General of Canada and Visitor at McGill. In the extension of the research activities of the University, the Board of Governors announced in June, 1938, an expenditure of \$93,000 for the installation of a cyclotron—the “atom smashing” apparatus used in research in nuclear physics.

At the University of Montreal, the enrolment of students for the year 1936-37 was 8,539; for 1937-38, 9,276. The 1937 Annual Convocation was held on May 28, when 670 degrees were conferred on students. In the following year at the Spring Convocation (May 28), 933 students received degrees. Honorary degrees conferred by the University at the 1937 Convocation were: Doctorate in Music—the Rev. Sister Marie Valentine and Mr. Frederick Pelletier. The Honorary degrees conferred at the Convocation of 1937-38 were as follows: Doctorate of the University of Montreal—the Rev. Sister Allard, Mr. Osias Leduc and Mr. Clarence Gagnon; Doctorate in Medicine—Dr. Louis Martin; and Doctorate in Veterinary Surgery—Dr. Charles Mitchell. Steps to relieve the University of its financial difficulties were taken by the Provincial Government during the two years. In September, 1937, the Hon. J. H. Albiny Paquette, Minister of Education, announced that a Committee was studying the condition of the University and that it was estimated some \$3,500,000 would be needed for the completion of the University buildings. The Committee formed of representatives of more than 20 French-Canadian trade organizations, educational societies and social bodies, suggested an annual grant of \$600,000 by the Quebec Government for maintenance of the University once the problem of completing the buildings was solved. The Provincial Government also appointed a Commission to examine the situation of the institution. A Report by the Commission was submitted to the Government in October, 1937. On Mar. 17, 1937, Senator Raoul Dandurand resigned as President of the University after having served for three years.

The School of Higher Commercial Studies, Montreal, (affiliated with the University of Montreal) had 972 students in attendance in 1936-37, and 1,042 in 1937-38. Forty-five degrees were conferred in 1936-37, and 60 in 1937-38. In the former year, 32 students received the degree of Master of Commerce; 9 of Bachelor of Commerce; and 4 of Chartered Accountant. In the latter year there were 39 Masters of Commerce; 17 Bachelors of Commerce; and 4 Chartered Accountants. In August, 1938, Mr. Esdras Minville, a Professor of the School, was appointed Director.

Laval University, Quebec, with its affiliated colleges, had a registration of 11,505 in 1936-37; and 11,737 in 1937-38, according to the Annual Reports of the University. A total of 2,209 diplomas and certificates were issued in 1936-37; and 2,759 in 1937-38. Honorary degrees were conferred during the Second French Language Congress held early in the Summer of 1937 at the University as follows: Doctor of Letters—Mr. Louis Bertrand, Member of the French Academy; Prof. F. C. A. Jeanneret of the University of Toronto; Mr. Omer Héroux, Montreal; Mr. Dominique Hyppolite, Hayti; Mr. F. X. Dorion, Quebec; Mgr. Olivier Maurault, Montreal; Mr. Adolphe Robert, Manchester, N.H.; the Hon. Fernand Rinfret, Secretary of State for Canada; Abbé Adrien Vermette, Manchester; Abbé Lionel Groulx, Montreal; and the Rev. Sister Madeleine Lainé of Louisiana; Doctor of Laws—Mgr. Emile Yelle, Bishop of St. Boniface; Mgr. Arthur



Melanson, Bishop of Moncton; Prof. Antonio Langlais of Laval University; Mr. R. W. Lèche, Governor of Louisiana; Judge Lucien Dubuc of Alberta District Court; the Hon. Maurice Duplessis, Prime Minister of Quebec; Mr. Henri Ledoux, Member of a New England delegation attending the Congress; the Rev. Joseph Hebert, Rector of the University of Ottawa; Mayor Joseph E. Grégoire of Quebec; Mr. André Lafargues, New Orleans; Mr. G. Nicolas Lége, Foreign Minister of Hayti (*in absentia*); Mr. René Demogue, Paris; and Mr. Lucien Moraud, Quebec; Doctor of Social Sciences—Abbé J. B. Lachapelle, Louisiana; Dr. A. Sormany, Edmundston, N.B.; Mr. Wade O. Martin, Baton-Rouge, Louisiana; and Dr. Paul Emile Rochon, President of the French-Canadian Education Association of Ontario; Doctor of Education—Mr. Aurelien Bélanger, Member of the Ontario Legislature; Doctor of Sciences—Mr. Gustave Piché, Quebec. At the Spring Convocation in 1938, the Degree of Doctor of Arts was conferred on Mr. Horatio Walker, noted painter of French-Canadian life. In 1937-38, the University created a Faculty of Letters and a Faculty of Sciences. The School of Mines was founded the same year and vacation courses were organized.

At the University of Bishop's College, Lennoxville, the total enrolment for 1936-37 was 152; and for 1937-38, 172. At the Convocation on June, 17, 1937, the Honorary degree of Doctor of Civil Law (D.C.L.) was conferred on the following: Sir J. Mathias Tellier; the Ven. Archdeacon R. W. E. Wright; the Rev. Canon G. H. A. Murray; Mr. D. C. Coleman; Dr. W. W. Chipman; and Maj.-Gen. A. G. L. McNaughton. At Convocation on June 16, 1938, the Honorary degree of Doctor of Civil Law was conferred on His Excellency, Lord Tweedsmuir; Sir Francis L. C. Floud; the Hon. Sir Herbert Marler; the Rt. Rev. Monsignor O. Maurault; and the Very Rev. A. F. C. Whalley. Early in 1937, because of financial problems, the University held a campaign to raise \$300,000 when \$342,582 was collected. During the week-end of May 22, 1937, a three-day festival was held in celebration of the 100th anniversary of the foundation of the institution.

## Municipal Affairs

Municipal loans authorized by the Government amounted in 1937-38 (year ended June 30) to \$16,546,202; in 1936-37, \$4,853,137; and in 1935-36, \$9,344,826. These loans were exclusive of those authorized for unemployment relief. A number of the loans authorized each year by the Government did not increase municipal liabilities but were used for the renewal of previous loans or for the consolidation of the municipal debt. The 1937-38 total was divided as follows: new loans, \$10,684,544; renewal loans, \$2,295,058; and consolidation of municipal debt, \$3,566,600. These loans do not indicate the loans approved by the Legislative Assembly. The rate of interest on loans contracted was generally 5½ per cent. or 6 per cent. In no case did it exceed 6 per cent.

Mr. Charles Bourassa, Montreal, was appointed Secretary-Treasurer of the Union of Quebec Municipalities, in August, 1937, following the resignation of Mr. T. D. Bouchard. The Annual Meeting of the Union was in 1937 held at the Seignior Club on Oct. 13 and 14. In 1938, the Annual Meeting was held aboard the *S.S. North Star* on a cruise down the St. Lawrence River from Montreal to Charlottetown. Representatives of the Union at the close of the Conventions submitted a number of recommendations to the Provincial Government urging, particularly, the

enactment of regulations for the hotels of the Province in connection with the tourist trade.

Mr. J. Adhemar Raynault was sworn in as Mayor of Montreal on Jan. 7, 1937. He had been elected on Dec. 15, 1936. The Financial Report for the City in the fiscal year 1936-37 showed that the net debt of Montreal had increased by \$2,577,114 to \$201,581,016.

Administration of relief in Montreal came in for investigation in 1937 after Provincial Police raided headquarters of the Unemployment Commission in Montreal. At the time of the raid, carried out under orders of the Provincial Auditor, a Civic Citizens-Aldermen Committee already had been charged with an inquiry into relief handling by the city. Members of the Unemployment Commission at first were not permitted to enter their offices but later they returned though police constables remained on guard over documents. The Provincial constables were replaced by city policemen when the Prime Minister announced that he was responsible for the raid but that the police had acted beyond their instructions. On Apr. 15, 1937, 75 Provincial officers entered the Commission headquarters to examine the relief records. The Civic Committee which investigated the relief system was divided in its Report on June 20. The Majority Report recommended the abolition of the Unemployment Commission while the Minority Report urged its maintenance. On July 17, the Civic Executive Committee on a close vote decided to abolish the Unemployment Commission.

Result of a survey of dwellings in Montreal conducted by the Metropolitan Commission was announced at the end of January, 1938. The Commission reported that at least 20,000 new dwellings, most of them for low-income families, would be needed in the City within five years. A provisional Citizens-Aldermen Committee on slum clearance, appointed in 1937, met after the Report of the Metropolitan Commission had been announced and drafted plans for legislation for a \$3,300,000 clearance project. In March, 1938, a city delegation which was to have met Dominion Government officials regarding a \$9,000,000 works programme for Montreal was advised through Mr. Raynault that it would have to deal first with the Quebec Government.

The financial statement of Montreal for the fiscal year 1937-38 showed a surplus of \$926,019 with revenue at \$48,240,818 and expenditures at \$47,314,798. The net debt of the City decreased by \$240,822 to \$201,340,193. Mr. Raynault retired from civic politics at the close of his term in 1938 and Camillien Houde was elected to the mayoralty for his fourth term defeating Messrs. Charles A. Gascon and Candide Rochefort. Unofficial returns gave Houde, 83,481 votes; Gascon, 62,869; and Rochefort, 4,228.

In municipal elections in Quebec City on Feb. 21, 1938, Mr. J. E. Grégoire, seeking his third term was defeated by Mr. Lucien Borne.

### **The Quebec Liquor Commission**

The Quebec Liquor Commission reported sales in gallons of wines and spirits at 848,824 and 802,160, respectively, in 1935-36; 826,354 and 975,162, in 1936-37; and 843,253 and 1,162,666 in 1937-38.

Permits granted totalled 3,320 in 1935-36; 3,287 in 1936-37; and 3,462 in 1937-38. The figures for the district of Montreal were, respectively, 2,794, 2,755, 2,898; and for the district of Quebec, 526, 532 and 564. Statistics for samples registered, and number of reports of analyses were,

respectively: in 1935-36, 9,543 and 3,952; in 1936-37, 8,372 and 4,499; and in 1937-38, 12,186 and 5,749.

Gross receipts totalled \$12,698,163 for 1935-36; \$14,693,171 for 1936-37; and \$17,027,103 for 1937-38. Revenue from duties, permits, fines and seizures was \$1,764,770 in 1935-36; \$1,796,414 in 1936-37; and \$1,949,062 in 1937-38. Purchases of stock and other operating charges and general expenses amounted to \$5,670,816 in 1935-36; \$6,750,709 in 1936-37; and \$7,429,322 in 1937-38. Payments to the Federal Government for Customs Excise and Sales Tax were \$3,923,718 in 1935-36; \$4,251,857 in 1936-37; and \$5,325,031 in 1937-38.

The net operating profits of the Commission were \$3,103,630 in 1935-36; \$3,690,603 in 1936-37; and \$4,272,751 in 1937-38. Total Revenue rose during the three years from \$4,868,400 in 1935-36 to \$5,487,018 the following year and to \$6,221,813 in 1937-38. The amount turned over to the Provincial Treasurer and for expenditure on Capital Account was \$4,750,000 in 1935-36; \$6,150,000 in 1936-37; and \$5,000,000 in 1937-38.

### Tourists

The tourist industry brought to the Province of Quebec a revenue of \$70,000,000 in 1938, as compared with \$77,000,000 in 1937, which was an increase of \$13,000,000 over 1936. Automobiles entering the Province for a stay of from two days to six months in 1938 totalled 524,852. The total of 613,235 automobiles in 1937 showed an increase of 14 per cent. over 1936, during which year 539,662 automobiles visited the Province. Automobiles entered into the Province for a stay of less than forty-eight hours during 1937 and 1938, totalled 1,498,009 and 1,322,086 respectively.

### Provincial Incidents

Brother Andre, "The Miracle Man of Montreal," died in his ninety-second year on Jan. 6, 1937. Brother Andre who once had been a porter, doorkeeper and messenger in a Roman Catholic college became famed for his faith in the powers of intercession of St. Joseph. He was the founder of St. Joseph's Oratory, a huge shrine built on Mount Royal in Montreal.

Ordered abolished after the Union Nationale Government came to power, the Quebec Public Service Commission was to have disappeared on Apr. 15, 1937. However, it carried on its work into 1938 when the Provincial Legislature provided for its maintenance a year longer. The Commission heard applications by the Gatineau Power Company for improvements to company transmission lines. In March, 1937, the Commission's right to act despite the resignation of its Chairman, Adrien Beaudry, K.C., which had been effective since more than six months previously, was challenged during hearing of a case. James Crankshaw, counsel in the case, argued that legislation under which the Commission had been established specified that its membership should not be less than three. The resignation of the Chairman had left the Commission without authority, he said. Commissioner A. W. G. Macalister, K.C., ruled that an amendment to original legislation under which the body was set up provided that the Chief District Magistrate was a member *ex officio* and that despite the resignation, the remaining members, himself and Alexandre Lariviere, constituted a quorum.

A French National Mission, headed by Andre Chevrillon, Member of the French Academy, came to Montreal in the Spring of 1937 on a trip



to commemorate the 250th anniversary of the death of Cavalier de La Salle, early North American explorer.

Newspaper reports that the Island of Anticosti, owned by a paper company, might be sold to a syndicate of Dutch and German interests prompted the Prime Minister to announce on Dec. 1, 1937, that no transfer of timber limits in the Province could be made without the consent of the Provincial Government and that the Government would not permit the sale of the Island strategically situated in the Gulf of the St. Lawrence river.

On Jan. 18, 1938, fire destroyed the Sacred Heart College at St. Hyacinthe causing the loss of the lives of 46 teachers and students. A fire was detected on Mar. 13 in the basement of the main block of the Government buildings at Quebec. It was extinguished quickly after a messenger boy gave an alarm. On May 28, a fire destroyed Stanstead Wesleyan College at Stanstead.

A series of lawsuits resulting from mixed marriages came before Montreal courts in 1938. On June 8, Chief Justice R. A. E. Greenshields ruled that mixed marriages whether performed by Roman Catholic or Protestant ministers were valid in the eyes of the law.

Many thousands of Roman Catholics attended, in Quebec in June, 1938, the first National Eucharistic Congress. The Congress lasted a week after it opened June 22. Cardinal Villeneuve was named personal representative of Pope Pius XI for the occasion and on the last day of the Congress the voice of the Pope was brought to crowds attending an open-air High Mass by special radio broadcast from the Vatican City.

Thirteen persons died in simultaneous disasters caused by floods at St. Grégoire de Montmorency and Portneuf on Sept. 1, 1938. Six died in a landslide at St. Grégoire and 7 at Portneuf when flood waters following torrential rains carried a home away and sent a train plunging through a bridge.

Late in 1938, the Quebec Government ordered an investigation into the operations in Montreal of McKesson and Robbins, Incorporated, United States drug firm.

## The Province of Quebec

(As at Dec. 31, 1938)

Lieutenant-Governor .....The Hon. Esioff Léon Patenaude

### \*The Duplessis Ministry (Union Nationale)

(As at Dec. 31, 1938)

Prime Minister, President of the Council and  
Attorney-General .....The Hon. Maurice L. Duplessis  
Minister without Portfolio and Leader of the  
Legislative Council .....The Hon. Sir Thomas Chapais  
Provincial Treasurer .....The Hon. Martin Beattie Fisher  
Minister of Colonization .....The Hon. Henry L. Auger  
Minister of Mines and Fisheries .....The Hon. Onésime Gagnon  
Minister of Agriculture .....The Hon. Bona Dussault  
Minister of Public Works and Minister of Lands  
and Forests .....The Hon. John S. Bourque  
Minister of Health and Provincial Secretary .....The Hon. J. H. Albiny Paquette  
Minister of Labour .....The Hon. William Tremblay  
Minister of Roads .....The Hon. A. Carignan  
Minister of Municipal Affairs, Trade and Commerce.....The Hon. Joseph Bilodeau  
Minister without Portfolio .....The Hon. Antonio Elie  
Minister without Portfolio .....The Hon. Thomas J. Coonan  
Minister without Portfolio .....The Hon. Gilbert Layton

Speaker, Legislative Assembly .....The Hon. Jean Paul Sauvé  
Speaker, Legislative Council .....The Hon. Alphonse Raymond

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Clerk of the Executive Council .....	Alfred Morisset
Clerk of the Legislative Council .....	Ralph A. Benoit
Clerk of the Legislative Assembly .....	L. Philippe Geoffrion
Deputy Attorney-General .....	Edouard Asselin
Assistant Provincial Secretary .....	Jean Bruchési
Assistant Provincial Treasurer .....	A. Foster
Provincial Auditor .....	Edgar Vézina
Deputy Minister of Lands and Forests .....	Avila Bédard
Deputy Minister of Colonization .....	Ernest Laforce
Deputy Minister of Mines and Fisheries .....	L. Arthur Richard
Deputy Minister of Agriculture .....	Albert Rioux
Deputy Minister of Roads .....	Arthur Bergeron
Deputy Minister of Public Works .....	Ivan E. Vallée
Deputy Minister of Labour .....	Gérard Tremblay
Deputy Minister of Municipal Affairs, Trade and Commerce .....	Louis Coderre
Deputy Minister of Health .....	Jean Grégoire
Superintendent of Public Instruction .....	Cyrille F. Delâge
Secretaries of the Department of Public Instruction .....	W. P. Percival and B. O. Filteau

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\*NOTE.—A General Election was held in Quebec on Oct. 25, 1939, when the Liberal Party came in to power. The following list shows the composition of the Godbout Cabinet as at Dec. 31, 1939. The Hon. Maj.-Gen. Sir Eugene Fiset was Lieutenant-Governor at this date.

### The Godbout Ministry (Liberal)

(As at Dec. 31, 1939)

Prime Minister, President of the Council, and Minister of Agriculture and Colonization .....	The Hon. Adelard Godbout
Minister of Roads and Public Works .....	The Hon. T. Damien Bouchard
Provincial Treasurer .....	The Hon. J. Arthur Mathewson
Attorney-General .....	The Hon. Wilfrid Girouard
Minister of Lands and Forests and Fish and Game .....	The Hon. Pierre Emile Cote
Minister of Labour and Mines .....	The Hon. Edgar Rochette
Minister of Trade and Commerce and Municipal Affairs .....	The Hon. Oscar Drouin
Provincial Secretary and Minister of Health .....	The Hon. Henri Groulx
Minister without Portfolio .....	The Hon. Leon Casgrain
Minister without Portfolio .....	The Hon. Cleophas Bastien
Minister without Portfolio .....	The Hon. L. J. Thisdel
Minister without Portfolio .....	The Hon. Georges Dansereau
Minister without Portfolio .....	The Hon. Frank Connors
Minister without Portfolio .....	The Hon. Wilfrid Hamel

## THE PROVINCE OF NOVA SCOTIA

### Economic and Other Affairs, 1937 and 1938

Due, in part, to a general betterment of world conditions and, in part, directly to the efforts of the Governments of Nova Scotia and the Dominion in seeking new markets, economic conditions in Nova Scotia during the years 1937 and 1938 showed a definite improvement. While in the agricultural field weather conditions were at times none too favourable, the products of Nova Scotia's farms and orchards brought, on the whole, a greater return to the growers than in previous years. The two years saw also a marked advance in the field of standardizing and grading of farm products. These steps, taken by the Provincial Government and reflected in the legislative programmes of the two years, 1937 and 1938, resulted in better prices to the Nova Scotia farmer, and facilitated also the stabilization of markets. The two years were marked by increased interest in agriculture generally, another fact for which the Department of Agriculture could justifiably take some credit. This in turn was reflected by an increase in attendance at the agricultural colleges.

Nova Scotia, however, still faced serious problems in two of her main industries, fishing and mining. While 1937 saw a definite pick-up in the coal industry, with a production of 650,000 tons more than in 1936, collieries were being closed and miners thrown out of employment during the two years at a rate which gave little assurance of future prosperity for the industry. It was inevitable under these conditions that 1937 should see labour troubles in the Province.

A good deal of outside publicity was given during the year 1938 to conditions in the Provincial fisheries industry, when visiting newspapermen from Ontario toured the coast. Their articles, published for the most part in Ontario newspapers, brought a vigorous denunciation from the Prime Minister, the Hon. Angus L. Macdonald, who declared that their descriptions of poverty and starvation were exaggerated. Whatever justification there may have been in this accusation, it was admitted, as shown by the Speech from the Throne at the opening of the 1938 Session of the Legislature, that the problem of the fisheries was a serious one.

On Dec. 2, 1938, the Nova Scotia Fishermen's Loan Board announced plans for loans up to \$600 to fishermen for the building of new boats; \$30,000, it was said, had been earmarked for this purpose. These, and other like incidents, were in part responsible for the recommendations of the Nova Scotia Economic Council in 1938. (See *The C.A.R.*, 1935-1936, pp. 414-15). The Council urged on the Government: (a) a survey of the natural resources of Nova Scotia; (b) a study of opportunities for expansion of fish and potato markets in the West Indies and South America; (c) an extension of the maximum of fishermen's loans in certain worthy cases; (d) bonuses to the dried fish industry for another year at least. The natural resources survey, it was proposed, should provide tabulation of the geology of each locality or section, the minerals associated with it, an analysis of the soil and types of product for which it was suited, the nature and extent of its natural forests and water-courses, and their adequacy for agricultural requirements. (*The Halifax Herald*, Apr. 9,



1938.) This proposal was implemented by the Government on Aug. 12, when a Committee, composed of the following, was appointed: Dr. Alan Cameron, Deputy Minister of Mines, Chairman; Dr. Frederick H. Sexton, President of the Nova Scotia Technical College; Mr. Lyman T. Chapman, Principal of the Nova Scotia College of Agriculture; Mr. G. W. I. Creighton, Provincial Forester, and Mr. George Haythorne, Secretary of the Nova Scotia Economic Council.

The year 1937 saw the retirement, after the completion of his term, of the Hon. Walter H. Covert, Lieutenant-Governor of Nova Scotia. By coincidence, almost his last official act was the Prorogation of the last Session of the Fortieth General Assembly (the Seventeenth Legislature since Confederation). He retired on Apr. 27 and was succeeded on the same day by Mr. Robert Irwin, Shelburne lumber magnate and prominent Liberal. The new Lieutenant-Governor took the oath of office on May 3, 1937. His first act of office was Dissolution of the Legislature on May 20, the starting gun for the Provincial General Election campaign which culminated in a sweeping victory for the Macdonald Government.

Despite the General Election of the Summer of 1937 there were few significant changes in the political front during either year under review. The Liberal Party, reinforced by the 1937 vote, carried on the even tenor of its ways while the Conservative Party, after the rout of the Election, suffered a further loss through the retirement of its veteran Leader and former Prime Minister, the Hon. Gordon Harrington. The year 1938 saw only one By-Election, caused by the death of the Liberal Speaker of the Legislature, the Hon. L. C. Gardner. Nominations on Nov. 22, 1938, resulted in an acclamation for his successor, Mr. H. A. Waterman, with no change in the Party standing.

### **The Liberal Administration, 1937 and 1938**

The Session of the Legislature, the General Election and his trip to England to attend the Coronation of King George VI formed the nucleus of a busy year for the Prime Minister (Mr. Macdonald) in 1937. In addition, there were frequent conferences at Ottawa to discuss the economic problems of Nova Scotia with the Dominion Government. These trips, in part, may have been responsible for the rumours circulating during the year that he would retire in order to take a Dominion Cabinet post. As Secretary-Treasurer of the Province he floated two bond issues during the year. The first, on July 29, was for \$1,528,000 in four-year 2½ per cent. bonds sold to yield 2.75 per cent., and \$2,549,000 nine-year 3½ per cent. bonds sold to yield 3.53 per cent. These issues were purchased by the Bank of Montreal and Wood, Gundy and Company. The second flotation was for \$5,000,000 3½ per cent. twelve-year bonds sold to a syndicate headed by Wood, Gundy and Company. With the exception of about \$1,000,000, for general purposes, the reason of both these flotations was to meet highway expenditures.

During the Summer of 1937 the Hon. John A. McDonald, Minister of Agriculture, carried on a campaign to encourage farmers' sons to stay on the land. One feature of this appeal was the provision for the payment of \$50 to defray the expenses of any farmer's son who wished to take an agricultural course at the Truro Agricultural College. In April, the Minister announced the launching of a drive to increase membership in the College.

Perhaps the busiest man in the Cabinet was the dynamic Minister of Mines, the Hon. Michael Dwyer. He had become Nova Scotia's

No. 1 publicity man, a status which he found easy to achieve after his activities in connection with the Moose River mine rescues. (See *The C.A.R.*, 1935 and 1936). He toured other Provinces, both in the interests of Nova Scotia coal mining and to crusade for the Province. Included among his other activities was the furtherance of his youth-training plan which centred around the scheme for mining apprenticeships. This developed into the establishment of a Government mining school.

The labour disputes in both 1937 and 1938 centred largely around his Department involving, among other mines, the Government-operated colliery at Inverness where workers were on strike in the Summer of 1937 seeking recognition of The U.M.W. Another issue was the dues check-off system, finally settled at Glace Bay by a Government-supervised Referendum which forced it on the companies. On the other side, lack of markets and antiquated coal-production methods were mitigating against successful operation, so that, in many cases at least, demands of the miners for increased wages were difficult, if not impossible, to meet. Union action, in opposing modernization of the mines and condemning labour-saving devices, brought a sharp reprimand in August, 1938, from the Minister of Mines. Speaking to delegates attending the United Mine Workers Convention at Truro, Nova Scotia, Mr. Dwyer said: "The greatest hindrance to increased sales of Nova Scotia coal is production cost, and yet not a single resolution passed by this Convention so far has dealt with this important phase of the situation." Every resolution, almost without exception, if made effective, would add to the cost, which was already so high as to limit definitely the territory in which Nova Scotia could meet foreign competition, he said. (*The Gazette*, Montreal, Aug. 19, 1938.) At the same Convention, Mr. Dwyer threw the responsibility for the Nova Scotia situation on the doorstep of the Dominion Government. "Some arrangement must be made with the Government that controls this country to settle the coal problem," he said. "We are told that, if Ottawa raises the coal tariff, the United States will retaliate to the disadvantage of Upper Canadian manufacturing industries. This is a question Ottawa must decide." (*The Halifax Herald*, Aug. 19, 1938).

The closing of the Vale colliery at Thorburn, Nova Scotia, by Dominion Steel and Coal Corporation during the Autumn of 1938 was perhaps the most sensational development of the two years. Like other mining towns, Thorburn was completely dependent on this colliery, and pressure was brought to bear on both Provincial and Dominion Governments to prevent the shut-down. On June 30, 1938, citizens of the town addressed an open letter to the Prime Minister (Mr. Macdonald), asking Government intervention in order to assure that coal resources would be developed there at an early date. Meanwhile, the Government were asked to provide work for the men. (*The Halifax Herald*, July 5, 1938). Another mass meeting of citizens of the community was held on Sept. 4. It coincided with a visit to the district by the Prime Minister (Mr. Macdonald), accompanied by the Attorney-General (the Hon. J. H. MacQuarrie), and the Minister of Mines (Mr. Dwyer). At this time, the Rev. Alexander Mills told Mr. Macdonald: "After this meeting, I will not be responsible for these people if things do not get any better." The Prime Minister's reply came in the statement to the community: "No one in the village of Thorburn will go hungry, so far as I am concerned. (*The Halifax Herald*, Sept. 5, 1938).

On Oct. 20 the Government turned down a request from the community that the Company should be forced to develop a new coal-seam.

On Nov. 19, however, Mr. Dwyer announced plans for a Highways Improvement project, to give Winter work to sufferers in the mining and lumbering industries of Guysboro and Pictou Counties. Government-operated collieries thus were not immune to the economic conditions which were pressing the coal industry. In Inverness County, an unmarketable coal section of No. 1 Mine had been closed down early in 1938. On May 2, 1938, a delegation from the town waited on the Government, appealing for aid to alleviate the situation. It received a promise that the Mines Department would resume prospecting operations in the possible coal-bearing properties, in an attempt to find new employment for miners. (*The Halifax Herald*, May 27, 1938). Speaking at Truro on Aug. 22 Mr. Dwyer promised that the Cunard Coal Company, which held a monopoly on Inverness coal distribution, would be asked to forego imports of bituminous coal (*The Halifax Herald*, Aug. 23, 1938).

The Minister of Highways, the Hon. A. S. MacMillan, continued during 1938 his efforts to derive greater revenue from gasoline consumption in the Province, without working a hardship on the consumer. To this end negotiations were carried on from time to time with the oil companies of the Province, and on Mar. 14, 1938, Mr. MacMillan announced a reduction in the price of gasoline of 1½ cents and 2 cents. This reduction was offset by the increase of 2 cents a gallon in gasoline tax, which had been sanctioned a few days before by the Legislature.

#### Commissions of Inquiry, 1937 and 1938

On Aug. 2, 1937, the Hon. W. F. Carroll, Judge of the Nova Scotia Supreme Court, was appointed, with Mr. A. S. Mackenzie and Mr. F. H. Sexton, as a Royal Commission to investigate the finances, wages and general conditions of the Acadia Coal Company, bankrupt subsidiary of the bankrupt Nova Scotia Coal and Steel Company which, itself was controlled by the Dominion Steel and Coal Company. The Commission reported on Jan. 19, 1939. It found that from 1925 to 1933 the Acadia Coal Company, while showing a loss, had continued to pay out dividends on its preferred stock, held entirely by the Nova Scotia Coal and Steel Company. On the day the receiving order was granted against the latter company it owed the Acadia Coal Company a total of \$1,703,410. "It can not be said", the Report stated, "having regard to all the facts, that from 1925 to 1933, the affairs of 'Acadia' were conducted or managed in the best interests of the Company or in the interests of industry in Pictou County." Admitting that there was nothing illegal in any of the transactions the Report added: "Legality of action, however, is one thing, and preserving and safeguarding the industry and all that that implies is quite another thing. It is, therefore, the considered view of the Commission that some legislative action should be taken with regard to the powers of holding companies. Some restriction should be placed on their present powers especially in their dealings with subsidiaries." The Report made an appeal to the United Mine Workers (C.I.O. affiliate) in its declaration that only in co-operation between employee and employer lay any hope for the coal mines. The Commission also delivered a grave warning that the "industry is a declining one." The market for Maritime coal, it was pointed out, rested "on the artificial basis of a protective duty on imports of soft coal and several subventions towards railway transportation costs."

Among Reports tabled in the House during the 1937 Session was that of Mr. Justice W. F. Carroll of the Nova Scotia Supreme Court who had



been appointed as a Commission to investigate the Moose River mine tragedy of April, 1936. The Commissioner found that the management of the mine had been responsible for the cave-in which claimed the life of Herman Magill and held Dr. D. E. Robertson of Toronto and Alfred Scadding imprisoned for 10 days before they were finally rescued. The rescue cost the Province approximately \$30,000. The Commissioner found that the nature of the structure at Moose River was such as to require special engineering practice and expert advice before the removal of ore. The Report also recorded the fact that Mr. Norman McKenzie, Deputy Minister of Mines, and for a time Acting Chairman of the Commission, had been burned to death in a fire in Maine a short time after the Inquiry had been completed.

On Apr. 8, 1937, the Hon. Michael Dwyer, Minister of Mines, announced to the Legislature plans for an investigation of Nova Scotia's mineral resources, to be conducted by the newly-appointed Deputy Minister, Dr. Alan E. Cameron. The special Commission was to study reallocation of coal areas in the Province, make an examination of gold resources and the possibility of developing other metal ores.

Another investigating body, into The Workmen's Compensation Act, submitted a lengthy Report in 1937. (See the 1937 Session of the Legislature).

A mine disaster which claimed the lives of 21 miners at the Princess Colliery, Sydney, brought two investigations, one by the Commissioner, Mr. W. A. D. Gunn of Sydney, under the Coal Mines Regulation Act, and the other, by Dr. Alan Cameron, Deputy Minister of Mines under the Public Inquiries Act. The two Commissioners joined forces and heard lengthy and conflicting evidence with regard to the snapping of a cable which had sent a string of mine cars filled with men smashing into the mine pits. The accident occurred on Dec. 6, 1938. Neither Report had been received at the end of the year.

### Court Cases

The Canadian Supreme Court judgment, delivered on June 1, 1937, denied the right of Nova Scotia to \$16,000 in fines paid by persons of that Province for smuggling. The Supreme Court dismissed the Province's appeal against a judgment of the Provincial Supreme Court.

Succession duty collections were highlighted by the case of the estate of the Hon. J. Robson Douglas, former Lieutenant-Governor of Nova Scotia. Here the Province claimed \$250,000 from Mr. Douglas's heirs on a trust fund set-up in favour of his four daughters. A prolonged legal battle brought a judgment from Mr. Justice R. H. Graham that this money was collectable by the Province. On July 17, 1937, the judgment was confirmed by the full bench of the Nova Scotia Supreme Court, sitting at Halifax. (*Sydney Post-Record*, July 17, 1937).

Other Court cases during the two years included a judgment of the Nova Scotia Supreme Court which brought to an end a six-year period of litigation between the Ophir Gold Mining Company and the United Gold Fields of Nova Scotia, Limited. In 1926, United Gold Fields had acquired property originally belonging to the Ophir Gold Mining Company, through a third party. The Ophir Gold Mining Company claimed that the purchase agreement between them and this third party had not been lived up to by United Gold Fields. On Feb. 5, 1938, Mr. Justice Doull, of the Nova Scotia Supreme Court, ruled that, since there

had been non-payment of taxes, the plaintiff (Ophir Gold Mining Company) was entitled to continue in possession of the property.

Illegal liquor operations reached their climax during the two years in the arrest of twenty persons in Halifax during an R.C.M.P. round-up on Dec. 16, 1938. It was charged that they were members of a ring which had defrauded the Government of \$4,000,000. Judgment on these cases had not been delivered at the end of the year.

### The 1937 Session of the Legislature

The Fourth and last Session of the Fortieth General Assembly of Nova Scotia opened on Mar. 2, 1937, and was prorogued on Apr. 17. In common with all other legislative bodies in Canada an Address of Loyalty to the new Sovereign, George VI, was its first official act. The Speech from the Throne delivered by the Lieutenant-Governor, the Hon. W. H. Covert, drew attention to the action of the Privy Council in disallowing the Dominion social legislation passed in the dying hours of the Bennett *régime*. It predicted that action by the Dominion and the Provinces would be taken to review The British North America Act and it stated rather significantly: "In any conference for this purpose my Government will ever seek to secure the advancement and promote the welfare of the people who are its immediate care." (Speaking later in the Debate on the Address-in-Reply, the Prime Minister, Mr. Macdonald, pointed out that the position of Nova Scotia representatives at previous conferences held in Ottawa "was sure to satisfy the exponents of the most advanced social legislation"). Improvement in economic conditions was noted in the Speech, particularly a steady rise in exports of spruce lumber to the United States and the United Kingdom. The Sydney steel plant had been running practically at capacity. The season had been a favourable one for the production of all crops except apples. A reduction of over 70 per cent. in the numbers on relief was reported for a three-year period. The forecast of legislation included Bills relating to the independence of Parliament; to provide for apprenticeships, particularly in the mining industry; to amend The Gasoline Licensing Act, The Power Commission Act, The Municipal Affairs Supervision Act, The Public Highways Act, the Towns' Incorporation Act and the Collection Agencies Act. This last-named legislation gave to the Attorney-General power previously vested only in the Governor-in-Council, to suspend or cancel the licence of any collection agency where he suspected sharp practices.

The Address-in-Reply to the Speech was moved by Mr. Donald F. Fraser (Lib., Pictou) and seconded by Mr. Moses F. McGarry (Lib., Inverness). After a short Debate in which Mr. Harrington was the only Opposition speaker, the Motion was approved.

### Public Accounts; The Budget of 1937

Public Accounts of the Province for the year ended Nov. 30, 1936, tabled in the Legislature on Mar. 9 by the Prime Minister (Mr. Macdonald) as Provincial Treasurer showed a Net Surplus of \$151,718, the first Surplus in 13 years. This was shown after provision of \$378,171 for Sinking Fund, instalments and serial retirements, including the Highway Fund. Total Revenues for the year were \$10,289,368 and Expenditures, \$9,759,478.

In bringing down his Budget for the fiscal year of 1936-37 on Mar. 11 the Prime Minister announced an Estimated Surplus for the current year

of \$104,285. As a result of this Surplus and Estimated Surplus the Government announced (a) the abolition of the highway poll tax on all persons between the ages of 18 and 21 and (b) reduction in the rate charged to patients at the Provincial Sanitarium by \$1 a week, and (c) adjustment and increase of Civil Service salaries. Revenue was estimated for the year at \$10,610,062 and Expenditures, chargeable against Revenue, at \$10,505,777. Provision for Sinking Funds was placed at \$285,171. On Capital Account, Expenditures were estimated at \$8,323,975, of which \$7,861,240 was accounted for by a highway construction programme and \$94,000 to provide for the retirement of Nova Scotia stock, maturing July 1, 1937.

Mr. Harrington, during the Debate on the Budget, denounced the Government for failure to make adequate provision for Sinking Fund. With a Funded Debt of nearly \$87,000,000, less than \$300,000 had been set aside for this purpose. The Government, he said, were taking \$3,000,000 more from the taxpayer annually. (Canadian Press dispatch, Mar. 9, 1937). The Budget was adopted on Mar. 23, 1937, after an uneventful Debate.

### Legislation and Incidents of the 1937 Session

The measure relating to the independence of Parliament consolidated and amended the Act of 1923, defining the powers and privileges of the Legislature. One clause in the Bill, exempting Members of the Legislature from disqualification because they had been party to contracts or agreements with the Government "of a casual nature," brought the protest from the Opposition Leader (Mr. Harrington) that this was a nullification of the whole principle of the Act. (*The Sydney Post-Record*, Apr. 19, 1937). The Attorney-General, the Hon. J. H. MacQuarrie, assured the Legislature that the word "casual" would not be broadly defined and that the clause was merely a protection for the Member whose gasoline station for example, might sell a few gallons to a Government truck.

The Report of the Commission under the Public Inquiries Act which investigated operation of the Workmen's Compensation Board was tabled during the Session and partly implemented by Amendments to the Act. The Report generally advocated increased compensation. Before it was passed the Bill was referred to a Committee of the House which heard outside evidence. Labour representatives protested that the clause, raising the minimum compensation from \$5 to \$8 a week, did not go far enough and recommended a \$10 minimum. The Amendment also raised compensation from 60 per cent. to two-thirds of pay in the case of total disability. The 30-day limit on medical service brought protests from the profession despite the fact that the Amendment provided for the first time that the Compensation Board might, if it saw fit, extend the time.

A Bill requiring all buses to operate under a franchise to be issued by the Public Utilities Board was passed but not before it had met with some opposition. The Act was not proclaimed in 1937. It provided also that bus operators should carry baggage and passenger insurance.

Perhaps the most controversial legislation of the Session originated with the Leader of the Opposition on the measure to legalize trade unions. The Bill penalized employers for intimidating workers or in any other way preventing or seeking to prevent them from joining unions. Unlike similar measures which were then being considered in other Provinces it provided for a "check-off" system in all industries where other pay deductions were already being made. Annual returns to the Provincial



Secretary were required from all trade unions showing the disposition of all funds collected. With a few qualifying Amendments the Bill was adopted by the Government and referred to a Committee where strong protests were heard from the Canadian Manufacturers' Association. The Association urged, in view of the labour situation in the United States, typified by the rise of the Committee for Industrial Organization, that the Bill should be given a one-year hoist. Nova Scotia industrialists protested such provisions as the check-off. Mr. J. B. Hayes, Manager of the Nova Scotia Light and Power Company, declared that companies "would be collecting money to hand over to an organization whose avowed purpose was to put them out of business" (*The Sydney Post-Record*, Apr. 14, 1937).

The C.I.O., represented in Nova Scotia not only by the United Mine Workers but, by a newly formed unit of the Amalgamated Association of Iron, Steel and Tin Workers, made its voice heard on the other side of the picture. The Bill passed the Legislature finally on Apr. 17 and received the Assent of the Lieutenant-Governor a few minutes before he prorogued the Assembly.

With one exception the Session of 1937, among the shortest on record, was comparatively uneventful despite the fact that it was to be followed by a General Election. This exception was the sudden resignation of the Hon. C. W. Anderson, Minister without Portfolio. During the sessions of the Public Accounts Committee of the Legislature, investigating the timber administration, it was revealed that \$42,513 had been levied as assessments against the Nova Scotia Lumber Company for trespassing on Crown lands and for violation of regulations. Mr. Anderson was President of the Company. The evidence was given by the Chief Forester, who told the Committee that the Company had cut illegally 28,894 cords. Mr. Anderson disputed the evidence, resigned from the Government and asked that the case should be submitted to arbitration.

## The 1937 General Election

While it was generally conceded that the short March Session of the Legislature was the last of the 40th Assembly no definite announcement of a General Election was made until the return of the Prime Minister from the Coronation. This was done deliberately in order to avoid the possibility of a campaign in the Province at that auspicious time. On May 20 the Prime Minister announced Dissolution of the House and the Election date, June 29. Conservatives, their numbers whittled down to eight by the vote of 1933, were confident that they would be, at least, in a far stronger position in the new Legislature. Mr. Macdonald, however, started off his campaign with the bold prediction that he would increase his already sweeping majority, a boast which he was able to make good. On the whole, the campaign lacked outstanding issues. The Conservatives threw out promises to "restore responsible Government" and attacked the holding of directorates by members of the Macdonald Cabinet (*The Sydney Post-Record*, May 30, 1937). The resignation of the Hon. C. W. Anderson, Minister without Portfolio, after the revelation of illegal timber cutting by his Company was stressed on several occasions and the Opposition Leader (Mr. Harrington) charged the Government with having knowledge of the situation (*The Gazette*, Montreal, May 29, 1937).

In a signed appeal to the electorate on June 24 (1937) Mr. Harrington, on behalf of the Conservative Party, promised social security legislation, expansion of electric power, improvement of secondary roads, more facilities for advanced education, widening of the application of Mothers'

Allowances and Old Age Pensions, and efforts to obtain further rail subventions from the Dominion Government to aid the coal industry. The Prime Minister and the Liberal Party appealed to the country largely on the record of their Administrations. Mr. Macdonald's Manifesto, issued June 14, 1937, cited the highways programme, introduction of Old Age Pensions, aid for the fisheries, and other social measures to prove that its pledges of 1933 had been fulfilled. Extension of agricultural marketing was promised and co-operation with the Dominion Government on unemployment insurance.

At New Glasgow on June 23 (1937) the Prime Minister answered charges of the Conservative Leader by declaring that there had been no suggestion that the Hon. C. W. Anderson had "personally ordered" the illegal cutting of timber. He defended the right of his Cabinet Ministers to hold company directorates and pointed out that the Conservatives of the former Administration had also done so. (*The Telegraph-Journal*, Saint John, June 24, 1937).

During the campaign the Government announced plans for a \$200,000 bonus to aid the dry fish industry, an announcement which Mr. Harrington described as a "bare-faced attempt to buy the electorate" (*The Gazette*, Montreal, June 3, 1937). Another announcement made during the Election month and which was dragged into the campaign, was by the Dominion Steel and Coal Corporation, to the effect that it was increasing wages by 7½ per cent. Mr. Harrington called it a "\$600,000 bid to defeat me in my own constituency" (Cape Breton South). The charge was immediately denied by officials of the Corporation (*The Globe and Mail*, Toronto, June 25, 1937). From the other side came the charge that the Conservative Leader had made a secret pact with the Mersey Pulp and Paper Company for cutting rights. The charge was made by the Attorney-General, the Hon. J. H. MacQuarrie, and was answered by Mr. Harrington when his speaking tour brought him to Liverpool, N.S., the centre of the pulp industry. The Conservative Leader declared that, aside from the fact that the agreement with the Company already had been tabled in the House and entered into during his *régime* there was no secret pact or understanding. If elected, he said, he would be ready to make stumpage available to the Company at the usual rates. (*The Sydney Post-Record*, June 17, 1937.)

The Prime Minister, faced with four colliery strikes in Pictou County, made an extensive tour of the mining area during the month of campaigning. He received the support of the Minister of National Revenue for Canada, the Hon. J. L. Ilsley.

Nominations held on June 22, 1937, found 61 candidates in the field to contest the 30 seats. There were Liberal and Conservative candidates for every constituency while one lone Labourite, the Rev. W. T. Mercer, was running in Cape Breton East on an ambitious eleven-point Labour platform. Election day, on June 29, crushed the last hopes of the Conservative Party. Liberals swept the Province with three more seats than they had obtained in 1933. The entire Macdonald Cabinet was returned, while the Conservative Opposition Leader was defeated, for the first time, in his own Cape Breton constituency. The Liberal candidate, Mr. G. M. Morrison wrested this seat by a majority of 452. While it was an overwhelming victory for the Government, in terms of seats, the total vote showed a much closer contest. With only five seats to their credit the Conservatives actually polled about 45 per cent. of the votes cast. Following is

a summary of the General Election results, based on the official Election Returns, as presented to the Legislature during the Session of 1938:

Party	Number of Seats (1937)	Number of Seats (1933)	Number of Votes Received (1937)
Liberal .....	25	22	165,397
Conservative .....	5	8	143,670
Labour .....	0	0	3,396
Totals .....	30	30	312,463

With all Cabinet Ministers returned the 1937 Election was not followed by the Cabinet shake-up so often an aftermath of such events. The Administration resumed business as soon as they had received the endorsement of the electorate and the balance of the year, politically, was relatively uneventful. The first post-Election speech of any importance, made by the Prime Minister, was in August (1937) at the Convention of the 20th Century Liberal Club of Nova Scotia held in Sydney. He warned young Liberals that "tasks of greater importance" lay ahead. His Government, he said, stood prepared to carry out policies already inaugurated and to inaugurate new ones wherever needed to improve the lot of every man, woman and child in Nova Scotia. (*The Sydney Post-Record*, Aug. 2, 1937).

### The Conservative Party, 1937

The fortunes of the Conservative Party in Nova Scotia were a parallel to the fortunes of Conservatives in other Provinces in 1937. The General Election was simply one in a series of discouraging set-backs, set-backs which, however, presented something of a challenge to the Party stalwarts. Their small group in the Legislature was reduced by three and their long list of defeated candidates included not only the Leader of the Party but the President of the Conservative Association, Mr. George C. Nowlan who had contested unsuccessfully the seat held by the Minister of Agriculture, the Hon. J. A. McDonald. On Sept. 17 the Hon. Gordon S. Harrington resigned from the leadership which had been bestowed on him for the second time less than a year before. "Being without a seat", he wrote in tendering his resignation, "I have no public obligation concerning the administration of Provincial matters here. The situation now indicates that I cannot be useful to the Party in that (leadership) capacity." (*The Halifax Herald*, Sept. 18, 1937). On Nov. 19 the Annual Meeting of the Nova Scotia Conservative Association was held at Halifax and the occasion was used to launch a revival crusade. The Rt. Hon. R. B. Bennett, as well as the former Leader, Mr. Harrington, addressed the meeting and urged Party effort towards a Nova Scotia development campaign. Mr. Nowlan resigned the presidency and was succeeded in that office by Mr. F. W. (Casey) Baldwin. Mr. Percy Black, one of the five Conservatives elected and recognized as the probable successor to Mr. Harrington, was chosen Honorary President. The new President's first official act was to move for a committee to prepare a report for the Conservative Convention on the economic disabilities confronting Nova Scotians, and to recommend policies, designed "to cope courageously, sincerely and effectively" with the situation. The committee was to consist of not more than 12 members to be selected by two appointees, Messrs. P. C. Black and J. A. Walker. It was an attempt to place Provincial interest in the forefront of the new campaign and relegate Party fortunes to the background. Moving his resolution Mr. Baldwin said: "In a crisis such as this, Party considerations must of necessity be rele-



gated to a secondary place in order that the earnest consideration of these questions may be paramount." (*The Halifax Herald*, Nov. 20, 1937).

### The 1938 Session of the Legislature

With eleven new Members as a result of the General Election of the previous year the first Session of the Forty-first General Assembly (Eighteenth Legislative Assembly since Confederation) opened on Mar. 1, 1938. The newly-appointed Lieutenant-Governor, the Hon. Robert Irwin, read the Speech from the Throne which stressed the general improvement in the Province's economy. It noted an increase of 500,000 barrels of apples harvested and marketed during the year. Coal production of more than 7,000,000 tons had contributed to a total mineral output for the year valued at more than \$33,000,000. Completion in 1938 of the highway hard-surfacing programme was promised and the paving of 752 miles during the previous three years reported. For the first time, it was noted, highway revenues had been sufficient to meet all highway expenditures. The Speech also reported that the Provincial Government had conveyed to the Dominion Government their readiness to have that Administration assume the necessary authority to deal with unemployment insurance. This action was later denounced by the Opposition Leader, Mr. Percy C. Black, as a "defiance of this Parliament" (*Canadian Press Dispatch*, Mar. 2, 1938).

The Address-in-Reply to the Speech was moved by Mr. D. D. Boyd, new Member for Richmond County and seconded by Mr. Malcolm Patterson, new Member for Cape Breton West. Mr. Black opened the Debate on the same day (Mar. 2, 1938) with a three-headed attack on the Government for their policy with regard to marketing, their port policy at Halifax and their liquor administration. All three were developed further during the Session and resulted in lengthy debates. The Opposition Leader charged that the Government were tied up with the liquor interests and quoted what purported to be a statement from the Assistant Commissioner Mr. M. H. Vernon, Nova Scotia Division of the R.C.M.P. These statements published by *The Halifax Mail* told of a "million-dollar liquor ring" and of a protective system under which large quantities of liquor were being bootlegged. After the same interview had been used by others in the Debate the Attorney-General, the Hon. J. H. MacQuarrie, produced in the House the correspondence between the Commissioner (Mr. Vernon) and his superiors at Ottawa in which he termed a large part of the newspaper interview as imagination and described it as "sensational and exaggerated." (*The Halifax Chronicle*, Mar. 9, 1938).

The Port of Halifax issue was revived later in the Session when the Opposition Leader introduced a Resolution, deploring the placing of Halifax under the National Harbours Board, and declaring that this "remote control" was having a detrimental effect on freight traffic. An Amendment, moved by the Prime Minister, called for the appointment of an advisory council to consult with the Ottawa authorities. The Debate brought also a Sub-Amendment from Mr. F. M. Blois (Cons., Queens) calling for a local Harbour Board, as recommended in the Duncan Report. The Government Amendment was finally carried on Apr. 12 after a straight Party vote (*The Halifax Herald*, Apr. 13, 1938).

Another highlight of the Throne Speech Debate was the Prime Minister's defence of the Vice-Regal office in the Province against the attack which had been made by certain newspapers. The cost of the office to the Province, he said, had been less than \$7,500 in the previous

year. Referring to the ceremonial connected with the office and the claim that it was "undemocratic" the Prime Minister said: "Is there anywhere so great, so illustrious an example that adheres to ceremony but is so alive to the needs of the moment as Great Britain? I don't think we will go far wrong in following the example of the Mother Country" (*The Telegraph-Journal*, Saint John, Mar. 3, 1938). At another point in the Debate, Mr. Macdonald advocated free trade as the solution to the problems of the Maritimes and challenged the Opposition to find any economist who would say that coal subventions and freight rate reduction offset tariff disadvantages to the Province. (*The Halifax Chronicle*, Mar. 4, 1938).

### Public Accounts; the Budget of 1938

Nova Scotia's Surplus of \$62,389 for the year ended Nov. 30, 1937 (about \$30,000 less than estimated) was revealed in the Public Accounts tabled in the Legislature on Mar. 8, 1938. Revenue had exceeded the Budget Estimate by \$486,000 but Expenditures, including Sinking Fund were up \$538,000. Interest on the Net Founded Debt amounted to \$1,887,156.

On Mar. 11, the Prime Minister (Mr. Macdonald) presented his Budget and tabled Estimates for the year ending Nov. 30, 1938. An Estimated Surplus of \$7,898 was based on Current Expenditures of \$11,646,000 and Revenues of \$11,653,961. Both Revenues and Expenditures were higher and Sinking Fund appropriation had been increased by \$76,000. Acceding to increasing pressure from the Nova Scotia Union of Municipalities the Province passed on to the municipalities one-third of the C.N.R. payment *in lieu* of taxes (\$30,333 out of a total of \$91,000). It also agreed to another demand to pay taxes on liquor store properties. The Government, Mr. Macdonald stated, did not admit the principle of paying taxes on its properties but confined itself to the principle that when the Government "were engaged in any sort of profitable business they should bear the same burdens as private business." Capital Expenditures for the year were estimated at \$6,625,427 including \$6,427,700 for highways. After a Debate extending less than a week the House adopted the Budget on Mar. 16, 1938.

### Legislature and Incidents of the 1938 Session

Two major legislative measures forecast in the Speech from the Throne were the Act revising the magisterial system of the Province and the Natural Products Marketing Act. The first measure provided for the appointment of full-time magistrates on salary and was aimed at the abolition of the fee system. Magistrates were required to be barristers of some years standing and the field of their jurisdiction was widened. The Act respecting grading, packaging, inspection and sale of natural products was passed but not proclaimed during 1938; it gave authority to the Provincial Government to establish and enforce grading regulations for any agricultural products. The Minister was given power to appoint inspectors but the Hon. John A. McDonald, Minister of Agriculture, informed the House that it was the Government's intention to pass over the authority to Dominion inspectors who would be asked to act on behalf of the Province.

A Bill empowering the Nova Scotia Government to increase the tax on gasoline from eight cents to 10 cents provided one of the liveliest debates of the Session. It became law over the repeated protests of the Opposition that the 10 cent. tax was exorbitant.

A moneylenders Act which gave the Court power to adjust any outstanding account, in which it considered charges excessive, was passed but it was not proclaimed, pending the expected small loan legislation by the Dominion Parliament.

The Attorney-General introduced a measure providing for the licensing of all dealers selling goods on the instalment plan. Licences could be suspended or cancelled at the discretion of the Attorney-General. Penalties for violation were \$200 in the case of an individual and \$1,000 in the case of a corporation.

Among other Bills passed were those providing for payment of gold obligations in legal tender; Power Commission Act Amendments allowing the Commission to deal with their own Sinking Funds; a Bill furthering the plan for rural electrification by providing for loans for \$25 for the wiring of premises. An Amendment to the Lands and Forests Act proclaimed a closed season on moose for an unstated period. There were also measures to assist the gold mining industry and to provide safety measures in the coal mines.

A second move to implement the Report of the Commission Investigating the Workmen's Compensation Act (See 1937 Session) was included in the 1938 legislative programme. The 1938 Bill which made at least a score of Amendments provided that decisions of the Workmen's Compensation Board might be appealed to the Supreme Court. The United Mine Workers and other labour organizations protested against the provisions of this Bill, declaring that it would lead to delay in payments. It was finally provided that such appeals should be at the discretion of the Supreme Court judge.

### **Administrative Services in 1937 and 1938: Education**

The Reports of the Superintendent of Education for the years ended Nov. 30, 1937 and 1938 showed total expenditures in the Province of \$4,314,319 and \$4,400,218, respectively. The totals were made up as follows: Departmental expenditures, \$1,206,929 and \$1,232,242; local expenditures, \$2,590,733 and \$2,650,580; and municipal fund, \$516,657 and \$517,396.

These represented a *per capita* expenditure in the two fiscal years of \$8.41 and \$8.58, while the cost per pupil was \$46.83 and \$47.17. Enrolment in the public schools for 1937-38 was 116,438, as against 116,656 in 1936-37. Normal, technical and other school enrolments were 5,364 and 5,624, respectively. In 1937-38 there were 3,794 teachers in urban, village and rural schools, an increase of 80 over the previous year. There were 3,371 schools in 1,767 sections in 1937-38 as against 3,346 schools in 1,775 sections in 1936-37. The 1937-38 Report noted the increase in the average salary of teachers from \$749 in 1936-37 to \$772 in 1937-38.

The 1936-37 Report contained an important commentary by the Superintendent, as a direct result of a trip to England with a group of Canadian educators during the year. Deploring the lack of Federal support for education in Canada Mr. Munro stated: "The Provinces are unequal in financial ability to support modern programmes. Ontario and Quebec, where most of the industrial wealth is centred, can easily provide for them from their own resources. The Maritime Provinces, with the lowest *per capita* wealth, and the Western Provinces, so continuously beset with economic problems, find it extremely difficult, sometimes impossible to carry on."



The enrolment at Dalhousie University, Halifax, for the session of 1936-37 was 853, including 61 enrolled at King's College and 147 women students. For 1937-38, the figures had dropped to 818, 50 and 147, respectively. Degrees conferred in 1936-37 totalled 184 and, in 1937-38, 160. The Honorary degree of Doctor of Laws was conferred, May 11, 1937, upon Mr. F. W. Gray of the Dominion Steel and Coal Corporation, Limited, Sydney, N.S.; upon the Ven. F. W. Vroom, Archdeacon of Nova Scotia, and, until recently, Dean of Divinity at King's College, Halifax; and upon Dr. R. H. Coats, Dominion Statistician, Ottawa. At a Special Convocation on Aug. 17, 1938, the Honorary degree of Doctor of Laws was bestowed upon Mr. Ernest Barker, Professor of Political Science, University of Cambridge, England; the Hon. Thane A. Campbell, Prime Minister of Prince Edward Island; The Hon. A. A. Dysart, Prime Minister of New Brunswick; Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa; Lieut.-Col. G. S. Harrington (*in absentia*), formerly Prime Minister of Nova Scotia; Mr. A. G. Hatcher, President of Memorial University College, Newfoundland; Sir W. Langdon-Brown, Kt., *Emeritus* Professor of Physics, University of Cambridge, England; Dr. J. A. Lippincott (*in absentia*), Principal of Pictou Academy (1867-69); the Rt. Hon. Lord Macmillan, Lord of Appeal in Ordinary of the Court of Great Britain; the Hon. A. L. Macdonald, Prime Minister of Nova Scotia; Mr. D. A. MacRae, Lecturer in Law, Osgoode Hall, Toronto; Mr. W. C. Murray, President *Emeritus*, the University of Saskatchewan; Mr. Alexander Ross (*in absentia*), rural school teacher; the Hon. G. H. Sedgewick, Chairman of the Tariff Board of Canada; and Mr. K. C. M. Sills, President, Bowdoin College, Maine. Bequests during the year 1936-37 totalled \$73,096. In December, 1937, an anonymous donor sent \$50,000 from New York to establish a memorial fund to Hector McInnes, K.C. During the Winter of 1936-37 a series of lectures was given under the auspices of the Dalhousie University Institute of Public Affairs. Lecturers included B. K. Sandwell, editor of *Saturday Night*; Prof. P. E. Corrigan of McGill University, Principal A. E. Morgan of McGill University, Sir Edward Beatty, President of the Canadian Pacific Railway Company, and Miss Charlotte Whitton. A new series of 36 scholarships was established to be competed for in 12 regions: one, in Prince Edward Island; two, in Cape Breton; six, in Nova Scotia; and three, in New Brunswick. In April, 1937, the Rev. Arthur H. Moore, President and Vice-Chancellor of the University of King's College retired. He was succeeded by Dr. A. S. Walker, formerly, Professor of History.

Enrolment at Acadia University, Wolfville for 1936-37 was 523, with another 131 registered in Summer courses. For 1937-38 the figures were 509 and 136, respectively. In 1937, 150 degrees were conferred and 13 as the result of Summer courses. In 1938 degrees were 121 and 16. Honorary degrees conferred on May, 1937, and May, 1938, respectively, were as follows: D.C.L., 4 and 1; and D.D., 2 and 2. At the Convocation held in August, 1938, which marked the Centennial of the University, the following Honorary degrees were bestowed: D.D., 2; D.Litt., 1; D.Sc., 3; and D.C.L., 10.

St. Francis Xavier University, Antigonish, had an enrolment of 314 during the 1936-37 session and 341 in 1937-38. Degrees conferred in the two years on May 18, 1937 and May 17, 1938, respectively, were: B.A., 28 and 31; B.Sc., 21 and 27; and M.A., 3 and 1. In 1937 the Honorary degree of LL.D. was conferred on Mother M. Faustina of Antigonish and Dr. R. A. MacKay Fraser of Boston, Mass. On May 17, 1938 the new \$250,000 structure, Morrison Hall, was opened. The four-storey building housed students, co-operative stores, lounge rooms for the faculty, dining hall and infirmary.

During the two years 1937 and 1938 St. Francis Xavier continued the extension work which had made it known as the birth-place of the co-operative movement in Canada. Extension schools were held for leaders in the industrial sections of Cape Breton. Four short courses were given which were attended by 500 men and women. Six radio broadcasts formed a part of these courses. Meetings during 1937-38 were estimated at 700 attended by 60,000. Fifty-one credit unions were established bringing the total at the end of the year 1938 to 140 with a membership of 18,000. It was estimated that this number had provided loan facilities totalling \$750,000. Fourteen new consumer co-operatives were set up, making a total of 129 in operation. Seventeen lobster factories were operated co-operatively in 70 communities and did a business of over \$250,000. Altogether, the Report stated, well over 175 co-operative organizations had been established with a membership of, approximately, 30,000 and a total business of about \$3,000,000. The work continued under the supervision of Dr. M. M. Coady, Director, and his Associate, Prof. A. B. MacDonald. In Aug. 1937, a total of 70 delegates from co-operative clubs and societies in the United States attended a conference with the St. Francis Xavier Department held at Antigonish.

### **Agriculture, 1937 and 1938**

The Report of the Minister of Agriculture, the Hon. John A. McDonald for the fiscal year ended Nov. 30, 1937, showed a moderate improvement in the lot of the Nova Scotia farmer. Lower prices for potatoes and a reduced yield per acre of grain contributed to a drop of about 22 per cent. in the value of field crops for the year. On the other side, extra production of apples, it was estimated, brought an extra \$800,000 cash into the apple-growing area. Butterfat, with an increase in both price and production, added about \$600,000 while increases were recorded in revenues from lambs and wool, beef, hogs (due to better marketing conditions) poultry and eggs. As a result of this it was estimated that farmers and fruit growers of the Province were \$1,400,000 richer in 1936-37 than in 1935-36. In 1937-38 while another increase in apple production boosted the orchardists' income from 30 to 40 per cent., general farm income dropped by 10 per cent. Potatoes were below normal, with all root crops spotty. The value of field crops, generally, was estimated at \$9,717,000, as compared with \$10,811,000 in 1936-37.

The Report on marketing for 1936-37 presented a discouraging picture of produce, being moved to markets ungraded and poorly packed and "invariably in heavy volume at one time causing a glut." The 1937-38 Report recorded the passing of The Natural Products Marketing Act and its result as shown in greatly improved apple packs. Nova Scotia graded poultry was reported equal to the best in the world and salable at prices slightly higher than Western products. In these, as well as other lines however the problems of grading, packing, etc., were still facing the Province. One hundred and seventy-six Agricultural Societies reported a total membership of 5,670 in 1936-37. No new Societies were formed during the year. For 1937-38, 194 Agricultural Societies reported a total membership of 5,731. This represented 13 new Societies.

The Report of the Land Settlement Board showed total loans outstanding at Nov. 30, 1938 at \$567,499, as against \$591,762 in 1937. Losses and expenses on repossessed farms in 1937-38 were \$29,178, as against \$26,066 in 1937. From the inception of the Act in 1932 to Nov. 30, 1938, 569 settlers had been placed on farms. Of these 200 had abandoned their

farms; 86 were in arrears of over two years; 80 were in arrears of over one year; and 74 in arrears for less than a year. Fully paid up loans totalled 105 and the remaining 24 had obtained clear titles.

The 1937 Convention of the Nova Scotia Fruit Growers' Association met Dec. 7 to 9, at Kentville and placed itself on record as petitioning the Provincial Government to pass a Fruit Act calculated to enforce the grading and inspection of apples offered for sale within the Province. Another Resolution protested against any changes in the British preference on apples which, it was stated, had proved of inestimable value to the Nova Scotia fruit growers. Mr. A. A. Elderkin of Wolfville succeeded Mr. F. M. Nash as President. The year 1938 marked the diamond jubilee of the Association. The Convention was held at the same place from Dec. 6 to 9. Mr. George H. Wilson was elected President for the coming year.

### **Lands and Forests; Fisheries, 1937 and 1938**

The Report of the Department of Lands and Forests for the year ended Nov. 30, 1937, showed that 1936 had been marked by the smallest forest fire loss on record. There were 146 fires, as compared with 415 the previous year. Fires in 1937 numbered 404 and in 1938, 183. During 1937-38 the total yield of lumber and allied forest products was 467,514,000 f.b.m. or a drop of 13.6 per cent. from the previous year's total of 540,948,000 f.b.m. Even the 1937-38 cut, the Report for that year stated, was slightly greater than forest growth. Added care and improved logging practice was urged. In 1936-37, new trees totalling 118,000 were distributed by the Reforestation Branch and in 1937-38, 75,000. At Nov. 30, 1938, the Report showed that the Government had leased 565,421 acres of the 2,154,091 acres of Crown land in the Province.

Total value of the output of Nova Scotia fisheries for the calendar year, 1938, was given by the Dominion Bureau of Statistics as \$8,804,231, as compared with \$9,229,834 for 1937. Principal catches in the two years 1938 and 1937, respectively, were: cod in all forms, \$2,504,847 and \$2,404,452; haddock, \$1,293,273 and \$1,282,023; hake and cusk, \$214,205 and \$210,653; and pollock, \$93,761 and \$102,005. The value of the total fish catch to fishermen was \$5,323,582 in 1938 and \$6,015,179 in 1937. Capital investment in the industry at the end of 1938 was \$3,757,847, as compared with \$3,294,111 in 1937. The number of men employed in fishing was 18,548 in 1938 and 18,088 in 1937. Persons employed in fish canning and curing establishments numbered 3,325 in 1938 and 3,565 in 1937.

### **Mines, 1937 and 1938**

The Report of the Department of Mines for the year ended Nov. 30, 1938, showed a total coal production of 5,684,644 long tons, as compared with 6,382,369 long tons in 1937. Shipments to St. Lawrence ports were 2,466,427 tons in 1938, as compared with 2,611,551 tons in 1937. The average number of men employed was 13,637 in 1938 and 13,170 in 1937. In 1938, the total number of shifts worked was 2,869,767 and in 1937, 3,226,169.

Gold production in 1938 was 28,545 oz. and in 1937, 20,923 oz. The average number of men employed in the gold mining industry decreased from 808 in 1937 to 659 in 1938. Capital invested at the end of 1937 was \$970,311. Silver production in the Province dropped from 128,674 oz. in 1937 to 16,866 oz. in 1938.

### **Highways, 1937 and 1938**

The Report of the Department of Highways for the year ended Nov. 30, 1938, showed maintenance costs at \$2,153,936, as against \$1,982,129 in



1936-37. The Government's hard surfacing programme accounted for \$6,064,256 of the Department's \$7,905,684 in Capital Expenditures for 1936-37 and \$3,163,929 out of \$3,950,011 for 1937-38. This was exclusive of unemployment relief work costing the Province \$1,172,629 in 1936-37 and \$464,120 in 1937-38. During 1936-37 299.5 miles of trunk highway were paved and 139.3 miles graded and not paved. At the end of 1938 Nova Scotia had 803 miles of graded paved highway; 4,962 miles of graded gravel surfaced road (4,157 miles of this was county road); 3,672 miles of unsurfaced but graded road; and 5,521 miles of unimproved road.

The Director of the Bureau of Information reported the entrance in 1937 of 45,550 cars from other Canadian Provinces and 22,123 United States cars. For 1938 these figures were 34,766 and 19,925, respectively. From June 1, to Sept. 30, 1938, a total of 323,723 tourists visited the Province, an increase of 2,315 over the figures for the same period of 1937.

Passenger cars registered as reported by the Registrar of Motor Vehicles for the year ended Nov. 30, 1937, was 39,900 and in 1937-38, 40,876. New car registrations were 7,197 in 1936-37 and 6,195 in 1937-38. Commercial registrations were 9,519 in 1936-37 and 9,860 in 1937-38. Highway accidents in 1936-37 numbered 2,446 with 95 fatalities. Figures for 1937-38 were 2,204 and 75, respectively.

### **Labour, 1937 and 1938**

The Report of the Department of Labour for the year ended Nov. 30, 1938, showed a marked improvement in employment conditions. Heads of families assisted through direct relief averaged 1,620 a month, as against 2,522 in 1937. Direct relief, work projects, etc. cost the Province \$598,331 in 1937-38, as compared with \$892,252 in 1936-37, a drop of \$293,921. From May, 1937, to December, 1938, 357 youths between the ages of 18 and 25 received training under the Mines Apprentice project. Placements in the same period totalled 241 or 76 per cent. The total cost to Nov. 30, 1938, had been \$225,879 of which the Province paid \$135,858 and the Dominion, \$90,021.

Reports of the Inspector of Factories for the years ended Nov. 30, 1937 and 1938, stated that 389 inspections and re-inspections had been made in 1937-38, as compared with 412 in 1936-37. There were 5 fatal accidents in factories in 1937-38 and 3 in 1936-37.

The Report of the Workmen's Compensation Board for the calendar year 1938 showed 12,022 industrial accidents of which 45 had been fatal and necessitated annual payments to dependants. This compared with 12,404 and 46 in 1937. The Board reported a net surplus of 306,351 in 1938, as against 260,908 the previous year. The average rate of assessment under Part 1 of the Act was \$3.08 in 1938 and \$2.65 in 1937. Up to the end of 1938, the Report stated, \$26,950,513 had been paid out in compensation. Life pensions had been awarded to 983 widows and payments made for 2,211 children under 16. Lump sum compensations had been awarded to 6,435 workmen.

### **Health, 1937 and 1938**

Reports of the Department of Health for the years ended Nov. 30, 1937 and 1938, stated that the general health of the people had been maintained at a favourable level. With the exception of heart and degenerative affections, and cancer, most of the principal causes of death showed a downward tendency. The Reports of the Department gave vital statistics for the years 1935-36 and 1936-37, respectively, as follows: birth rate

(exclusive of still-births), per 1,000 population, 23.0 and 22.6; death rate per 1,000 population, 11.4 and 11.9; and marriage rate per 1,000 population, 8.0 and 8.5.

The Report of the Mothers' Allowance Board for the fiscal year 1937-38 (ended Nov. 30) showed 242 applications investigated and 199 approved, as against 240 and 193 in the previous year. Allowances paid out for 1937-38 amounted to \$414,048 and in 1936-37, to \$389,211. Total expenses in the two years were \$426,448 and \$400,066.

During the fiscal year 1937-38 (ended Nov. 30) there were 43,179 treated in general hospitals as against 39,238; in tubercular hospitals, 931 and 842; in children's hospitals, 1,343 and 1,235; in mental hospitals, 3,647 and 3,412. Those committed to penal institutions for the years were: males, 4,232 and 4,013; females, 217 and 194. At the end of 1937-38 there were 325 males and 15 females in confinement.

The Fifth Report of the Old Age Pensions Board covering the fiscal year 1937-38 (ended Nov. 30) showed a total of 14,305 pensioners, an increase of 392 over 1936-37. In addition there were 428 blind pensioners, making a net increase in pensioners of 820. In old age pensions \$2,469,270 was paid out, as compared with \$2,418,390 in 1936-37. Pensions paid to the blind in 1937-38 totalled \$78,383. Cost of administration in 1937-38 was \$72,949, as against \$59,495 in 1936-37. The average monthly pension paid in 1936-37 was \$14.55.

#### **Provincial Secretary, 1937 and 1938**

The Provincial Secretary reported 91 new incorporations for the fiscal year 1937-38 (ended Nov. 30), as compared with 105 in 1936-37. The total share capital in 1937-38 was \$2,617,318 and \$3,658,000 in 1936-37.

The Report of the Nova Scotia Housing Commission for 1937-38 contained the account of the opening of Tompkinsville, a community of 11 homes built by the miners with the aid of the Commission. Expenditure on the 11-acre site was \$550 and the completed project cost about \$22,000. The Province lent \$16,500 at 3½ per cent. to be repaid in monthly instalments over a 25-year period. The Report recommended revisions of the Nova Scotia Housing Act to facilitate co-operation with the Dominion Department in promotion of limited dividend companies to inaugurate low rental housing plans.

Total fire loss for the year ended Dec. 31, 1938, was \$1,441,786 as against \$1,347,094 in 1937. On these losses \$984,231 and \$923,964 was paid in insurance. In 1938, 21 persons, including 12 children, lost their lives in fires and 53 persons (nine children) were injured. The 1937 fatalities included eight children and eight adults, while 91 persons, including 34 children were injured.

#### **Liquor Commission, 1937 and 1938**

A net surplus of \$1,337,458 was reported by the Nova Scotia Liquor Commission for the fiscal year ended Nov. 30, 1938. This compared with \$1,285,907 in 1936-37. Sales totalled \$4,684,465, as against \$4,647,964 in 1936-37 while net revenue from the beer tax amounted to \$48,160, as against \$39,674. Beer sales for 1937-38 totalled \$1,899,009; wines, \$399,144 and spirits, \$2,385,079. The Board purchased 88.5 per cent. of its liquor in Canada and 10.9 per cent. in other British countries.

#### **Public Utilities and the Power Commission, 1937 and 1938**

The Report of the Board of Commissioners of Public Utilities for the year ended Nov. 30, 1938, contained results of the first year of operation

of the amended Motor Carrier Act providing for the licensing of buses by the Public Utilities Board. Eighty-one petitions were heard for certificates of public convenience and the necessity to operate buses on the highways. Of these, 31 certificates were granted. The administration of the Gasoline Licensing Act was reported to be more satisfactory with those interested "coming to a better understanding of the provisions." The Act was amended in 1937 to provide that the wholesale price of gasoline was to remain at the January, 1937, level, unless application for an increase was made to, and approved by, the Board. For 1936-37 the Board reported that a move had been started in February of that year for an increase in gasoline price but had been abandoned. This referred to the action of seven oil companies in raising the price  $\frac{1}{2}$  cent on Feb. 3. The Board at once notified them that their licences would be revoked if they did not bring the price back to the old level (28 cents). Eight wholesale licences were issued during 1936-37 and seven during 1937-38. Retail licences totalled 1,326 in 1936-37 and 1,303 in 1937-38. Total gallonage was 29,528,057 gallons in 1938 and 29,128,584 gallons in 1937. A gain of 3.9 per cent. in sub-station installation was reported during 1936-37 for the Maritime Telegraph and Telephone Company. This offset the loss of subscribers during the depression years. Long distance business showed an increase during the year of 11.6 per cent. In 1938 a number of rate applications were heard from electric utilities and it was stated that the trend of the price of electric current was continuing downward. A number of rate schedules were approved for the sale of current to the Nova Scotia Power Commission for redistribution under the Rural Electrification Act. During the year 1937-38 the town of Lunenburg took over control and operation of the Lunenburg Gas Company.

The Report of the Nova Scotia Power Commission for 1937-38 showed a total of 217,383,799 kw. hrs. delivered to all customers both retail and wholesale. Of this 853,384 kw. hrs. went to retail customers and 216,530,415 to wholesale. Total delivery in 1936-37 was 209,756,918. The average cost to the ultimate consumer in 1937-38 was 0.586 cents per kw. hr., as against 0.56 cents in 1937. The rural electrification programme was demonstrated in the 1937-38 Report by the increase in rural customers from 1,784 to 2,581. The accumulated reserves of the Commission rose from \$2,253,715 in 1936-37 to \$2,789,245 in 1937-38. Investments of the Commission were shown at Nov. 30, 1938, as \$15,771,559, as against \$14,677,683 in 1936-37. This first figure included work in progress, valued at \$1,091,737, represented for the most part by the Cowie Falls development on the Mersey system. The total revenue from the sale of power during 1937-38 was \$1,288,474, as against \$1,196,564 in 1936-37. The net revenue after deducting operating expenses, was \$1,005,280 in 1937-38 and \$949,714 in 1936-37.

### **Union of N.S. Municipalities, 1937 and 1938**

The Thirty-Second Annual Convention of the Union of Nova Scotia Municipalities was held in Sydney, Aug. 24 to 26, 1937. A. H. Speery of Lunenburg was elected President to succeed Mr. S. E. Muggah of Sydney. Ten resolutions were passed by the Convention, among them one endorsing the principle of town planning and appointing a Committee to confer with the Provincial Government. The return to the municipalities of a share of the payment made by the C.N.R. to the Province *in lieu* of taxes was asked (This request was complied with in the following year). The municipalities also asked the right to levy taxes on liquor stores. A more reasonable administration of the Mothers' Allowance Act, to assure illegitimate children of its benefits, was demanded in another resolution,



while the Government was petitioned for legislation to give municipalities the right to issue refunding debentures without a vote of the ratepayers.

The 1938 Convention, held at New Glasgow, Aug. 23 to 25, went on record as endorsing the work of the Dominion-Provincial Relations Commission and, at the same time, reaffirmed the submissions of its own brief to the Commission that direct relief should be considered as a national responsibility. The Provincial Government were urged to give early consideration to the possibility of a reduction in the highway tax as levied at the time, with a view to its ultimate elimination. Other resolutions passed at this Convention called for payment by the Province of the cost of imprisonments *in lieu* of fines, where those fines would be payable to the Province; for adequate legislation to regulate installation and inspection of inside electric wiring; for the views of municipalities at the next Convention on the advisability of holding an election every two years instead of annually. A. M. Butler, City Auditor of Halifax, was elected President to succeed A. H. Sperry.

### The Province of Nova Scotia

(As at Dec. 31, 1938)

Lieutenant-Governor .....The Hon. Robert Irwin

#### The Macdonald Ministry\* (Liberal)

(As at Dec. 31, 1938)

Prime Minister and Provincial Secretary-Treasurer...The Hon. Angus Lewis Macdonald, K.C.  
 Minister of Highways .....The Hon. Alexander Stirling MacMillan  
 Attorney-General, Minister of Lands and Forests  
 and Minister of Municipal Affairs .....The Hon. Josiah H. MacQuarrie, K.C.  
 Minister of Public Works and Mines and Min-  
 ister of Labour .....The Hon. Michael Dwyer  
 Minister of Agriculture and Marketing .....The Hon. John Alexander McDonald  
 Minister of Public Health and Registrar General...The Hon. Frank Roy Davis, M.D., C.M.  
 Minister without Portfolio .....The Hon. Joseph Willie Comeau

†Speaker of the House of Assembly .....Vacant

#### Heads of the Administrative Services

(As at Dec. 31, 1938)

Deputy Provincial Secretary .....Arthur S. Barnstead, LL.B.  
 Clerk of the Executive Council .....Arthur S. Barnstead, LL.B.  
 Deputy Provincial Treasurer .....C. D. Dennis, C.A.  
 Deputy Attorney-General .....Frederick F. Mathers, K.C.  
 Commissioner of Municipal Affairs .....Frederick F. Mathers, K.C.  
 Assistant Municipal Commissioner .....H. J. Egan  
 Deputy Minister of Public Works and Mines .....Dr. Alan E. Cameron  
 Deputy Minister of Labour .....R. H. MacKay  
 Director of Marketing .....F. Waldo Walsh, B.S.A.  
 Chief Health Officer .....P. S. Campbell, M.D., C.M.  
 Director of Child Welfare and Director of Old  
 Age Pensions .....E. H. Blois  
 Superintendent of Education .....Dr. Henry F. Munro  
 Director of Technical Education .....Dr. Frederick H. Sexton  
 Chairman, N.S. Power Commission .....Hon. A. S. MacMillan  
 Chairman, N.S. Liquor Commission .....C. W. Ackhurst  
 Chairman, Workmen's Compensation Board .....Frank Rowe  
 ‡Chairman, Board of Commissioners of Public  
 Utilities .....Vacant  
 Clerk of the House of Assembly .....Robert F. Phalen

\*NOTE.—For purposes of reference the Ministry as at Dec. 31, 1939, is given herewith.

†NOTE.—As at Dec. 31, 1939, the Hon. M. E. McGarry, M.D., C.M.

‡NOTE.—As at Dec. 31, 1939, Mr. James A. Hanway, K.C.

#### The Macdonald Ministry (Liberal)

(As at Dec. 31, 1939)

Prime Minister and Provincial Secretary-Treasurer...The Hon. Angus Lewis Macdonald, K.C.  
 Attorney-General and Minister of Lands and Forests...The Hon. Josiah H. MacQuarrie, K.C.  
 Minister of Highways and Public Works.....The Hon. Alexander Stirling MacMillan  
 Minister of Mines and Labour.....The Hon. Lauchlin D. Currie  
 Minister of Agriculture and Marketing.....The Hon. John Alexander McDonald, M.A.  
 Minister of Industry.....The Hon. George E. Hagen  
 Minister of Public Health and Registrar-General.....The Hon. Frank Roy Davis, M.D., C.M.  
 Minister without Portfolio.....The Hon. Joseph Willie Comeau

## THE PROVINCE OF NEW BRUNSWICK

### Provincial Affairs of 1937—1938

In common with the other Provinces of the Dominion, New Brunswick in the years 1937 and 1938 experienced the first definite results of generally improved economic conditions. This was evident, not only in industrial and agricultural statistics, which showed higher production figures, but in the attitude of the Government and the people themselves. In the Speeches from the Throne opening both the 1937 and 1938 Sessions of the Legislative Assembly, emphasis was laid on the necessity of a new policy to meet conditions of returning prosperity. This policy, very briefly, was encouragement to industry to stand on its own feet, and to make its own contribution to the alleviation of unemployment. Efforts of the Government were directed toward the finding of new markets for natural and manufactured products of the Province, the encouragement of tourist trade, and the relief of municipalities from the burdens which they had been carrying during the depression years. The situation was well summed up by the Prime Minister, the Hon. A. A. Dysart, delivering his New Year's message for 1938. He pointed out that the depression had made necessary a paternal attitude on the part of the Government which was "destructive to the traditional stalwart and self-reliant character of our people." Mr. Dysart said: "There may be some who have felt that our abrupt departure from this policy was too drastic. It is a pleasure and a satisfaction that the result of our new policy has produced the desired results. Our spirit has been restored. We can see a future ahead." (*The Telegraph-Journal*, Saint John, Dec. 31, 1937).

One outstanding achievement in this rehabilitation policy was the regaining of South American markets for New Brunswick's important potato crop. In 1937, the Province shipped 360,000 barrels of potatoes to South America, as compared with 50,000 barrels in 1936. (The total production of potatoes for the year, 1938, was 4,072,000 cwt. valued at \$3,665,000, as compared with 5,773,000 cwt., valued at \$3,233,000). In the 1938 Speech from the Throne, it was announced that this had met with "notable success", and that the Government were now consolidating the position it had gained, and increasing the outlet. During both 1937 and 1938, shippers of the Government were watching closely developments at Ottawa in trade treaty negotiations. New Brunswick was particularly interested during 1938 in negotiations for the new Canada—United States Trade Agreement, and the Minister of Agriculture, the Hon. A. C. Taylor, had several conferences at Ottawa with the Dominion Minister, the Hon. J. G. Gardiner. When the Trade Treaty was finally announced, New Brunswick potato-growers held it as a new triumph. Efforts were made also to take advantage of increased demand for bacon from Great Britain, while similar marketing projects were conducted on behalf of the forest industries, the fisheries, and, to some extent, mining.

Government financing during the two years, according to statements made by the Prime Minister, reflected the satisfactory position of the Government. On May 11, 1937, the Province called for tenders on \$3,000,000 of Sinking Fund bonds, maturing in 10, 15, and 20 years. On May 19,

however, it was announced that all bids received had been rejected. Four months later, the Government sold to a syndicate an issue of \$3,250,000 in 5-year 3¼ per cent. bonds at 98.50, to cost the Province 3.58 per cent. At this time the Prime Minister announced that if the May bids had been accepted, this money would have cost the Province 4.15 per cent. (*The Telegraph-Journal*, Saint John, Sept. 24, 1937). On Nov. 15, 1937, another issue of \$6,500,000 was sold at net cost of 4 per cent. This was made up of 3 per cent. bonds due 1940 and 4 per cent. bonds due 1947, the latter callable after 1945. This issue was over-subscribed. A \$4,000,000 issue of 3¼ per cent. bonds was sold on Apr. 13, 1938, at 97.25. In addition, another issue of \$4,000,000 was sold on July 14, 1938. This was composed of two non-callable maturities, one, a three-year, 3 per cent., offered at 100 and accrued interest; the second, an eight-year, 3½ per cent., offered at 98.29 and accrued interest to yield 3.75 per cent.

The Government were able to announce for the fiscal year ended Oct. 31, 1938, an actual Surplus of \$59,198. Revenues totalled \$8,609,192.

Relief problems, linked inevitably with the problems of tax-burdened municipalities, occupied a good deal of the time of the Administration during 1937. In view of improved conditions and in line with the policy of the Dominion Government the Provincial Department was discontinuing relief grants wherever possible. In the Spring of 1937, however, demands that the grants should be renewed were heard from several quarters. On Apr. 7 the City of Fredericton sent a delegation to the Parliament Buildings with a plea for assistance. Two weeks later the City of Saint John asked that grants-in-aid should be provided to the amount of 75 per cent. of the municipal relief costs. In July the Prime Minister, in an effort to reach a solution of this problem, visited Saint John, Chatham and other municipalities and discussed the situation with officials. Government assistance was given on Mar. 1, 1937, to the town of Chatham, in order to facilitate the establishment of a new industry, the Linton Lumber Company, which planned a lumber mill with a daily capacity of 250,000 bd. ft. Under the arrangement the town was to advance the sum of \$60,000. The Provincial Government agreed to take Chatham bonds for this amount in order to finance the loan.

A comprehensive survey of the fisheries resources of the Province with a view to devising a co-operative plan with the Dominion, which would promote greater commercial use of the natural assets, was announced on Apr. 16, 1937. The survey was undertaken by W. W. Leonard of Saint John. His Report was forwarded to the Minister of Fisheries at Ottawa, the Hon. J. E. Michaud, on Oct. 21. In announcing this plan, the Hon. A. P. Paterson, Provincial Minister of Federal and Municipal Relations, stated that an advisory committee would be set up later to consider the Report and to draw up a definite programme of development. (*The Telegraph-Journal*, Saint John, Apr. 17, 1937). Meanwhile, certain steps had been taken to help distressed areas. Formerly the Government had paid bonuses on pollock and hake catches but these had been discontinued. On July 14, 1937, F. G. Calder (Lib., Charlotte Co.), acted as Government spokesman in announcing their restoration.

The Prime Minister (Mr. Dysart) left the Province on Apr. 25, 1937, to attend the Coronation ceremonies in London. He returned on June 18 and his first words were a warning to New Brunswick producers that they would have to watch their step if they intended to retain or extend their British markets. He predicted that British consumption had reached its peak and saw the possibility of a curtailment (*The Telegraph-Journal*,



Saint John, June 18, 1938). This statement was undoubtedly designed also to facilitate the Government's policy of pushing their plans for standardizing and grading of farm and forest products. A Natural Products Act had been passed at the 1937 Session of the Legislature and on May 1, 1937, its first regulation of the grading of creamery butter had been enforced.

The Hon. F. W. Pirie, Minister of Lands and Mines, spent a busy Summer touring mining areas of the Province, and conferring, particularly, with Labour leaders and operators in the coal industry. On June 17, 1937, he left Fredericton by plane with three companions, and was unreported until June 21, when word came that the plane had landed in a storm on Trouser Lake, in Victoria County. As in Nova Scotia, United Mine Workers were active during the year, and several colliery strikes occupied the attention of the Department. A strike in October at the Government-owned Minto colliery was finally settled, after D. W. Morrison, President of the U.M.W., was called to Fredericton to confer with the Government.

In March, 1938, Mr. Pirie launched an interesting campaign to eliminate the spruce sawfly menace. A conference was called on Mar. 23, at which R. E. Balch, Dominion entomologist, revealed that no less than 1,200 square miles of New Brunswick forest were infested by this insect. The plan of battle involved the importation of 40,000,000 European parasites, all enemies of the sawfly. Forestry associations were organized throughout the menaced districts to distribute these parasites. (*The Telegraph-Journal*, Saint John, Mar. 24, 1938). On Oct. 6, 1938, L. T. Leeman was appointed Chairman of the New Brunswick Forest Operation Commission to succeed G. F. G. Bridges of Moncton. The work of the Lands and Mines Department during the two years under review included a programme of organizing both industries to ensure that New Brunswick products would be marketed in an orderly manner. Speaking to the Executives of the York and Sunbury Liberal Association at Fredericton on Nov. 15, Mr. Pirie hit out vigorously at the "chisellers and cut-throats" in the lumber, mining, and potato-growing industries. He left the field of his own Department to predict that, due to this chiselling and price-slashing, the Province would not sell 100,000 crates of seed-potatoes to the Argentine that year. (*The Telegraph-Journal*, Saint John, Nov. 16, 1938).

One of the highlight events of 1938 in the Province was the opening of the new heavy-traffic C.N.R. bridge over the St. John River, between Fredericton and Devon. Constructed with two 250-foot spans, five 210-foot spans, and one swing-span of 250 feet, the bridge provided a railway link for Fredericton with the eastern part of the Province. The bridge was opened by the Hon. C. D. Howe, Dominion Minister of Transport, on June 1, 1938. Mr. Howe arrived in Fredericton by plane after setting a new air record for Canada by making the trip from Ottawa in 2½ hours.

The two years under review saw only one Royal Commission appointed by the Government. On Dec. 14, 1938, Mr. F. B. Schofield, the Hon. J. B. M. Baxter, and Mr. Joseph L. O'Brien, were appointed to investigate the system of secondary education in Saint John County. The Minister of Education, the Hon. A. P. Paterson, in announcing the Commission, explained that the appointment was the outcome of the action by the School Board the previous April in serving notice that it would tax non-resident High-school pupils; it was hoped, he stated, that the Commission would be able to recommend a way of permitting non-resident pupils to attend High-school without payment of fees.

Another investigation which caused some local stir was conducted by a Commission appointed by the Municipal Council of Saint John. This

Commission, composed of Judge J. A. Barry, H. C. Schofield (Councillor), and Neil MacKellar, investigated the affairs of the Saint John Municipal Home, following charges made during the Spring of 1937. The Report of the Commission, made public on Oct. 7, 1937, disclosed neglect and gross mismanagement, which, it was found, had not only led to deterioration of the property, but had resulted in the giving of the "cheapest kind of food" to the poor of the municipality. The Commission found: (a) that the main building was in disrepair; (b) that the farm at the Home was not being properly utilized; (c) that inmates were improperly fed and clothed; (d) that there was indiscriminate throwing together of sick and diseased with well persons; and (e) that members of the Board of Commissioners had been violating common law by doing business with the Home. Immediate action followed this Report, when the Saint John Municipal Council dissolved the entire Board of Commissioners, took steps to create a temporary Board, and appointed a Special Committee to study the Report and recommend remedial action.

Storm and fire took their toll in the Province during the two years with at least five spectacular incidents coupled with the losses. An early Winter blizzard swept the coast on Nov. 25, 1938, crippling shipping and damaging coastal property. New Brunswick's total loss was estimated at \$1,000,000. A wharf at Shediac was wrecked beyond repair and the Point du Chene wharf damaged. Cottages, lobster factories and lumber mills were completely wrecked at coastal points. Whole communities were isolated during the 48 hours that the gale raged. On Aug. 19, 1937, the Miramichi Foundry and Machine plant at Chatham was destroyed with a \$50,000 loss. A forest fire claimed its toll of property on Sept. 10, 1937, when a small community known as Public Landing near Saint John was virtually wiped out. Moncton suffered a severe blow on Jan. 24, 1938, when an entire block on Main Street was gutted with a total loss of nearly \$125,000. One of the largest fire losses occurred Feb. 6, 1938, when the Wilson Box and Lumber Company plant at Fairville near Saint John was destroyed with a loss of \$250,000 and throwing 160 men out of work.

## Political Incidents of 1937 and 1938

While there were not many developments on the political front during the two years under review, there were at least two outstanding events, one of which deeply stirred Liberal Party circles for a time. The first of these events was the post-Election Conservative Convention in 1937. On Oct. 27, 1,500 Party delegates assembled at Fredericton, one of the largest political rallies ever held in the Province. Mr. F. C. Squires, Opposition Leader in the Legislature, was unanimously chosen Leader of the Provincial Party, succeeding Mr. L. P. D. Tilley, whose Government had been divided in 1935. After addresses by the new Leader, and other prominent Party executives, the Convention adopted a new plank for the Party platform, promising, if elected to power, to secure for the people of New Brunswick an equal opportunity with the people of any other Province. The resolution charged failure of the Dominion Parliament to implement recommendations of the Duncan Commission on Maritime claims. (*The Sydney Post-Record*, Oct. 28, 1937).

The second incident occurred in the Summer of 1938. On July 16, the Prime Minister announced the reorganization of his Cabinet. At that time there had been one vacancy, caused by the death on Feb. 10 (1938), of the Hon. W. F. Roberts, Minister of Health and Labour. The reorgan-

ized Cabinet included two new members, the Hon. P. H. LaPorte, M.D., C.M., Member for Madawaska County, was Minister of Health and Labour, and the Hon. E. J. Henneberry, Member from Saint John City, was President of the Executive Council. The Hon. W. S. Anderson, former Chairman of the Hydro-Electric Power Commission, was Minister of Public Works. The Prime Minister, in relinquishing to Mr. Anderson the latter portfolio, which he had held since 1935, had taken over the Chairmanship of the Commission. He had been urged to make this adjustment by his colleagues, both on account of his state of health and in the interests of the administration, as the less arduous duties of the Commission, it was thought, would leave at his disposal more time to devote to general affairs.

Later, in the same month, the Hon. H. F. G. Bridges, Speaker of the Legislature, tendered his resignation from that office. He announced (July 26) his decision to sit as an independent Member in the Legislature until Dissolution. In a letter to the Prime Minister, published in the Press, explaining his action, Mr. Bridges declared that the selection of Mr. Henneberry was "the culmination of a long series of events," which forced him to this decision. (*The Telegraph-Journal*, Saint John, July 27, 1938). He charged that the appointment of a Saint John Member was unfair to the counties of Charlotte, Restigouche, and other unrepresented constituencies, and said: "I am compelled on behalf of 30,000 people of Restigouche County to condemn your action." In addition to this, Mr. Bridges charged the Prime Minister with an anti-Confederation policy which was disrupting Dominion-Provincial relations, and declared that Government promises remained unfulfilled.

A few days later, Mr. A. D. Dyas, Liberal Member for Charlotte County, followed the steps of Mr. Bridges in denouncing the Dysart leadership. He made grave charges concerning the administration of Government affairs in Charlotte, and declared that the Liberal Party would get no support in the next election from his county unless Mr. Dysart was put out of the leadership. (*The Telegraph-Journal*, Saint John, Aug. 4, 1938.) Mr. Dysart, in his reply, declared that both attacks had arisen from unrealized personal ambitions. He refused to comment on the criticism of his Administration, but declared that both Mr. Bridges and Dr. Dyas had the opportunity to make these charges while the House was in Session. (*The Telegraph-Journal*, Saint John, July 28, 1938). At this point, the controversy was allowed to simmer until Oct. 26, 1938, when a caucus of Liberal supporters was called by the Prime Minister at Fredericton when his Leadership was endorsed.

## The 1937 Session of the Legislature

The Second Session of the Thirty-Eighth Legislative Assembly (Fortieth Legislature) was opened on Feb. 18 and was prorogued on Apr. 2, 1937. The Membership of the House consisted of 42 Liberals, and 5 Conservatives; and there was one vacancy. The Speech from the Throne, delivered by the Lieutenant-Governor, the Hon. Murray MacLaren, drew attention to "an extensive programme of essential Public Works" and "a system of land-clearing bonuses" which had been carried on by the Government in order to restore the initiative, enterprise, and self-reliance of those hitherto in receipt of direct unemployment relief. The Government, it was noted, had also given encouragement to private employment by extending preference to local industry in furnishing materials and supplies required for Public Works. The Speech announced plans for a



survey of the Province to secure exact data as to the prevalence of tuberculosis, in an attempt to control and ultimately eradicate this disease. During the year, it was announced, the New Brunswick Electric Power Commission had placed a new unit in operation in the Grand Lake steam plant, increasing its capacity from 5,000 to 11,250 kilowatts. In rural districts, 180 miles of new line had been constructed. Efforts had been extended to increase production of timber and pulpwood from Crown Lands and profit-holdings, and the result, it was stated, was indicated in a revival of forest industries. The Government was continuing its policy of exploring the possibilities of foreign and domestic markets for raw and manufactured products.

The Address-in-Reply to the Speech from the Throne was moved by Mr. P. H. LaPorte (Lib., Madawaska), and seconded by Mr. W. C. Lawson (Lib., Sunbury). In the course of the lengthy Debate which followed, the Leader of the Opposition, Mr. F. C. Squires, attacked the Government's policy with regard to the establishment of a National Park in the Province. He urged, in view of the great need of employment, that "immediate steps be taken for establishment of the National Park, without having any regard to political advantage in any direction, but having only regard for the needs of our people." (*Synoptic Report Proceedings, Legislative Assembly, 1937*, pp. 20-21). He charged that the Provincial Government, after declaring that it was disinterested, was attempting to force the Mount Carleton site on the Federal Government, thus ignoring Ottawa's right to choose the location. This site, he claimed, had already been condemned by the expert official sent from Ottawa. Mr. Squires charged that the rate of subventions accorded to Nova Scotia and New Brunswick coal was unfair to the latter Province. He pointed out that freight rate assistance rendered to the Dominion Coal Company had changed a loss of over \$1,000,000 in 1931 into a net profit of \$22,000 in 1933. Against this, the operating loss of New Brunswick companies for 1935 had been \$36,679 or, if interest on capital and investment were included, \$184,742. Mr. Squires criticized the delay in achieving modernization of the educational system of the Province. "This House," he said, "will await with interest the strange phenomenon of a Minister of Education, without extensive educational experience, proceed to the intricate and delicate task of the co-ordination and modernization of the different departments of our educational system which include rural, night, and vocational schools and the universities of our Province." (*Synoptic Report of Assembly, 1937*, p. 29). The Debate on the Address was concluded on Feb. 24.

### Public Accounts for 1935-36; the Budget of 1937

The Public Accounts of New Brunswick for the fiscal year ended Oct. 31, 1936, showed Revenue of \$6,845,983, as compared with an Estimated Revenue of \$6,552,505 and Expenditure of \$7,270,952, as compared with an Estimated Expenditure of \$6,956,936, the Deficit being \$424,969, as compared with the Estimated Deficit of \$404,431.

The second Budget of the Hon. C. T. Richard, Provincial Secretary-Treasurer, presented to the House on Mar. 2, Estimated a Deficit for the year ending Oct. 31, 1937, of \$283,574. This was based on Estimated Revenues of \$7,480,353, and Estimated Expenditures of \$7,763,934. The Deficit, it was pointed out, represented a reduction of \$141,385 from the Actual Deficit of the previous year. The Budget contained no announcement of measures for new taxation.

Mr. Richard, in a review of economic conditions for the year 1936-37, pointed to the marked revival in the lumber industry, stating that "day

by day brighter prospects indicate that this industry . . . is now growing to the major importance which it formerly occupied." Mr. Richard reported that financing during the period, June 27, 1935, to Mar. 31, 1937, had considerably reduced debt charges to the Province. On Dec. 15, 1935, debentures totalling \$1,750,000, sold originally by the Province at a cost of 6.51 per cent. had been refunded for a ten-year period at a cost of 3.42 per cent. On June 15, 1936, an issue of \$2,792,000 matured. A refunding issue of \$2,000,000 was sold for a ten-year period to cost the Province 3.17 per cent., while the balance, \$792,000, was refunded for a twenty-year period at a cost of 3.61 per cent. Mr. Richard claimed that on these two major issues the yearly saving had been approximately \$100,000. He stated that the Province had been able to secure the co-operation of other Provinces in avoiding the marketing of conflicting issues, and thus promote "a more uniform and regular flow of money designated for investment in Provincial Government bonds."

Mr. A. C. Smith (Cons., Saint John Co.), acting as official Budget critic, called attention to the net increase in Debt for 1935 and 1936 of more than \$4,000,000 a year. He charged that the Government was attempting to reach the "saturation point" in public expenditure. Dealing with the expenditures of the year 1935-36, Mr. Smith pointed out that revenue from Succession duties had been \$18,985 more than estimated, and from the Liquor Control Board, \$32,742 in excess of estimates. In addition, the Government had received \$35,030 more than they expected from Vehicle Fees, taxation, etc. On this basis, the results of 1935-36 should have shown a substantial improvement over the Budget Estimates. Yet the Actual Deficit for the year ended Oct. 31, 1936, had been \$424,969, as against a Budgeted Deficit of \$383,476. (*Synoptic Report, 1937*, pp. 69-70). In reply to the Government's claim that a large part of the over-expenditure in the Public Works Department had been due to flood damages, Mr. Smith contended that the Province should have brought pressure to bear on Ottawa to get a just proportion of moneys to fight flood conditions in New Brunswick. Mr. G. W. Perry (Cons., Carleton) charged that, by refusing to continue the former Administration's policy of guaranteeing limited bank loans for potato-growers, the Government had driven many growers to the Loan Assurance. Another highlight of the Budget Debate was the demand by Liberal Members for new regulations in the forest industry. The demand was inspired for the most part by the wages of woodsmen, which were declared too low in view of the prevailing prices of lumber. One of these Members, Mr. E. N. Henneberrry (Lib., Saint John City), advocated an Industrial Standards Act to zone the Province. The Opposition Leader (Mr. Squires), speaking in the Budget Debate on Mar. 16, proposed a New Brunswick Commission on Industry and Fair Wages. He suggested a set-up of three men, one representing Labour, one Industry, and one the general public, who would have power to arbitrate between Labour and Industry, with a view to bringing them into agreement on wages and working conditions. In cases where such agreement was reached, an Order-in-Council would be passed by the Government, fixing wage rates. Mr. Squires moved an Amendment to the Budget Motion, demanding that "the Government give to this House the assurance that no salary increases will go into effect until such time as the Honourable the Provincial Secretary-Treasurer produces a balanced budget." The Prime Minister (Mr. Dysart) closed the Budget Debate on Mar. 19, with a vigorous counter-attack. He stated that Mr. Squires professed to be shocked at the estimated revenue of \$1,000,000 from liquor sales, yet when he had been in office, receipts from this same

source had reached the 1½-million dollar mark; that he professed to be the friend of Labour, yet he complained bitterly because an election promise to lower the Auto License Tax had been implemented. (*Synoptic Report, 1937*, p. 213). The Squires Amendment was lost on a vote of 32 to 5, and the Budget Motion carried by the same vote.

### Legislation and Prorogation, 1937

The promised insurance legislation, The Insurance Act, 1937, contained 295 sections. It consolidated various insurance Statutes already on the books of the Province, relating to life, fire, automobile, accident, sickness, etc. It was also a step toward the Dominion-wide goal of uniform insurance legislation for all of the Provinces. New Brunswick was, in fact, among the latest of the Provinces to fall into line. The Act provided for the establishment of an insurance branch under the Attorney-General to be headed by a superintendent. Provision was made for an advisory board to represent the superintendent, the insurer and the agent, to hear all disputed cases of cancellation or refusal of agency licences. The decision of the superintendent, after the report of the board, was to be final. This provision gave a substantial measure of control over agencies and brokerage concerns and was designed to eliminate complaints of malpractice. Despite the major importance of the measure there was little debate in the House since the legislation won general approval. This extended also to the insurance companies in the Province, many of whom had been consulted during the drafting of the Bill.

Provision for the establishment of standard grades for natural products sold in New Brunswick was made by "an Act respecting Natural Products," one of two items of legislation dealing with natural products. The Government was given power by Order-in-Council to classify and establish grades for fish, animals, meats, eggs, poultry, wool, dairy products, fruit and fruit products, vegetables and vegetable products, maple syrup and sugar, honey, tobacco and any other natural product which might later be designated. The measure was one of the first Provincial Bills to follow the wiping out by the Privy Council of the Dominion legislation which aimed at the same goal. The Government were given power to set up grading and marketing regulations and to appoint inspectors to see that they were carried out. The first move made under the new legislation and announced during the Budget Debate by the Minister of Agriculture, the Hon. A. C. Taylor, was the grading of creamery butter. Supplementary legislation was "The Natural Products Control Act" providing for the establishment of a Natural Products Control Board to hold wide powers under the Governor-in-Council.

Amendments to the Motor Vehicles Act set a new speed limit of 40 miles an hour for buses on the highways and 35 miles an hour for trucks. It also tightened up regulations with regard to careless driving and prohibited the carrying of crowds on trucks. A new Motor Carriers' Act provided for the licensing of buses under the Public Utilities Board.

Another measure was an Act enabling cities, towns or incorporated villages to exempt property improvements for the year in which they were made and the two succeeding years. There was also an enactment for the modernization of New Brunswick's antiquated debt legislation which still provided for the jailing of debtors without examination by a magistrate.

Prorogation of the 1937 Session (Apr. 2) was at the same time delayed and enlivened by the Prime Minister's decision to have the Public Accounts



Committee investigate charges against a road supervisor, William Ebbett, accused by Mr. E. W. Melville (Cons., Carleton Co.) of improperly charging the Province for conveyance. The Committee sat hearing evidence while the Lieutenant-Governor's escort waited outside the buildings. Finally, it reported to the House that it found no evidence of any irregularity.

## The 1938 Session of the Legislature

The Third Session of the Thirty-Eighth Legislative Assembly (Fortieth Legislature) was opened on Feb. 24 and was prorogued on Apr. 14, 1938. The Membership of the House consisted of 41 Liberals and 5 Conservatives; there were 2 vacancies. The Speech from the Throne, delivered by the Lieutenant-Governor, the Hon. Murray MacLaren, drew attention to the Government's successes in broadening existing markets and in securing new markets for primary products. Forest industries, it was noted, had experienced an active and profitable year. The legislative forecast included measures to encourage co-operative organizations; to revise electoral laws; to amend The Highways Act; and to provide for collective bargaining by Labour organizations.

The Address-in-Reply to the Speech from the Throne was moved by Mr. F. A. McGrand (Lib., Queens) and seconded by Mr. Ernest W. Stairs (Lib., York). In opening the Debate, the Leader of the Opposition, Mr. F. C. Squires, questioned the appointment of the Rowell Commission, and the possibility of its accomplishing anything definite and useful. He thought that "the Governments of the different Canadian Provinces should have been able, long ago, to get together and discuss and decide their own problems without the Dominion Government." (*Synoptic Report, Proceedings of the Legislative Assembly, 1938*, p. 20). One of the main reasons for inaugurating the hard-surfaced road programme, he said, had been to solve the unemployment situation, yet, before the Election, Mr. Dysart had put himself and his Party on record as opposed to the construction of permanent roads as a means of supplying employment. Mr. Squires charged that, since the Dominion Administration had taken over the reins of power at the Port of Saint John, nothing had been done toward providing and extending facilities for handling traffic. There was, he said, a call for docking and loading facilities, and adequate accommodation for freight traffic. If Saint John were not in a position to handle such situations as these, they would be handled somewhere else, he said, and demanded that "energetic action" should be taken to remedy the situation. The Debate on the Address was concluded on Mar. 4, 1938.

### Public Accounts, 1936-37; the Budget of 1938; Estimates

The Public Accounts for the year ended Oct. 31, 1937, showed a considerable improvement over the 1937 Budget Estimates. Revenues for the period were \$389,128 higher, at \$7,869,483. This changed an Estimated Deficit into a surplus on Current Account of \$29,090. Liquor Control Board profits for the year were \$1,104,717. Revenues from Gasoline Tax totalled \$1,477,645, and from Motor Vehicle Fees, \$1,058,346. Succession Duty collections during the year totalled \$398,102. Interest on Public Debt, other than interest payable in connection with bonds for New Brunswick Electric Power Commission, Auto Fund Road bonds, etc., totalled \$2,243,009. The Net Funded Debt of the Province was shown at \$66,581,086. In addition, Contingent Liabilities amounted to \$1,948,660.

The Hon. C. T. Richard, Provincial Secretary-Treasurer, presented his Budget to the House on Mar. 8. On the basis of Estimated Revenues of

\$8,500,604, and Expenditures of \$8,483,602, he budgeted for a Surplus in the fiscal year ended Oct. 31, 1938, of \$17,002. In order to provide for the net increase in Ordinary Expenditure amounting to \$644,209, Mr. Richard explained that "we propose to bring down legislation increasing the Gasoline Tax and we will increase Motor Vehicle Fees as regards Commercial users, trucks, buses, etc. No change has been made in the fee for private cars for the current season. . . . We also propose to increase taxation under the Corporation Tax Act to a point more in line with the other Provinces." The Secretary-Treasurer stressed the fact that the main increases in expenditure were to cover fixed charges on Public Debt and additions to Old Age Pensions. Other increases were to give further aid to social services, such as Education, Health, and Agriculture. The Total Net Debt of the Province was shown as \$66,433,682. Sinking Fund provision for the year totalled \$315,593. Concluding his Budget Speech, Mr. Richard said: "We have brought this Province out of a state of despair into one of hope and confidence. We have improved all Governmental Services, brought joy to the aged and the blind; the unfortunates who only a few years ago were without means of livelihood, were subject of public charity and who to-day have regained their self-confidence. The future holds still greater promise."

Mr. Squires criticized the policy of the Government in making this issue payable in United States as well as Canadian funds. Four days before, the Hon. A. P. Paterson, Minister of Education, had charged, in the Debate, that Mr. Squires' statements at the time that the Government were negotiating this particular loan had injured the credit of the Province and was "the chief reason why we couldn't get cheap money". (*The Telegraph-Journal*, Saint John, Mar. 19, 1938). Mr. Robert McAllister (Cons., Saint John Co.) expressed his belief that the Government had "paid far too much" for its balanced Budget. He criticized the increases in Gasoline Tax, Corporations Tax, and Motor Vehicle Fees.

The Budget Debate was concluded on Mar. 24 (1938) by the Prime Minister. Before touching on the Budget proper Mr. Dysart gave to the House a brief but vivid description of his visit in 1937 to London for the Coronation ceremony. Resuming the discussion of the Budget, he answered the criticism by the Opposition Leader (Mr. Squires) of the method of the Government's financing in 1937. He stated that if the Government were at fault in selling the bonds privately and to a syndicate headed by the Dominion Securities of Montreal, then "it were a grievous fault, for the records disclose that for the entire year 1937, every Provincial issue that I know of was so sold." He quoted from *The Financial Post*, issue of Nov. 27, 1937, describing the over-subscription to the loan of \$6,500,000, "a frank statement of policy by Premier Dysart had much to do with this." With regard to the Surplus for the fiscal year ended Oct. 31, 1937, Mr. Dysart quoted from the *Monetary Times* of Jan. 29, 1938: "The fact of a Surplus in the Public Accounts of a Government these days is something that calls for comment, for while some other Provinces had been able to achieve the same result, yet balanced Budgets for some years have been and still are something to attract attention. New Brunswick's achievement is all the more noteworthy in that it is the first Surplus in eight years."

Supplementary Estimates for the fiscal year ended Oct. 31, 1938, and totalling \$12,000 were presented to the House on Apr. 13. The Debate on the Budget brought from the Opposition Leader (Mr. Squires) a vigorous attack on the Government's financing in the previous Autumn, when debentures amounting to \$6,500,000 had been sold.

### Legislation and Prorogation, 1938

The measure to provide for collective bargaining by Labour organizations was similar in many respects to that passed in 1937 by the Province of Nova Scotia. It did not, however, include provision for a check-off system, a serious bone of contention in the Nova Scotia legislation. The Co-operative Marketing measure provided for the incorporation of co-operative associations, to be under the supervision of Provincial inspectors, and, to have power (a) to buy, sell, or process any form of farm and forest product, as well as fish; (b) to operate stores, warehouses, wharves, canneries, and other buildings for processing; and (c) to secure the best market for a sale of the property of its members. A Co-operative could be incorporated as soon as ten or more members were ready to join.

The Landlord and Tenants Act was designed as a model for similar legislation for the other Provinces. The Act provided that, while the landlord maintained control over sub-letting, permission to sub-let must not be withheld from a tenant where the request was reasonable. The legislation also provided that the landlord's rate of re-entry for other than non-payment of rent was not enforceable if reasonable money compensation were offered by the tenant. New Brunswick followed the example of Nova Scotia, and passed legislation increasing its Gasoline Tax from 8 cents to 10 cents a gallon. The Corporations Tax Act Amendment provided new taxes for telephone companies, finance companies, trust and loan companies, and insurance companies. Life insurance companies, under the Amendment, were required to pay tax on gross premiums.

Another Act gave the City of Moncton power to expropriate land for airport purposes, and to assess property and issue debentures to cover cost. This marked a step forward in the progress of the Maritime Provinces in commercial aviation. The 1938 Session saw a lively debate arising from the decision of the Dominion Government to make Montreal the trans-Canada terminus. The Prime Minister (Mr. Dysart), was joined by the Leader of the Opposition (Mr. Squires) in a protest against this plan, and a demand that Shediac should be made the terminus. A Resolution to this effect was passed unanimously on Mar. 30.

Altogether, the 1938 Session passed 123 Bills. In addition to those mentioned were: a Forests Act Amendment, giving cutters a lien for wages on all logs cut; an Act providing for the fixing of gasoline prices under the control of the Public Utilities Commission; and an Amendment to the Natural Products Control Act.

One of the interesting debates of the Session had been forecast in the Speech from the Throne, when it announced that the Dominion Government's request for the consent of the Province to an Amendment to The British North America Act, allowing a Dominion unemployment insurance plan, would be submitted to the Legislature. On Apr. 12 Mr. Dysart introduced a Resolution asking that the Dominion Government should defer the consideration of the unemployment insurance proposal until after the Report of the Rowell Commission. After some opposition, this Resolution was adopted.

After a comparatively uneventful Session, the Legislature was prorogued by His Honour the Lieutenant-Governor on Apr. 14. The closing hours were marked by a vigorous attack on the Government, launched by Mr. Squires, debating his Motion for "the production of copies of all correspondence and other documents—touching the sale of bonds in the Province during the fiscal year, 1937, or since the close of that year." The Motion was refused by the Government, Mr. Richard declaring: "To



promote competition of the different brokerage houses of Canada we have to follow a certain practice. If we have kept up keen competition, it is due to that practice. If we give out the information asked for by the Motion, we would disclose that practice." (*Synoptic Report: Proceedings of the Legislative Assembly, 1938*, p. 244). Mr. Squires, closing the Debate, claimed that the rate of recent issues did not compare favourably with the rate secured by Ontario and Quebec. The people of the Province, he said, had the right to know the relation of the bond-buying syndicates to the Government. (*Synoptic Report, 1938*, p. 246).

### **Administrative Services in 1937 and 1938: Education**

New Brunswick, like the other Provinces during the two years under review was giving some attention to the necessity of modernizing its educational system and in February, 1937, a Committee was set up to recommend a revised curriculum. The work of this Committee was completed by the Summer of 1938 so far as grades I to VI were concerned and the new courses tried out at the teachers' Summer schools of that year. The Report of the Department of Education for the year ended June 30, 1938, noted that this had been successful. It was also reported that the new curriculum for grades VII, VIII and IX had been outlined by a Sub-Committee and was then being written in detail. The 1937-38 Report also drew attention to the necessity for building up the teaching profession and the fact that a two-year normal school course was becoming general in other parts of Canada. New Brunswick, it was noted, still had a one-year requirement which in the main, it was admitted, had given satisfaction. Both the 1936-37 and 1937-38 Reports stated that progress had been made in the youth training movement undertaken in co-operation with the Federal Government. During 1936-37, the Federal allocation for New Brunswick was \$50,000 and in 1937-38, \$75,000. The Province matched dollar for dollar with the Dominion and the expenditure of the money was under the Departments of Education, Lands and Mines, and Agriculture. The Department of Education in 1937-38 conducted six-week occupational courses for boys in motor mechanics, woodworking, welding, radio, electricity, etc. These were held in nine centres and had an enrolment of 243. A three-month occupational course for girls, with an enrolment of 43, was conducted in weaving, dyeing, dressmaking, etc. There were also four-week handicraft and home economics courses for women with an enrolment of 453 and a three-month home service course for girls with an enrolment of 32. The 32 girls all found employment at the end of the course while placements in the boys' occupational courses were 43.

Statistics (preliminary) given by the Annual Reports of the Department of Education as at June 30, 1937 and 1938 were as follows: school enrolment, 86,946 and 85,833; schools in operation, 2,648 and 2,673; and number of teachers and assistants employed, 2,921 and 2,945.

The enrolment at the University of New Brunswick, including Summer students, for the session of 1936-37 was 412 and for the session of 1937-38, it was 457. Degrees conferred on graduates in 1936-37 numbered 75 and in 1937-38, 72. In 1936-37 the Honorary degree of Doctor of Laws was conferred upon Mr. G. F. McNally, Deputy Minister of Education of Alberta; and the Honorary degree of Doctor of Science upon Mr. W. K. Hatt, Head of the Department of Civil Engineering at Purdue University, Lafayette, Indiana. The Honorary degree of Doctor of Laws was con-

ferred, in 1937-38, upon the Hon. J. B. McNair, Attorney-General of New Brunswick, and upon the Rev. Archdeacon Marshall E. Mott, Springfield, Mass.

Enrolment at Mount Allison University, Sackville, N.B., was 419 for 1936-37 and 495 for 1937-38. These figures were exclusive of Summer School registrations and the Extension Department. Degrees conferred on graduates in 1936-37 numbered 63 and in 1937-38, 96. In 1936-37, the Honorary degree of LL.D. was conferred upon the Rev. C. H. Huestis of Toronto and upon Prof. W. M. Tweedie, Head of the English Department, who retired that year. Honorary degrees conferred in 1937-38 were as follows: D.Litt., 1; D.D., 1; and LL.D., 4.

At St. Joseph's University, St. Joseph, N.B., the enrolment for 1936-37 was 270 and for 1937-38, 290. At the regular Convocations held in 1936-37 and 1937-38, respectively, the following degrees were conferred: M.A. (exam.), 4 and one; B.A., 26 and 20; and Litt.B., none and one. Degrees bestowed at a Special Convocation held on June 14, 1938, were: B.S. (exam.), 8 and Litt.B. (exam.), 3. Honorary degrees conferred during 1936-37 and 1937-38 were: Litt.D., 3 and none; B.S.C., one and none; and M.A., none and 4.

### Agriculture, 1937 and 1938

The Annual Reports of the Department of Agriculture for the years ended Oct 31, 1937 and 1938 indicated a slight improvement in the general conditions. This was not so much due to any weather factors (although favourable conditions on the whole existed during the two years), as to efforts to extend markets for New Brunswick's farm products. The 1937-38 Report noted increased production in the dairy industry, stronger prices and expansion in the hog industry, and "a definite trend of improvement" in the poultry industry. Good grazing, it was reported, was general throughout the Province in 1937-38, but excessive rainfall from July to October made harvesting difficult, and impaired quality and yield of the principal grain crops. Root crops, on the other hand, were described as "very satisfactory." The areas, yields and values of field crops in 1937 and 1938 are given in the following table, taken from the *Monthly Agricultural Statistical Bulletin*, January, 1939:

	Year	Area	Yield Per Acre	Total Production	Average Farm Price Per Bush.	Gross Farm Value
Spring Wheat	1937	13,000	14.2	184,000	\$1.40	\$ 258,000
	1938	12,500	12.0	150,000	1.05	158,000
Oats	1937	210,400	24.4	5,144,000	0.60	3,086,000
	1938	211,400	29.5	6,236,000	0.45	2,806,000
Barley	1937	13,400	20.0	268,000	0.80	214,000
	1938	14,700	26.0	382,000	0.65	248,000
Beans	1937	1,100	19.0	21,000	2.50	53,000
	1938	1,100	18.0	20,000	2.10	42,000
Buckwheat	1937	32,500	17.8	579,000	0.84	486,000
	1938	31,300	19.0	595,000	0.75	446,000
Mixed Grains	1937	3,900	25.1	98,000	0.70	69,000
	1938	3,700	28.0	104,000	0.53	55,000
Potatoes	1937	50,200	Cwt. 115.0	Cwt. 5,773,000	Per Cwt. 0.56	3,233,000
	1938	50,900	80.0	4,072,000	0.90	3,665,000
Turnips, etc.	1937	11,500	240.0	2,760,000	0.40	1,104,000
	1938	12,200	210.0	2,562,000	0.44	1,127,000
Hay and Clover	1937	570,500	Tons 1.41	Tons 802,000	Per Ton 7.00	5,614,000
	1938	564,900	1.60	904,000	7.00	6,328,000
Fodder Corn	1937	800	9.21	7,400	4.38	32,000
	1938	900	9.34	8,400	4.38	37,000

In the live stock industry, the year 1937-38 saw a high degree of activity, particularly in horse-breeding. One important factor in this was the importation of 13 Class A stallions, both by individual owners and agricultural societies, under the new assistance policy of the Department. Sale of a larger number of pure-bred rams, and demand for the importation of a limited number of pure-bred yews, was seen in the Report as indicating a revival of interest in sheep-raising. Stronger prices stimulated the hog industry, and organized marketings of live animals increased to 14,659 head, with 9,599 earning the premium award at the top of two grades under the Swine Improvement Policy. The cattle industry did not fare so well in 1937-38. Lower beef prices, and a sharp decline in butterfat prices combined to check activity in this direction. The export demand for commercial dairy cows, however, remained fairly constant.

The following table, included in the 1937-38 Report, shows the farm live stock in New Brunswick on June 1, 1937 and 1938:

	1937	1938
Horses .....	52,300	52,110
Cattle .....	214,500	216,900
Sheep .....	107,100	110,400
Swine .....	95,200	82,200
Poultry .....	1,289,900	1,261,100

The production of creamery butter in the Province was 23.8 per cent. higher in 1937-38 than in 1936-37, and hit a new all-time peak, the figure for manufactured butter being 4,440,558 lb. In addition, 400,000 lb. of butterfat were shipped outside the Province. Twenty-five creameries and nine cheese factories were in operation in 1937-38, an increase of one in each case over 1936-37. The average selling price of creamery butter during 1937-38 was 26  $\frac{3}{10}$  cents, as against 26 cents in 1936-37. The average selling price of cheese at 13 $\frac{3}{4}$  cents, in 1937-38, was a slight decrease from 1936-37.

The Poultry Division reported lower feed prices and higher egg prices for 1937-38. These factors resulted in a new spurt of activity among poultry growers, after a lag in the industry which was noted in the 1936-37 Report. The 1937-38 Report showed 27 Poultry Clubs active during the year, with a combined membership of 416.

The apple crop for the year 1937-38 was estimated at 48,000 barrels, as against 49,616 barrels produced in 1937. In both 1936-37 and 1937-38, 78 per cent. of the crop was marketed in New Brunswick, the balance going mostly to Quebec, with minor quantities to Nova Scotia and Prince Edward Island. Prices generally were equal, and in some cases higher, than in 1936-37.

Six new Women's Institutes were organized during the year, 1937-38, bringing the total number to 184. A number of Youth Training Centres were sponsored by Institute members.

Credit Unions had a substantial growth during 1937-38. Forty-three charters were issued to new organizations, bringing the total at the end of October to 67. Membership increased from 1,800 to 6,000. Assets rose from \$20,000 to \$90,000, and the loan turnover to date, Oct. 31, 1938, was shown as \$190,000. On July 1, 1938, a Provincial Convention of Credit Unions was held at Moncton, and, as a result, a Credit Union League was formed in the Province.

#### Lands and Mines; Fisheries, 1937 and 1938

Reports of the Department of Lands and Mines for the years ended Oct. 31, 1937 and 1938 showed a total value of exports of wood products



through the ports of New Brunswick in 1937-38 at \$23,194,194, as compared with \$28,028,673 for 1936-37. A total of 446,001 cords of pulpwood were manufactured in the six pulp and paper plants of the Province in 1937-38 with the mills operating at 54 per cent. of their capacity. The cut from Crown lands was 128,483 cords in 1937-38, as compared with 253,815 cords in 1936-37. At Oct. 31, 1938, the total area of Crown land under licence or under permit to cut was 10,478 square miles as follows: 30-year pulp and paper licences, 111 square miles; 50-year pulp and paper licences, 3,819 square miles; 30-year sawmill licences, 4,318½ square miles; 10-year Crown land timber licences, 1,343 square miles; and one-year permit to cut, 886½ square miles to Aug. 1, 1939. Receipts of the Department from territorial revenues totalled \$1,066,083 in 1937-38, as compared with \$1,167,008 in 1936-37.

In 1937-38, the net area of Crown land used for colonization was 31,350 acres. There had been 438 applications from prospective settlers during the fiscal year.

Coal production of the Province for 1937-38 amounted to 259,275 gross tons, as compared with 356,416 tons in 1936-37. The decrease in production was attributed, in the Report, to the dissatisfaction over the rates of wages which, in turn, was due to smaller profits or lack of any profit on the part of the operators. A new industry in New Brunswick, gypsum production, in 1937-38, increased by 3,000 tons to 47,000 tons. Of this 23,000 tons were exported to the United States in its natural state and the balance manufactured in the Canadian Gypsum Company's Hillsboro plant. Intensive search for metallic deposits of lead, zinc, silver and gold continued throughout 1937-38. The 1937-38 Report noted the failure of the survey started in 1937 to find commercial seams of coal near Millville. The work was dropped after considerable trenching and diamond drilling.

A total of 2,476 licences for fishing were issued to non-residents in the 1938 season, as compared with 2,368 in 1937. The production of New Brunswick fisheries in 1938 was valued, according to the Dominion Bureau of Statistics' Advance Reports on the Fisheries of New Brunswick, at \$3,996,064, as compared with \$4,447,688 in 1937. The total market value of cod in all forms was \$167,322, as compared with \$172,369. Haddock, on the other hand, showed an increase from \$10,401 in 1937 to \$39,821 in 1938. Hake and cusk totalled \$36,898 in 1938 and 54,005 in 1937; pollock, \$21,256 and \$120,203; lobster, \$721,612 and \$1,089,002; sardines, \$1,389,195 and \$1,525,602; and herring, \$626,469 and \$443,739. In 1938 the New Brunswick fishing industry gave employment to 16,789 persons, as compared with 16,843 in 1937. The total capital invested in fish canning and curing was \$2,556,046 in 1938, an increase over 1937 of \$161,707. Capital invested in equipment used for primary operations was \$3,318,003 in 1938 and \$3,290,003 in 1937.

### Public Works, 1937 and 1938

The Report of the Minister of Public Works for the year ended Oct. 31, 1938, emphasized the rapid extension of the Province's system of paved highways which, it was stated, was revolutionizing the transportation system and making new markets accessible to the natural products. The Department continued during 1936-37 and 1937-38 its policy of assisting towns and cities in public works and carrying on road and bridge projects in the rural municipalities *in lieu* of direct relief. During 1937-38, expenditure on road construction totalled \$9,397,314 and \$9,770,061 in 1936-37. Of these totals the hard-surfacing programme accounted for \$7,491,656 in

1937-38 and \$7,789,890, in 1936-37. Maintenance and construction cost of main trunk highways totalled \$93,634 in 1937-38 and \$173,320 in 1936-37 and for secondary highways, \$872,877 and \$672,819. The 1937-38 programme, including towns and cities, added 290.44 miles of paved main trunk highways, 22.15 miles of secondary highways, and 6.52 miles through towns and cities making a total of 319.11 miles. Total paved highways in the Province at the end of the fiscal year 1938 was 850.40 miles. Construction of permanent bridges during 1937-38 cost the Province \$685,518, as compared with \$631,488 in 1936-37. Total expenditures of the Department in 1937-38, were \$10,602,514, as against \$10,976,247 in 1936-37.

The Motor Vehicles Branch reported a registration of passenger cars of 30,257 in 1937-38 and 29,937 in 1936-37. Figures for trucks were 6,145 and 6,229; trailers, 1,629 and 1,490; and drivers' licences, 52,773 and 52,901. Receipts from the Motor Vehicle Branch in 1937-38 was \$1,141,965 and in 1936-37, \$1,063,769; and from the Gasoline Tax Branch, \$1,812,304 and \$1,448,525, respectively. Deaths resulting from automobile accidents, in 1937-38, numbered 55, as compared with 64 in 1936-37.

### Health; Other Reports for 1937 and 1938

The Report of the Chief Medical Officer for the year ended Oct. 31, 1938, showed 5,433 deaths in the Province for the calendar year of 1937 of which 2,885 were males and 2,548 females. The figures for 1936 were 4,803, 2,568 and 2,235, respectively. Chief causes of death in 1937 were diseases of the heart, 638 and 665; cancer, 466 and 459; pneumonia, 424 and 398; tuberculosis, 388 and 357; and arterio sclerosis, 293 and 280. In 1937 diarrhoea and enteritis claimed the lives of 311 children under two years of age. There were 3,671 marriages in 1937 or 8.3 per 1,000 of population, as compared with 3,397 in 1936 or 7.8 per 1,000 of population. Births in 1937 totalled 10,580 and in 1936, 10,513.

Reports of the Workmen's Compensation Board for the calendar years, 1937 and 1938, showed the transition from a deficit of \$25,448 to a surplus of \$80,600. Increase in employment and, therefore, increased income under Class 2 of the Act was chiefly responsible for the change. Total estimated net surplus of the fund at the end of 1938 was \$276,817. Industrial accidents in 1937 totalled 11,521, as compared with 8,957 in 1936. Of these, fatalities totalled 22 and 25, respectively; total permanent disabilities, none and one; permanent partial disabilities, 332 and 338; and temporary total disabilities, 7,863 and 6,290. Those requiring medical aid only numbered 3,304 in 1937 and 2,303 in 1936. Compensation costs for 1937 totalled \$707,094, as compared with \$658,600 in 1936.

The first Session of the newly organized Fair Wage Board for New Brunswick was held on Aug. 13, 1937.

The Report of the Old Age Pensions Board for the fiscal year, 1938, recorded the first distribution of pensions for the blind under the Federal plan. The Federal Act was passed on Mar. 31, 1937, and came into force in New Brunswick on Sept. 1, 1937. At the end of the fiscal year, 1938, there were 402 blind pensioners and the amount paid out was \$75,217 of which the Dominion contributed 75 per cent. Amended regulations on old age pensions came into force on Jan. 8, 1938, clarifying the Act and enabling the Board to assist applicants who had had four years' residence in a foreign country during the 20-year period. At the close of the fiscal year, 1938, there were 11,348 pensioners, an increase of 599 over the preceding year. The average monthly pension was \$13.94 in 1937-38 and \$13.07 in 1936-37. The total net amount paid to pensioners in New Brunswick was

\$1,869,005 in 1937-38, as compared with \$1,701,194 in 1936-37. Of these amounts, the Province paid out \$470,605 and \$426,975, respectively.

New Brunswick's Liquor Control Board for the fiscal year, 1938, reported total sales of \$3,525,221, a decrease of \$10,217 from 1936-37. At the same time net profits in 1937-38 rose by \$49,045 to \$1,153,763. Beer sales for 1937-38 were \$1,007,279, as compared with \$1,082,595 in 1936-37. Sales of spirits accounted for \$2,151,067 and \$2,083,668, respectively.

The Report of the New Brunswick Fire Prevention Board for the calendar year, 1938, showed total property loss of \$836,102 from 1,017 fires, as compared with \$865,791 from 1,062 fires in 1937. Of the 1938 losses \$624,624 was covered by insurance, as compared with \$542,135 in 1937.

### **Public Utilities and the Power Commission, 1937 and 1938**

The Report of the Board of Commissioners of Public Utilities for the year ended Apr. 30, 1938 showed gross receipts from reporting public utilities of the Province for the calendar year 1936 as \$3,261,651. This compared with \$3,229,880 in the previous year. Expenditures of the Commission for the two years 1936-37 and 1937-38, respectively, were \$13,799 and \$12,736; and Receipts, \$10,138 and \$14,876.

The Motor Carrier Board reported that for the calendar year 1937 commercial motor vehicles carried 846,661 passengers and 3,139 tons of freight; and for the calendar year 1938, 943,310 passengers and 10,597½ tons of freight.

The New Brunswick Electric Power Commission for the year ended Oct. 31, 1938, showed a gross revenue of \$1,023,956 and a net surplus, after paying operating costs, interest sinking fund, and contribution to maintenance and renewal reserves, of \$5,950. This compared with a gross revenue of \$1,188,281 in 1937. The accumulated Deficit at Oct. 31, 1937 was \$558,839 and in October, 1938, \$552,889. The number of customers served directly by the Commission increased from 10,690 in 1936-37 to 11,810 in 1937-38. The number of indirect customers jumped from 18,012 to 18,962. Miles of distribution lines increased from 1,265 to 1,461. The construction programme for the year 1937-38 included major projects at the McDougalls-Scotch Settlement, Wheaton Settlement, Deer Island, Grand Falls to Saint Leonard, and New Denmark to Boiestown. The Saint Leonard distribution system was purchased by the Commission during 1937-38. Inspired by a report of Gordon Kribs, Toronto, consulting engineer to the Common Council of Saint John, a move was launched in April, 1937, for the City to take over the assets of the Power Commission for a sum not to exceed \$3,250,000. After discussion and controversy which lasted all Summer, the city turned down the proposal in September.

### **Union of Municipalities, 1937 and 1938**

The Thirty-First Annual Convention of the New Brunswick Union of Municipalities was held at Campbellton, Sept. 22-24, 1937. Frank A. Menzies, Warden of Northumberland County, was elected President and J. W. Howard, Campbellton Alderman, Vice-President. Among the resolutions passed during the three-day session were the following: that the Provincial Government should be asked to assume full cost and control of indigent tuberculosis patients and that a special tax should be earmarked for the purpose; that provision should be made by the Province to subsidize doctors in outlying parts, too thinly populated to maintain medical assistance; and that the Department of Lands should be urged to distribute literature designed to encourage tourist traffic early each



Winter. The County Council of the municipality of York sponsored another resolution protesting the withdrawal of salmon netting privileges to the farmers.

The 1938 Convention was held on Sept. 7, 8 and 9 in Hampton, N.B. J. W. Howard, Vice-President was elected President and Spurgeon Keith, Warden of Kings County, Vice-President. Among the Resolutions passed were the following: that the Department of Municipal Affairs be asked to simplify the procedure necessary for the issuing of municipal debentures and that the fee for certification of debentures be abolished; that hospital ambulances be exempt from gasoline tax; and that the Government be requested to build a new sanitarium for tuberculosis sufferers either in York, Carleton or Victoria county. Another blanket resolution provided that all resolutions carried in 1937 and not acted upon by the Government be reaffirmed. A resolution urging the sale of beer and wine in hotel dining-rooms inspired a vigorous debate and was finally defeated by an overwhelming vote.

## The Province of New Brunswick

(As at Dec. 31, 1938)

Lieutenant-Governor ..... Col., the Hon. Murray MacLaren, C.M.G.

### The Dysart Ministry\* (Liberal)

(As at Dec. 31, 1938)

Prime Minister ..... The Hon. A. A. Dysart, K.C., LL.B.  
 Minister of Education and of Federal and  
 Municipal Relations ..... The Hon. A. P. Paterson  
 Attorney-General ..... The Hon. J. B. McNair, K.C., B.C.L.,  
 (OXON.)  
 Provincial Secretary-Treasurer ..... The Hon. Clovis T. Richard, M.A., LL.B.  
 Minister of Lands and Mines ..... The Hon. F. W. Pirie  
 Minister of Health and Labour ..... The Hon. Pio H. LaPorte, M.D.  
 Minister of Agriculture ..... The Hon. A. C. Taylor  
 Minister of Public Works ..... The Hon. W. S. Anderson  
 Minister without Portfolio and President of  
 the Executive Council ..... The Hon. E. J. Henneberry

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Clerk of the Executive Council ..... J. B. Dickson, LL.B.  
 Deputy Attorney-General ..... J. B. Dickson, LL.B.  
 Deputy Provincial Secretary-Treasurer ..... W. Borden Trites  
 Deputy Minister of Lands and Mines ..... G. H. Prince, B.S.F., M.S.C.  
 Deputy Minister of Public Works ..... Arthur W. Barbour  
 Deputy Minister of Agriculture ..... J. K. King, B.S.A.  
 Superintendent of Education ..... A. Stirling McFarlane, M.D., LL.D.  
 Chief Medical Officer ..... William Warwick, M.D., C.M., D.P.H.

\*NOTE.—A General Election took place in New Brunswick on Nov. 20, 1939. For purposes of reference the new Cabinet (as at Jan. 12, 1940) was as follows:

### The Dysart Ministry (Liberal)

(As at Jan. 12, 1940)

Prime Minister ..... The Hon. A. A. Dysart, K.C., LL.B.  
 Attorney-General and Acting Minister of Health ..... The Hon. J. B. McNair, K.C., B.C.L.,  
 (OXON.)  
 Minister of Lands and Mines ..... The Hon. F. W. Pirie  
 Minister of Agriculture ..... The Hon. A. C. Taylor  
 Minister of Public Works ..... The Hon. W. S. Anderson  
 Minister of Education ..... The Hon. C. H. Blakeney  
 Provincial Secretary-Treasurer ..... The Hon. J. J. Hayes Doon  
 Chairman, New Brunswick Electric Power Com-  
 mission ..... The Hon. J. Andre Doucet  
 President of the Executive Council ..... The Hon. J. Gaspard Boucher

## THE PROVINCE OF PRINCE EDWARD ISLAND

### Provincial Affairs of 1937—1938

With its one-Party (Liberal) Legislature safely entrenched at Charlottetown, Canada's island Province pursued its course through 1937 and 1938 with scarcely a ripple to disturb the political surface. The two Sessions of the Legislature were short, and free from party disturbances. At the same time, this 30-man Legislative

Assembly was proving that the absence of an opposition does not necessarily mean destruction of the democratic principles of a Parliament. Members from the Government benches themselves indulged in frank and, at times, vigorous criticism of the Administration. This was done without organized or open revolt in party ranks. At least one Minister, during the two years, indulged in mild criticism of his Government colleagues, but it did not involve Cabinet policy. The Conservative Party, without representation in the Legislature, was able to muster one thousand delegates at a Convention on Oct. 6, 1937, when Dr. W. J. P. MacMillan, former Prime Minister, was re-elected Leader. The Rt. Hon. R. B. Bennett, Dominion Conservative Leader, addressed the Convention.

During the two-year period, the Provincial Prime Minister, the Hon. Thane Campbell, made several trips to various parts of Canada in the interests of the Province and, in the different centres, he had been invited to speak at several political and non-political functions. As representative of the Province in which Confederation was born, he dwelt repeatedly on the theme of Canadian unity. Speaking on behalf of his Government he declared that they were opposed to any move for a Maritime union, although he stressed the willingness of the Province to co-operate with Nova Scotia and New Brunswick in their common problems. On Nov. 6, 1938, the Prime Minister was the chief speaker at the opening of the Maritime Fair at Amherst, Nova Scotia. Here he made a strong plea for Canadian co-operation, deploring the evidences of sectionalism as indicated in speeches by the Prime Minister of Ontario (Mr. Mitchell Hepburn). On Sept. 29 of the same year, Mr. Campbell spoke at the Convention of the Canadian Chamber of Commerce at the Seignior Club, Quebec. He told Canadian business men that steps should be taken in Canada to forestall Communism and Fascism by infusing democracy with a greater efficiency. The existing trend on the part of governments towards paternalism, he believed, was unfortunate, and he urged that it should be curbed by a stimulation of individual initiative. (*The Telegraph-Journal*, Saint John, Sept. 30, 1938.)

If political waters were smooth during the years under review, the same could not be said for the economic problems which faced Prince Edward Island's Administration. Three of its main sources of income, agriculture, fox fur-farming, and fisheries, were all encountering their respective difficulties. Drought and other adverse conditions had curtailed production in farm revenue in 1937, to such an extent that repercussions were felt throughout the following year. Farmers entered 1938 with inadequate supplies of seed, and with little money to purchase necessities. As a result, the Government, in the Spring of 1938, found it necessary to arrange for seed-distribution on a credit basis, although

this did not entirely alleviate the situation. A favourable growing season in 1938 brought exceedingly satisfactory grain crops, with the one exception of wheat, and the end of the year saw the farmers' lot substantially improved. The Minister of Agriculture, the Hon. W. H. Dennis, directed efforts both in 1937 and 1938 to extending the field of agricultural production in the Province. He was persistent in advocating the growing of fruit crops on the Island. In a statement on May 17, 1937, he deplored the importation during the previous year of apples valued at \$22,337. Apples grown on the Island, he stated, were superior in quality to any that could be imported, and he believed, with supervision of exports, that there would be no difficulty in finding markets for any surplus.

Perhaps the most serious problem facing the Province in the years 1937 and 1938 was the plight of the fishermen. A combination of depressed prices, confined markets, and lack of modern equipment, had placed the fishing industry on an uneconomic footing. The Speech from the Throne at the opening of the 1937 Session of the Legislature noted that many fishermen had been unable to make a fair living. With the aid of Dominion grants, a fund had been established to assist the fishermen to procure equipment and necessary supplies. At the same time, the Dominion Government were embarking on an extensive programme to promote home and foreign markets for Maritime fish. The Provincial Government, in 1937, established fish buildings in many centres of the Island for the use of fishermen in storing and processing their catch. Despite all this, a low catch in the 1937 season made the problem of the fisherman and his upkeep even more pressing in the following year. The Annual Meeting of the Prince Edward Island Fishermen's Union, held at Charlottetown on Oct. 26, 1938, reflected an unsatisfactory picture in the industry, although speeches provided a keynote of optimism for the future. The organization was directing its efforts towards co-operative buying and selling, and reports justified the assertion of the President, James B. MacDonald, that the year had been one of progress. Criticism of the Fishermen's Loan Board was heard from speakers, who expressed the opinion that the loans really worked against fishermen, because they were encouraging others to flood the industry. (*The Charlottetown Guardian*, Oct. 26, 1938.)

Depression years had created difficulties for the fox-farming industry of the Island, difficulties which had been enhanced by the virtual loss of the once lucrative United States market. Recognition of this situation was given by the 1938 Session of the Legislature, when a Resolution was adopted unanimously "that the Legislative Assembly of Prince Edward Island petition the Government of Canada that, in the forthcoming trade negotiations with the United States of America, the reduction of the duty on silver fox skins entering the United States be considered, and the duty be lowered to the full limit of the power of the President of the United States of America." (*The Charlottetown Guardian*, Apr. 4, 1938.)

The preamble to this Resolution gave a very brief background to this picture of the silver fox marketing difficulties. At one time, both the United States and Canada had admitted raw skins free of duty, but a short time before, the United States Government had imposed a 50 per cent. duty on raw silver fox skins. This duty, the Resolution stated, had had the effect of prohibiting the sale of Canadian fox skins in the United States, with the result that Canadian producers were marketing skins through London agencies, thus cutting them off from the advantage of competitive prices. At the same time, the silver fox production in Europe had been increasing, with the result that European countries were virtually



meeting their full requirements. The situation, the Resolution stated, had made production of fox skins profitable in Canada only in the most favoured areas and under the most skilful management. It was pointed out that Prince Edward Island had invested more extensively in this industry than any other country, and that the breeding of foxes was the most important branch of its live-stock farming.

This was only one respect in which the Province of Prince Edward Island was deeply interested in the Dominion Government's negotiations with the United States. In seeking markets for its fish, furs, potatoes, and turnips, the Province was largely dependent upon the United States, and it was realized that any concession that the Dominion Government might give at Washington for these products would considerably improve the economic conditions.

### The 1937 Session of the Legislature

The Third Session of Prince Edward Island's Forty-Third Legislature, with its one-party composition, met on Mar. 22, 1937. The Speech from the Throne, delivered by the Hon. George DesBrisay DeBlois, Lieutenant-Governor, announced the completion of plans negotiated with the Dominion Government for the establishment of a National Park and it forecast enabling legislation at the Session. Attention was drawn to expenditures during the past year on public works with the assistance of the Dominion Government for the alleviation of unemployment. This money, it was noted, had been spent in every district in the Island and had included paving of the highway from Hunter River to Rustico as well as the sub-grading of a considerable mileage of trunk road. It was hoped that a certain portion of the trunk road, so prepared, might be hard-surfaced during the year. Attention was drawn to the general economic revival and improvement of marketing conditions. Confidence was expressed that trade treaty negotiations then being carried on with the United States, revision of the Empire Trade agreements and extension of trade relations with Japan, Germany and other countries might further extend markets for the Province's products. The Address-in-Reply was moved by Mr. E. P. Foley and seconded by Mr. Dougald McKinnon.

Speaking in the Debate on Mar. 23, the Prime Minister (Mr. Campbell) announced that Prince Edward Island within two months would end direct relief. "It is going to be a difficult thing to carry out", he admitted, "but I simply make the announcement in advance in order that it may be widely known that it will not be the policy of this Government to continue indefinitely the system of direct relief which has grown to such a colossal extent." (*The Telegraph Journal*, Saint John, Mar. 24, 1937). Closing the Debate the following day the Minister of Agriculture, the Hon. William Dennis, announced that the Government would continue to devote as much revenue as they consistently could to alleviate the destitute condition of farmers. More than 5,000 bushels of seed oats, he announced had been purchased and distributed during the Spring of 1936.

Public Accounts for the year ended Dec. 31, 1936, showed Ordinary Revenue for the year at \$1,705,493 and Expenditures at \$1,730,147 producing a Deficit of \$24,654. Public Debt charges, including Sinking Fund provision of \$146,188, totalled \$414,555. The Net Funded Debt at Dec. 31, 1936, was \$4,713,167, while unfunded obligations of \$724,100 brought the total liabilities of the Province to \$5,437,268, an increase of \$215,522 over

the previous year. Revenue from Succession duties for the year totalled \$42,810. Capital Expenditures for the year totalled \$2,406,886 including \$495,810 spent on unemployment relief.

The Provincial Treasurer (Mr. Campbell) brought down his Budget on Apr. 12. It showed an Estimated Deficit for the year ended Dec. 31, 1938, of \$63,288. The Estimated Ordinary Expenditures were \$1,863,000 and Estimated Ordinary Revenues, \$1,799,000. A Gasoline tax increase, the Provincial Treasurer estimated, would add \$67,000 to the Revenues and would provide a fund which would be spent on the highways of the Island. Increase in taxes on insurance companies would swell that Revenue by \$5,000 and another \$3,000 was expected from the Amusement tax.

Legislation during the Session included a new Gasoline Tax Act setting the rate at 10 cents a gallon. Farmers, fishermen and owners of stationary engines used in industry received full exemption on purchases for use in their occupations, a move which implemented Election promises. An Act for the Encouragement of Agriculture widened provisions for the establishment of agricultural societies and institutes under Provincial grants. Another Act established pensions for the blind in the Province under the system set up by Dominion legislation. An Act forecast in the Speech from the Throne, in connection with the new National Park, gave the Government wide powers.

The Session was prorogued by the Lieutenant-Governor on Apr. 16, 1937.

### **The 1938 Session of the Legislature**

The Speech from the Throne at the opening of the 1938 Session of the Legislature on Mar. 28 announced a survey already underway by the Department of Agriculture with a view to remedying the serious seed shortage in the Island—a result of the drought conditions of the previous year. The Government, the Speech stated, would continue their efforts to promote the live stock and dairy industries, as well as to explore the possibilities of extending the production of cranberries, strawberries, apples and other fruits. The visits to the Island of the Commission on Dominion-Provincial Relations was noted, and the hope was expressed that its studies would “facilitate the introduction of necessary constitutional and financial reforms affecting the relationships of the Dominion of Canada and the various Provinces.” The grading and maintenance of a larger portion of the highways was promised for the current year. Contracts, it was announced, had been let recently for a two-year paving programme, involving the hard surfacing of 100 miles of road. The requisite sinking fund for this plan was to be set aside from the Gasoline tax revenues. The improvement of highways, it was stated, had been a large factor in increasing the tourist traffic of the Island which “is showing a very rapid development” Provision for additional facilities at the Provincial Sanitarium was forecast in the Speech which noted that it had been necessary to make a substantial increase in the Provincial grant.

In the Debate on the Address-in-Reply to the Speech from the Throne on Mar. 31, 1938, the Prime Minister (Mr. Campbell) took the opportunity of defending the Government’s action in regard to the expropriation of land for the new National Park, work on which was then underway. Vigorous protests from residents of Bayview, Cavendish, Rustico and Tracadie districts had been presented to the Government in 1937, claiming that they had been dispossessed and asking an Amendment to allow

appeal to the Supreme Court. The Act, as it stood, was dubbed a "denial of the rights of British subjects of access to the courts." The Prime Minister contended that the Government were not using the arbitrary powers given by the legislation of 1937, that 69 out of 83 claims had already been settled and that there was no need to amend the legislation. (*The Charlottetown Guardian*, Mar. 31, 1938). In the same Debate the charge was made by the Hon. James P. McIntyre that Prince Edward Island was not getting its rights from the Dominion Government; that Provincial subsidies were inadequate for the needs of the Province.

Public Accounts of the Province for the year ended Dec. 31, 1937, showed a Deficit on Ordinary Account of \$120,173. Public Debt charges, including Sinking Fund provision of \$207,668, totalled \$490,906. The Net Funded Debt was lower at \$4,658,316. Liabilities of the Province had increased by \$351,798 to \$5,789,067.

The Budget for the year ending Dec. 31, 1938, was brought down by the Hon. Thane Campbell on Apr. 5, 1938. It estimated a Deficit on Ordinary Account of \$56,932. Revenues were set at \$1,886,701 and Expenditures at \$1,943,634. Estimated Capital Expenditure provided for \$742,000 plus a sum for fishermen's loans and other relief. The Prime Minister estimated an increase in Succession Duty collections of \$15,000 and in Income tax, due to the transfer of collections to the Dominion, of \$27,000.

The Budget Debate brought a grave warning from the Hon. W. H. Dennis, Minister of Agriculture, that the Province was nearing the limit of its borrowing power and that the increasing millstone of debt could not continue (*The Charlottetown Guardian*, Apr. 13, 1938). The Debate also produced an attack on the Government by two of its own supporters: Mr. W. F. A. Stewart and Mr. Wade Hughes. The two Members gave a comparison of the Liberal Election platform and the Liberal action in office. They declared that the Government were headed for bankruptcy (*The Charlottetown Guardian*, Apr. 8, 1938). Another Liberal Member, Mr. George Barbour, launched an attack on the management of Falconwood Hospital, declaring that there had been needless loss of \$20,000 (*The Charlottetown Guardian*, Apr. 14, 1938).

A Supplementary Estimate for the year ended Dec. 31, 1938, tabled on Apr. 12, 1938, was for a sum sufficient for the distribution of seed grain.

Among the 34 Bills passed during the Session was legislation re-enacting the Personal Property Tax Act of 1934. This had been necessitated by an agreement between the Dominion and Provincial Governments for Dominion collection of Income tax which meant that Income tax references in the 1934 legislation had to be deleted. A separate Income tax measure was passed providing for returns on Apr. 30 of each year to conform with the Dominion system and making other necessary changes. Another major measure passed during the Session was the Co-operative Associations Act providing for the operation of co-operatives in the Province under the supervision of the Minister of Agriculture. A Milk and Cream Producers Act authorized the appointment of a Board representing producers, distributors and consumers with power to settle all disputes between parties in the industry. The Board was also given power to fix prices for milk and cream and to prohibit delivery at any lower price. The Legislature was prorogued by the Lieutenant-Governor on Apr. 22, 1938.



## Government Departments, 1937—1938

The Report of the Department of Agriculture for the year ended Dec. 31, 1937, revealed the serious results of the drought which cut the production of all major crops. The oat harvest of 3,437,000 bus. was more than 1,000,000 bus. fewer than in the previous year. Potatoes dropped by nearly 2,000,000 bus. to 5,780,000 bus. despite the fact that the acreage was nearly 2,000 acres more than 1936. Turnips decreased both in acreage and yield with a total of 5,582,406 bus. The live stock population of the Island increased substantially during the early part of the year with imports from the drought areas of Western Canada as a factor. With the Island drought, however, stock were quickly disposed of at forced sales, in some sections 40 per cent. of the normal stock being depleted. The Report for the year 1938 presented a brighter picture. Oat production jumped back to 4,888,440 bus., potatoes to 6,403,000 bus. and turnips to 5,700,000 bus. Satisfactory improvement was reported in the live stock branch with special emphasis being laid on the new demand by farmers for quality stallions for breeding. A number of importations of Percheron, French Coach, Thoroughbred, Clydesdale and Standard Bred breeds were made. Under the Youth Training movement agricultural and other courses were given varying from two to eight weeks. Among the major courses were home economics with an attendance of 192; carpentry, 149; and a four-week course in agriculture with an attendance of 176.

The creamery butter output of the Province amounted to 2,131,808 lb. with a net value of \$492,329, as compared with 2,555,784 lb. valued at \$570,547 in 1938. There were 461,583 lb. of cheese manufactured in 1937 and 449,957 lb. in 1938; the net values being \$49,013 and \$47,592, respectively. A campaign for standardizing an "Island brand" of creamery butter was carried on by the Department with some success during 1938. It was noted that the attempt to place Prince Edward Island butter on the Maritime market at a reasonably competitive price was becoming a more difficult task.

The total value of pelts of fur-bearing animals for the 1936-37 season was \$2,182,723 and for 1937-38, \$1,704,046. These figures are based on returns made to the Dominion Bureau of Statistics by the traders. The Report of the Fox Fieldman, W. F. Burke, for the year 1937 drew attention to the declining prices for silver fox skins. It predicted a drop of 20 per cent. in prices for the 1937 crop; this would bring the level to about \$24 a skin, a situation which would narrow the margin between feeding and production costs and revenues to a point where very serious study would be necessary. Four fox shows were held in the Province in 1937—at Charlottetown, Montague, Alberton and Borden. Study groups were organized as a medium for the educational work which the Department was undertaking and a number of field days were held in both 1937 and 1938. In 1938, Mr. Burke reported on the grading work done on 201 herds, representing a fox population of 10,962. Of this number 3,498 had been presented for grading and 1,579 had conformed to standards.

The value of the Prince Edward Island fisheries' output in 1937 was \$870,299, a slight drop from the preceding year, according to figures compiled by the Dominion Bureau of Statistics. The lobster output accounted for \$538,792 or 62 per cent. of the total value. The 1938 output was valued at \$930,874 of which the lobster catch was \$606,134.

The number of fishermen employed during the year 1938 was 3,309, as compared with 3,310 in 1937. The declining prices between 1937 and 1938 were illustrated by the figures given for amount and value of catches at point of landing. In 1938 the total catch was 294,204 cwt., valued at \$649,074, as compared with a 1937 catch of 275,250 cwt., valued at \$713,632.

The Department of Public Works and Highways reported the following expenditures for the years 1937 and 1938, respectively: ordinary expenditure, \$334,938 and \$290,471; maintenance of public buildings, \$158,414 and \$158,654; capital expenditure, \$127,473 and \$936,696; and relief expenditure, \$399,718 and \$456,098.

Vital statistics contained in the Reports of the Department of Health for the two years, 1937 and 1938, showed the total number of deaths in 1938 as 945 (503 males and 442 females), as compared with 1,086 in 1937 (566 males and 520 females). In 1938, there were 152 infant deaths under one year and 27 deaths between the ages of one and five. In 1937 these figures were 137 and 22, respectively. Births in 1938 totalled 1,853, as compared with 1,985 in 1937. There were 590 marriages in 1938 and 584 in 1937. The Report of the Medical Superintendent of the Falconwood Hospital for 1938 showed 266 patients in residence at Dec. 31, 1938. There were 102 cases admitted, 65 discharged as cured, and 12 deaths during 1938. The 1937 Report showed 91 admissions, 42 discharges, 19 deaths, and 264 patients in residence at Dec. 31, 1937. The average number of inmates in the Provincial Infirmary during 1938 was 140 and 135 in 1937.

The Reports of the Chief Superintendent of Education for the years 1937 and 1938 showed the number of schools in operation in these years as 478. The total enrolment for the school year ended June 30, 1936-37, was 18,146; and 18,191 for 1937-38. The 1937 Report criticized the system of Government grants which provided the same salary for a beginner teacher as for one of years of experience. This, it was stated, was making the teaching profession in the Province simply a stepping-stone to other occupations. The average salary for a grade I male teacher in 1937 was \$719 and for a female teacher, \$600. Class II teachers, male, received \$491 and female, \$445. For Class III the salaries were \$400 and \$356, respectively.

The enrolment at St. Dunstan's University was 134 for the session of 1937-38, as compared with 122 in 1936-37. There were 9 degrees of B.A. conferred in 1936-37, and 8 in 1937-38. During the 1936-37 session Mr. George Gillespie, M.A., of Toronto was appointed as Professor of English and the Rev. A. O. Murphy, Professor of Greek. Other 1937 appointments included those of the Rev. J. P. E. O'Hanley, PH.D. (Angelico University, Rome) to the Department of Latin and the Rev. J. W. McCardle (Laval) to the Commercial Department. In June, 1938, Mr. Herbert Johnston, PH.D. (University of Toronto), was appointed Dean of the Department of English. At the same time the Rev. F. L. Cass (McGill University), was appointed to the Department of Chemistry.

Prince of Wales College and the Provincial Normal School had an enrolment of 440 in 1937 and 522 in 1938.

The operations of the Old Age Pensions Commission in 1937 resulted in a revenue of \$165,653 and an expenditure of \$230,244; in 1938, revenue received (Old Age Pensions and Blind Pensions) totalled \$182,625 and expenditure, \$255,289.

## The Province of Prince Edward Island

(As at Dec. 31, 1938)

Lieutenant-Governor\* ..... Col., the Hon. George D. DeBlois

### The Campbell Ministry† (Liberal)

(As at Dec. 31, 1938)

Premier, Provincial Secretary-Treasurer,  
 Attorney and Advocate General ..... The Hon. Thane A. Campbell, K.C., LL.D.  
 Minister of Public Works and Highways ..... The Hon. James P. McIntyre  
 Minister of Education and Public Health ..... The Hon. Mark R. MacGuigan, K.C.  
 President of the Executive Council ..... The Hon. Bradford W. LePage  
 Minister of Agriculture ..... The Hon. William H. Dennis  
 Minister without Portfolio ..... The Hon. Lucas R. Allen  
 Minister without Portfolio ..... The Hon. John A. Campbell  
 Minister without Portfolio ..... The Hon. Marin Gallant  
 Minister without Portfolio ..... The Hon. T. William L. Prowse

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Speaker, Legislative Assembly ..... The Hon. S. S. Hessian, K.C.

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Deputy Provincial Secretary-Treasurer ..... Lieut.-Col. P. S. Fielding, M.M.  
 Clerk of the Executive Council ..... Lieut.-Col. P. S. Fielding, M.M.  
 Superintendent of Insurance ..... Lieut.-Col. P. S. Fielding, M.M.  
 Clerk of the Legislature ..... C. St. Clair Trainor, K.C.  
 Law Clerk ..... J. Watson MacNaught  
 Supervisor of Taxation ..... Lieut.-Col. C. J. Stewart, M.C.  
 Registrar of Motor Vehicles ..... Cyriac Gallant  
 Provincial Auditor ..... W. E. Massey, C.A.  
 Legislative Librarian ..... Miss Jean Gill  
 Deputy Minister of Public Works and Highways ..... L. B. MacMillan  
 Provincial Health Officer ..... B. C. Keeping, M.D., D.P.H.  
 Superintendent of Education ..... Herbert H. Shaw, LL.D., B.Sc.  
 Chief Clerk, Department of Education ..... P. S. Bradley  
 Commissioner of Crown Lands ..... W. H. Kiggins

\*NOTE.—The Hon. Bradford W. LePage was appointed Lieutenant-Governor on Oct. 1, 1939.

†NOTE.—A General Election took place in Prince Edward Island on May 18, 1939. For purposes of reference the new Cabinet (as at Dec. 20, 1939) was as follows:

### The Campbell Ministry (Liberal)

(As at Dec. 20, 1939)

Prime Minister, President of the Executive  
 Council, Provincial Secretary-Treasurer,  
 Attorney and Advocate General ..... The Hon. Thane A. Campbell, K.C.  
 Minister of Public Works and Highways ..... The Hon. James P. McIntyre  
 Minister of Education and Public Health ..... The Hon. Mark R. MacGuigan, K.C.  
 Minister of Agriculture ..... The Hon. William H. Dennis  
 Minister without Portfolio ..... The Hon. John A. Campbell  
 Minister without Portfolio ..... The Hon. Marin Gallant  
 Minister without Portfolio ..... The Hon. Horace Wright  
 Minister without Portfolio ..... The Hon. Harry H. Cox  
 Minister without Portfolio ..... The Hon. Dougald MacKinnon



# STATISTICAL SURVEY, 1937 AND 1938,

OF

## ECONOMIC AND SOCIAL CONDITIONS

By

R. H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)

In *The Canadian Annual Review, 1935 and 1936*, the progress of economic conditions in Canada was reviewed from the "low" (registered in February, 1933) of the most severe depression in modern times to the attainment of a considerable measure of recovery at the end of 1936. The physical volume of business as calculated from month to month in the Dominion Bureau of Statistics, based on 46 leading factors, rose during that interval from an index of 67.0 (1926=100) to an index of 118.4, with only slight or temporary setbacks.

During the ensuing two years, which are covered in this volume, this general index, which is cited for its inclusive and representative character, continued at first to mount, and even to accelerate, reaching 127.9 in November of 1937. Thereafter, however, with industrial over-expansion and unsettled political conditions overshadowing the stock market, an abrupt reversal took place, and generally speaking the gains of 1937 were lost in 1938, in the closing month of which the business index had fallen to 115.6. A more detailed record of developments in each of these two years in turn is as follows:

### Year 1937

The year 1937, and particularly the first nine months, saw mounting barometers in most fields of economic activity. Miscellaneous manufactures typically showed a gain for the year of 8.5 p.c., to a level only slightly under that of 1929; producers' goods advanced 13 p.c. (in marked contrast to their downward tendency in the depression years), whilst consumers' goods were up by over 6 p.c. In raw materials, copper, nickel, gold, newsprint, and power production all registered new high records, oil and the other base metals following closely. Lumbering and construction operations showed gains. In the domain of trade, a constructive factor was the substantial increase in external trade, exports rising to within sight of 1929 levels and recording for Canada a marked increase over the world average. Retail sales, meanwhile, advanced by 7.7 p.c. Reflecting these and other gains, general employment was better throughout most of the year than at any previous time except for a few months in 1929, unemployment and payments on relief concurrently showing material declines. A feature of the year in banking circles was the consolidation of the new central banking system and a demonstration of its functioning under relatively active business conditions.

With the Summer and Autumn months, however, developments of a contrary tendency, which had been gathering strength in the financial and price fields, made themselves felt. As early as March a break in the stock market followed upon reaction in the United States; by the end of the year the index for common stocks had been forced down from 147.2

in March (a new high), to 103.7 in December, which was 24.5 p.c. lower than in the same month of 1936. Over-buying and other characteristics of a period of rapid industrial expansion, together with a stiffening in bond prices betokening a falling off in capital expenditures, were main factors. The portfolios of the banks amassed security holdings to a record level, but there was a recession in the turnover of deposits. Wholesale prices, likewise, which throughout the first half of the year had been considerably above those of 1936 (reflecting in part a decline in commodity stocks on international markets) turned downward in August, whereas the increase in raw material prices and their return to a more favourable parity with the prices of finished products was a particularly constructive feature of the earlier months of the year. Superimposed on these conditions a disastrous agricultural year in Western Canada due to drought brought the volume of field crops to the lowest point in post-war history, and though the earlier price advances raised farm prices to a level which compared favourably with other prices for the first time in eight years, the value of the crop was reduced to \$553.8 millions or \$58.5 millions below 1936, though still the second highest total since 1930. A buoyant trade in live stock offered some alleviation, but this was at the expense of depletion on farms. Public revenues held up well during the first nine months of the fiscal year, continuing strong until December. In general, the year closed on a note of uneasiness which contrasted with the optimism of the opening, and which was to work itself out still further during 1938.

## Year 1938

As just stated, the year 1938 saw an almost complete liquidation of the gains made in 1937. Chart I herewith will indicate at a glance the more important losses, as well as the exceptions to the downward tendency. The increase in capitalized bond yields, one of the few gains, it may be noted, prefigures a falling off in the replacement of equipment and in new capital issues.

Prominent among the depressing factors as the year advanced was the failure of agriculture to show any marked improvement over 1937, for although the yield of field crops was 37 p.c. greater, the further decline in farm prices netted \$27.4 million or 5 p.c. below the estimated value of the output of the preceding year, and overturned that favourable relationship with the general commodity price level the attainment of which had been one of the bright spots in 1936. Animal husbandry profited by low feed prices, but stocks on farms were lower and, as anticipated, there were decreased marketings of beef, cattle and hogs. Dairying, however, showed expansion though dominated by heavy stocks at the close of the year. Improved business for transportation agencies was, therefore, the main favourable feature of the increased farm yields of 1937. Nevertheless, total carloadings dropped by nearly 8 per cent. and there was a decline in the gross revenues of both the large railway companies.

In most of the industries there was a falling off. Over-stocking in the closing months of 1937 and business reaction in the U.S. brought down the output of newsprint by 28 p.c., and the value of newsprint exports by 17.3 p.c. The lumber industry was dull in Eastern Canada, though British Columbia shipments improved. The construction industry slumped 16.4 p.c. in value of contracts awarded, notwithstanding that over \$24 million were placed at loan under the Dominion Government's Home Improvement Plan. The mining industry, on the contrary, advanced to a new high

level of production and employment, though the decline in base metal prices netted a reduction in total value of output; gold and an almost three-fold increase in the output of petroleum were the most favourable factors, offsetting losses in the non-metallic group. Power production declined, but there were substantial installations of new generating, transmission and distribution facilities. General manufacturing came down from the high level of 1937, but improved after August, and from the viewpoint of employment was higher for the year as a whole than in 1936; the industries based on minerals were the leaders.

Lower agricultural yields were reflected in lowered Canadian exports. Trade with the United Kingdom, however, was all but equal to that of the preceding year, the gain in base metals largely offsetting the decline in farm products. Retail trade was well maintained, except in automotive and luxury merchandise.

In employment it was estimated that the number of wage earners employed during 1938 averaged 2,303 thousand as against 2,369 thousand in the preceding year, whilst the unemployed were estimated at 401 thousand compared with 337 thousand; the latter figure, however, was lower than in any other year but one (1937) since 1930. There was a lessening also in the number on relief at the end of the year.

Notwithstanding the above almost uniform record of losses, the outlook in the closing months of the year was for improvement. Wholesale prices, after yielding to bearish influences up to the Autumn, reacted later to an improved undertone in commodity markets. Prices of securities, though the net result of the year's operations disclosed no pronounced trend either upward or downward, were strong in December, being close to the maximum for the preceding 15 months; caution, however, was still induced by political uncertainty. The chartered banks increased their deposits with the Bank of Canada, which devoted most of its resources to the purchase of Dominion and Provincial Government bonds, nearly half of its holdings being converted from long-term into short-term securities. Public revenues were only slightly down, and with firmness in the bond market and low interest rates, revival was generally regarded as on the horizon for 1939.

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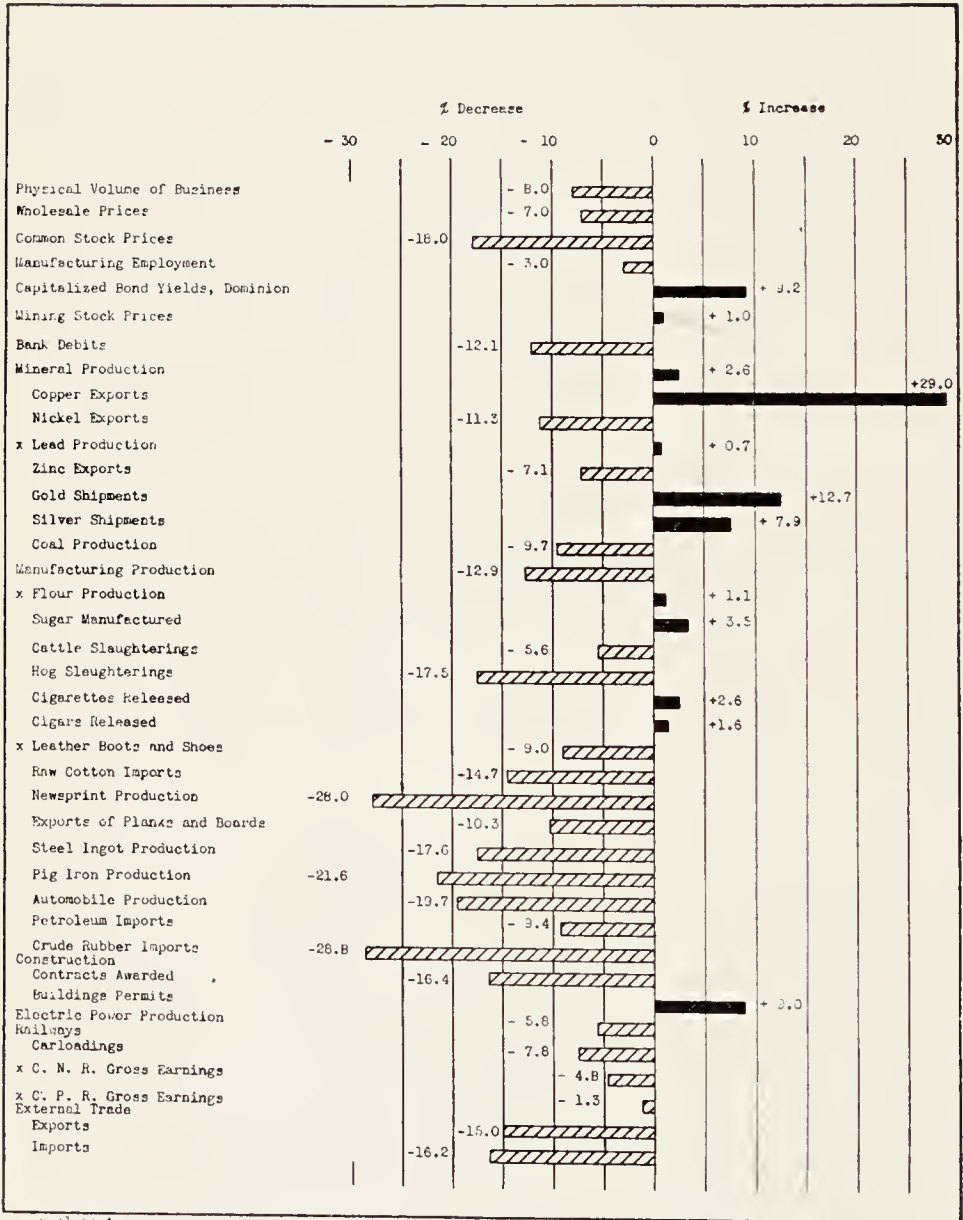
The statistics of which the above is a very brief description are as in previous editions of *The Canadian Annual Review* set out in two tables: Table I giving the more important annual figures of population, production, trade, labour, finance, etc., for 1938, with the corresponding figures for the preceding year in the adjacent column for comparison and estimation of trends; Table II showing, under the same headings, the more important variations recorded from month to month. By way of illustrating the tables in a summary way are three charts: one indicating the more important increases and decreases revealed in Table I, whilst a second traces over the preceding ten-year period the course of (a) the physical volume of business, (b) the price of common stocks, and (c) the credit situation as reflected in capitalized bond yields. A third illustrates the state of employment in 1929, 1933 and 1935-1938, setting out the comparative situation in each month of the period.



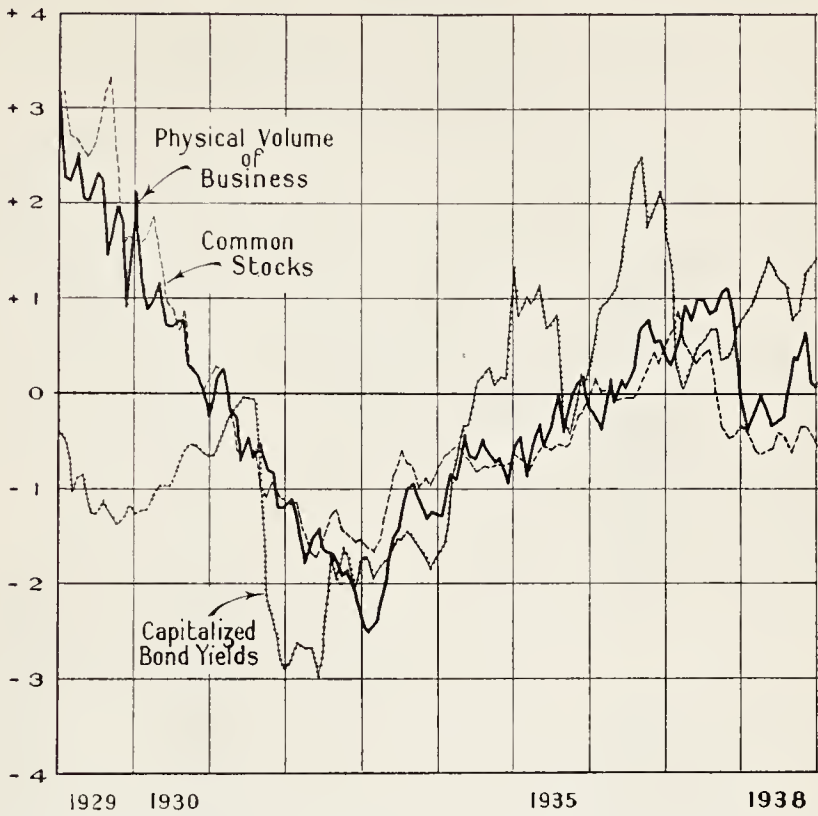
# The Economic Situation of Canada

Statistics For The Year 1938

As Compared With 1937

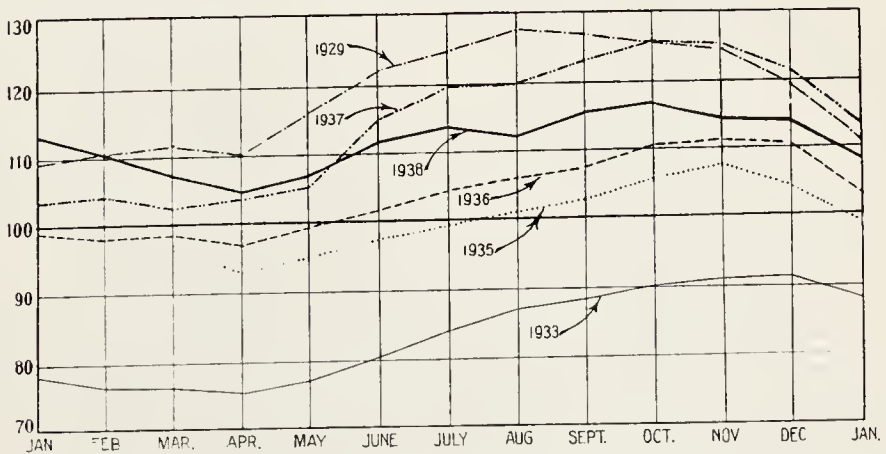


### Fundamental Economic Conditions in Canada, 1928-1938



NOTE.—The above chart illustrates the trend of (1) speculation (prices of common stocks), (2) the physical volume of business, and (3) the credit situation as reflected by the amount of investment in standard bonds necessary to secure a fixed income. The lines are expressed in multiples of a standard deviation from a common average, so that the degree of deviation from month to month is strictly comparable.

### Employment in Canada, 1929, 1933 and 1935-1938



NOTE.—The curve is based upon the number of employees at work on the first day of the month as indicated by Employers in Industries (other than Agriculture) reporting to the Dominion Bureau of Statistics (average employment during the calendar year 1926 as 100).

TABLE I.

**Statistical Summary of Economic and Social Conditions in  
Canada in 1938 as compared with the  
preceding year 1937**

ITEMS	1937	1938
<b>I. POPULATION:</b>	(000 omitted)	(000 omitted)
Immigration <sup>1</sup> .....	20	22
Emigration to U.S. <sup>2</sup> .....	15	11
Births <sup>3</sup> .....	220	229
Deaths <sup>3</sup> .....	114	107
Total Population (Estimated)..No.	11,120	11,209
<b>II. PRODUCTION:</b>		
<b>1. AGRICULTURE:</b>		
Wheat .....	180,210	350,010
\$	184,651	205,351
Oats .....	268,442	371,382
\$	114,093	89,600
Barley .....	83,124	102,242
\$	42,020	28,383
Total Field Crops .....	57,827	58,059
\$	556,222	550,069
Live Stock: on Farms .....	554,698	542,863
Live Stock Marketed <sup>4</sup> .....	140,989	136,846
Butter (creamery) .....	247,057	266,887
\$	64,217	66,081
Cheese (factory) .....	130,626	121,315
\$	17,965	16,597
Total Dairy Production .....	215,623	220,163
Total Agricultural Revenue .....	1,039,492	1,036,530 <sup>5</sup>
<b>2. FURS (12 months ended June 30)..\$</b>	17,526	13,196
<b>3. FISHERIES:</b>		
Salmon—cwt. caught .....	1,722	1,765
Lobster—cwt. caught .....	310	314
Cod—cwt. caught .....	1,524	1,702
Total Fisheries Products .....	38,976	40,492
<b>4. FORESTRY:</b>		
Forestry Operations .....	163,250	6
Sawmill Products (net) .....	46,727	39,265
Pulpmill Products (gross) .....	116,729	87,897

<sup>1</sup> Including returned Canadians.<sup>2</sup> Statistics of U.S. Bureau of Immigration.<sup>3</sup> Registration area, all Canada exclusive of Yukon and N.W. Territories; preliminary figures.<sup>4</sup> Cattle, sheep and swine.<sup>5</sup> Preliminary.<sup>6</sup> Not yet available.



STATISTICAL SUMMARY—Continued

ITEMS	1937	1938
II. PRODUCTION—Continued	(000 omitted)	(000 omitted)
5. MINERALS:		
METALS:		
Gold .....Oz.	4,096	4,725
Standard \$	84,676	97,677
Premium on gold produced .....\$	58,650	68,529
Silver .....Oz.	22,978	22,219
\$	10,313	9,660
Lead .....Lb.	411,999	418,928
\$	21,053	14,009
Zinc .....Lb.	370,337	381,506
\$	18,154	11,724
Nickel .....Lb.	224,905	210,573
\$	59,507	53,914
Copper .....Lb.	530,029	571,250
\$	68,917	56,554
NON-METALS:		
Coal .....Ton	15,836	14,295
\$	48,752	43,982
Natural Gas .....M. cu. ft.	32,381	33,445
Asbestos .....Ton	410	290
\$	14,506	12,890
Structural Materials and Clay Products .....\$	34,870	33,879
Total Mineral Production .....\$	457,359	441,823
6. MANUFACTURES:		
Vegetable Products .....\$	672,540	<sup>1</sup>
Animal Products .....\$	449,785	<sup>1</sup>
Textile Products .....\$	400,384	346,215
Wood and Paper Products .....\$	597,062	533,210
Iron and Its Products .....\$	624,820	548,916
Non-Ferrous Metal Products .....\$	482,440	434,700
Non-metallic Mineral Products...\$	208,205	197,450
Chemicals and Chemical Products..\$	148,973	145,808
Miscellaneous Industries .....\$	41,251	40,636
Total Manufactures .....\$	3,625,459	<sup>1</sup>
Total Employees .....No.	660	<sup>1</sup>
Total Salaries and Wages .....\$	721,727	<sup>1</sup>
CENTRAL ELECTRIC STATIONS:		
Revenue .....\$	143,547	144,332
Total Employees .....No.	17	18
Total Salaries and Wages .....\$	25,624	27,149

<sup>1</sup>Not yet available.

## STATISTICAL SUMMARY—Continued

ITEMS	1937	1938
<b>II. PRODUCTION—Continued</b>		
	(000 omitted)	(000 omitted)
<b>6. MANUFACTURES—Continued</b>		
<i>Significant Items:</i>		
Central Electric Stations '000 K.W.H.	27,688	26,154
Pig Iron (production).....Long Ton	899	705
Steel Ingots and Castings (production) .....Long Ton	1,403	1,155
Flour (production) .....Bbl.	14,208	13,353
Newsprint (production) .....Ton	3,674	2,669
Sugar (raw, imports) .....Lb.	9,222	9,575
Rubber (crude, imports) .....Lb.	81,009	57,576
Petroleum (crude, imports).....Gal.	1,362,082	1,228,628
Cotton (raw, imports) .....Lb.	158,192	134,760
<b>7. CONSTRUCTION:</b>		
Building Permits .....	\$ 55,635	60,856
Contracts Awarded .....	\$ 224,057	187,278
<b>III. EXTERNAL TRADE:<sup>1</sup></b>		
	1936-37	1937-38
<b>1. EXPORTS:</b>		
	(000 omitted)	(000 omitted)
Total—Domestic .....	\$ 1,061,182	1,070,229
—Foreign .....	\$ 13,062	14,592
<i>(a) Component Material</i>		
<i>Classification (domestic only):</i>		
Vegetable Products .....	\$ 346,451	235,324
Animal Products .....	\$ 133,941	136,113
Textiles .....	\$ 12,830	14,225
Wood and Paper .....	\$ 223,918	253,435
Iron and Its Products .....	\$ 53,173	69,744
Non-Ferrous Metal Products .....	\$ 230,152	292,452
Non-Metallic Minerals .....	\$ 26,081	29,343
Chemicals .....	\$ 19,238	20,926
All Other .....	\$ 15,398	18,665
<i>(b) Purpose Classification:</i>		
Food .....	\$ 370,559	276,411
Clothing .....	\$ 11,168	14,312
Industrial Equipment .....	\$ 7,918	10,585
<i>(c) Degree of Manufacture:</i>		
Raw Materials .....	\$ 380,526	284,727
Partly Manufactured .....	\$ 296,421	355,167
Fully or Chiefly Manufactured....	\$ 384,234	430,334
<b>2. IMPORTS:</b>		
Total Merchandise .....	\$ 671,875	799,070
<i>(a) Component Material</i>		
<i>Classification:</i>		
Vegetable Products .....	\$ 131,400	146,335
Animal Products .....	\$ 27,863	30,400
Textiles .....	\$ 104,811	108,932
Wood and Paper .....	\$ 28,928	34,221
Iron and Its Products .....	\$ 150,239	209,237

<sup>1</sup> Fiscal years ended Mar. 31.

STATISTICAL SUMMARY—Continued

ITEMS	1936-37	1937-38
III. EXTERNAL TRADE— <i>Continued</i>	(000 omitted)	(000 omitted)
2. IMPORTS— <i>Continued</i>		
Non-Ferrous Metal Products.....\$	37,038	47,064
Non-Metallic Minerals ....., \$	116,948	136,662
Chemicals ....., \$	33,105	36,890
All Other ....., \$	41,542	49,328
(b) <i>Purpose Classification:</i>		
Food ....., \$	82,512	89,266
Clothing ....., \$	12,646	15,166
Industrial Equipment ....., \$	38,023	56,590
(c) <i>Degree of Manufacture:</i>		
Raw Materials ....., \$	195,133	222,474
Partly Manufactured ....., \$	65,708	73,437
Fully or Chiefly Manufactured...\$	411,034	503,159
IV. INTERNAL TRADE:		
1. TOTAL WHEAT RECEIPTS AT Fort William and Port Arthur (crop years).....Bu.	1937	1938
	124,144	85,273
2. INSPECTED SLAUGHTERINGS:		
Cattle and Calves ....., Head	1,626	1,536
Swine ....., Head	3,802	3,137
Sheep ....., Head	822	802
3. COLD STORAGE HOLDINGS AS OF JAN. 1ST:		
Butter ....., Lb.	35,999	27,907
4. LOADED AT STATIONS IN CANADA:		
Agricultural or Vegetable Products ....., Ton	10,562	13,679
Animal Products ....., Ton	1,464	1,126
Mine Products ....., Ton	23,314	21,459
Forest Products ....., Ton	8,629	7,777
Manufactures ....., Ton	15,434	12,789
Total ....., Ton	59,404	56,829
V. PRICES:		
1. WHOLESALE PRICES INDEXES: (1926 = 100)	Index No. (1926 = 100)	Index No. (1926 = 100)
(a) <i>Component Material         Classification:</i>		
Vegetable Products .....,	88.4	73.8
Animal Products .....,	78.4	76.7
Textiles .....,	72.8	67.5
Wood and Paper .....,	76.7	77.5
Iron and its Products .....,	101.8	100.4
Non-Ferrous Metal Products.....	83.8	70.9
Non-Metallic Minerals .....,	86.6	86.7
Chemicals .....,	81.4	79.9
General Index .....,	84.6	78.6
(b) <i>Purpose Classification:</i>		
Food, Beverages and Tobacco .....	81.2	77.1
Clothing .....,	78.2	65.3
Producers' Equipment .....,	93.8	95.1



## STATISTICAL SUMMARY—Continued

ITEMS	1937	1938
V. PRICES—Continued	Index No. (1926 = 100)	Index No. (1926 = 100)
(c) Classified by Degree of Manufacture:		
Raw Materials .....	84.3	72.7
Manufactured Articles .....	80.5	78.2
2. RETAIL PRICES AND COST OF LIVING...	83.1	84.1
3. SECURITY PRICES:		
Common Stocks, Index Number (General) .....	127.0	104.1
VI. TRANSPORTATION AND COMMUNICATION:	(000 omitted)	(000 omitted)
1. RAILWAYS:		
Gross Revenues .....	\$ 355,103	\$ 336,833
Operating Expenses .....	\$ 300,652	\$ 295,706
Revenue Freight, 1,000,000 Ton Miles	27	27
Passengers Carried .....	No. 22,039	20,911
2. ELECTRIC RAILWAYS:		
Gross Revenues .....	\$ 42,991	\$ 42,538
Operating Expenses .....	\$ 29,546	\$ 29,683
Passengers Carried .....	No. 631,895	629,779
3. MOTOR VEHICLES:		
Registrations .....	No. 1,320	1,395
4. CANALS:		
Freight .....	Ton 23,351	24,637
5. SHIPPING: <sup>1</sup>		
Reg. Net Tonnage Entered.....	92,683	90,075
Reg. Net Tonnage Cleared.....	93,325	90,026
6. TELEGRAPHS:		
Land Messages sent .....	No. 11,644	11,220
Revenues (Total) .....	\$ 11,410	\$ 10,611
7. TELEPHONES .....	No. 1,323	1,359
8. POST OFFICE REVENUE <sup>1</sup> (Net) .....	\$ 34,274	\$ 35,546
Money Orders Issued <sup>1</sup> .....	\$ 131,257	\$ 142,150
VII. LABOUR:	Index No. (1926 = 100)	Index No. (1926 = 100)
1. EMPLOYMENT INDEXES:		
General Index .....	114.1	111.8
Manufacturing .....	114.4	111.0
Logging .....	189.3	142.8
Mining .....	153.2	155.9
Transportation .....	85.2	84.4
Construction and Maintenance ...	99.5	105.4
Trade .....	132.1	132.6
2. UNEMPLOYMENT IN TRADE UNIONS..p.c.	10.7	13.1
3. EMPLOYMENT SERVICE STATISTICS:		
Applications .....	No. 712,223	782,664
Vacancies .....	No. 418,388	401,241
Placements—Regular .....	No. 275,300	256,134
Placements—Casual <sup>2</sup> .....	No. 114,236	126,161

<sup>1</sup> Year ended Mar. 31.<sup>2</sup> Assignments for less than one week.

STATISTICAL SUMMARY—Continued

ITEMS	1937	1938
VII. LABOUR— <i>Continued</i>	Index No.	Index No.
4. WAGES INDEXES: (1913=100)		
General Index (weighted average) ..	191.7	197.4
Building Trades .....	165.3	169.4
Metal Trades .....	187.4	189.3
Printing Trades .....	187.8	190.7
Steam Railways .....	196.1	204.3
Electric Railways .....	190.5	193.7
Coal Mining .....	166.8	174.4
Logging and Sawmilling .....	188.1	197.2
Common Factory Labour .....	195.5	199.7
Miscellaneous .....	203.7	210.3
5. STRIKES AND LOCKOUTS:		
Disputes in Existence .....No.	278	147
Employees Affected .....No.	71,905	20,395
Time Lost in Working Days.....No.	886,393	148,678
VIII. FINANCE:		
	(000 omitted)	(000 omitted)
1. DOMINION: (Year ending March 31)		
Ordinary Revenue .....	445,029	510,297
Total Revenue .....	454,154	516,693
Ordinary Expenditure .....	387,112	414,891
Total Disbursements .....	532,005	534,408
Gross Debt .....	3,542,521	3,540,238
Active Assets .....	458,569	438,570
Net Debt .....	3,083,952	3,101,667
2. PROVINCIAL:		
Ordinary Revenue .....	268,498	266,578
Ordinary Expenditure .....	253,444	252,151
3. CURRENCY: (12 month averages)		
Dominion or Bank of Canada		
Notes in Circulation .....	251,400	261,000
Metallic Reserve (Dec.) .....	182,756	185,912
Bank Notes in Circulation .....	199,100	203,700
4. CHARTERED BANKS (Monthly Averages):		
Assets .....	3,317,087	3,348,708
Liabilities (excluding Capital and Reserve) .....	3,025,722	3,056,685
Demand Deposits .....	691,300	690,500
Notice Deposits .....	1,573,700	1,630,500
Current Loans in Canada (other than Public) .....	731,660	786,145
5. FIRE INSURANCE:		
Amount at Risk, Dec. 31 .....	10,749,545	11,168,280
Premium Income for Year .....	46,141	47,750
6. LIFE INSURANCE: (Dominion Registration)		
Amount at Risk, Dec. 31 .....	6,541,625	6,630,184
Premium Income for Year .....	199,095	198,628

## STATISTICAL SUMMARY—Continued

ITEMS	1937	1938
IX. GENERAL BUSINESS:	(000 omitted)	(000 omitted)
1. BANK CLEARINGS .....	\$ 18,850,384	17,263,574
2. BANK DEBITS .....	\$ 35,166,061	30,924,363
3. BANKRUPTCIES (Dun) .....	No. .952	1,049
Liabilities (Dun) .....	\$ 7,426	11,036
4. NET SALES OF LIFE INSURANCE (18 Companies) .....	385,960	375,507
5. STOCK EXCHANGE TRANSACTIONS: INDUSTRIALS AND MINES		
Montreal .....	No. of shares 60,411	32,232
Toronto .....	No. of shares 276,529	212,187

TABLE II.

Statistics Illustrating the Social and Economic Trend,  
in Canada during 1937 and 1938

## 1. POPULATION

Month	Immigration	Emigration to United States	Returned Canadians from the United States	Live Births	Deaths
1937	No.	No.	No.	No.	No.
Jan. ....	615	767	310	17,401	10,533
Feb. ....	617	705	228	16,595	10,751
Mar. ....	890	802	362	19,228	10,963
Apr. ....	1,482	1,015	464	19,162	9,832
May. ....	1,617	1,038	559	20,202	9,599
June. ....	1,606	1,214	695	19,450	8,506
July. ....	1,357	1,256	502	19,344	8,226
Aug. ....	1,575	1,616	441	18,855	8,858
Sept. ....	1,635	1,785	454	18,784	9,246
Oct. ....	1,652	1,755	407	17,814	9,198
Nov. ....	1,110	1,434	357	16,330	8,716
Dec. ....	945	1,147	388	17,070	9,396
Total	15,101	14,534	5,167	220,235	113,824
1938					
Jan. ....	686	935	276	18,230	10,284
Feb. ....	758	692	292	17,442	8,838
Mar. ....	1,222	812	374	20,451	9,739
Apr. ....	2,010	876	493	19,942	9,199
May. ....	1,637	866	596	20,024	9,355
June. ....	1,822	896	517	19,413	8,311
July. ....	1,720	936	389	20,472	8,149
Aug. ....	1,504	1,101	435	19,505	8,022
Sept. ....	2,011	1,222	325	19,534	8,303
Oct. ....	1,847	1,071	388	18,653	8,599
Nov. ....	1,082	903	281	17,599	8,612
Dec. ....	945	710	293	18,181	9,406
Total	17,244	11,020	4,659	229,446	106,817



2. PRODUCTIVE ACTIVITY

Month	Production of Pig Iron	Production of Steel Ingots and Castings	Production of Coal	Contracts Awarded	Building Permits
<b>1937</b>					
	Long Tons	Long Tons	Short Tons	\$(000)	\$(000)
Jan.....	66,400	115,237	1,499,326	6,622	1,722
Feb.....	61,995	111,823	1,286,374	8,729	2,139
Mar.....	70,986	125,104	1,110,599	16,058	6,667
Apr.....	68,138	121,426	989,653	24,427	6,107
May.....	78,147	120,843	1,078,603	24,171	5,416
June.....	78,278	118,744	1,073,670	30,370	6,006
July.....	79,736	122,968	1,145,334	21,485	5,529
Aug.....	74,578	126,695	1,241,948	24,831	4,263
Sept.....	76,180	114,622	1,421,383	21,715	5,112
Oct.....	80,922	114,527	1,712,369	20,170	4,402
Nov.....	81,463	110,688	1,669,747	14,716	4,925
Dec.....	82,032	100,205	1,606,948	10,764	3,557
<b>Total</b>	<b>898,855</b>	<b>1,402,882</b>	<b>15,835,954</b>	<b>224,058</b>	<b>55,845</b>
<b>1938</b>					
Jan.....	74,862	112,380	1,470,964	9,140	1,859
Feb.....	61,447	98,980	1,409,036	6,552	2,364
Mar.....	66,228	118,676	1,222,621	10,418	3,562
Apr.....	65,644	116,445	873,193	15,028	4,891
May.....	71,602	114,859	1,020,609	18,590	6,599
June.....	64,375	109,401	934,750	20,928	6,577
July.....	51,238	83,927	825,940	21,158	6,115
Aug.....	49,477	82,781	1,012,901	22,113	5,830
Sept.....	49,972	73,556	1,117,269	19,535	5,286
Oct.....	50,657	76,256	1,503,608	18,111	9,549
Nov.....	46,216	90,120	1,552,841	15,182	4,702
Dec.....	53,709	77,809	1,350,986	10,523	3,483
<b>Total</b>	<b>705,427</b>	<b>1,155,190</b>	<b>14,294,718</b>	<b>187,278</b>	<b>60,817</b>

3. SALIENT STATISTICS OF SIX IMPORTANT INDUSTRIES

Month	Flour Production	Sugar Manufactured <sup>1</sup>	Raw Cotton Imports	Newsprint Production	Crude Petroleum Imports	Crude Rubber Imports
<b>1937</b>						
	(000 Bbl.)	(000 Lb.)	(000 Lb.)	Ton	(000 Gal.)	(000 Lb.)
Jan.....	1,009	21,952	15,189	289,634	54,640	3,656
Feb.....	1,000	20,934	12,119	276,419	52,419	2,846
Mar.....	1,098	30,234	15,463	302,268	50,483	5,852
Apr.....	1,052	49,056	8,629	296,624	56,308	3,009
May.....	900	87,559	15,329	310,650	132,745	9,379
June.....	1,001	65,774	13,342	312,165	156,155	8,489
July.....	1,087	67,279	12,324	316,194	164,723	4,359
Aug.....	1,043	92,364	5,197	319,876	157,778	7,853
Sept.....	1,438	91,123	4,582	312,220	153,314	5,368
Oct.....	1,489	107,860	19,113	315,477	158,840	13,437
Nov.....	1,449	158,865	23,182	302,878	159,616	10,723
Dec.....	1,011	141,431	13,723	293,395	57,060	5,867
13th 4-week period		62,258				
<b>Total</b>	<b>13,577</b>	<b>996,689</b>	<b>158,192</b>	<b>3,647,800</b>	<b>1,354,080</b>	<b>80,836</b>
<b>1938</b>						
Jan.....	921	19,963	11,933	222,500	47,307	4,008
Feb.....	849	19,952	10,881	202,601	40,286	1,377
Mar.....	999	26,039	13,125	224,604	61,048	4,756
Apr.....	794	28,009	6,760	200,794	51,523	2,239
May.....	978	95,504	11,860	207,678	133,035	5,701
June.....	969	94,408	9,546	201,694	137,602	7,264
July.....	929	86,266	7,588	202,546	142,330	6,016
Aug.....	1,103	100,705	8,265	220,303	132,190	4,105
Sept.....	1,639	96,271	6,101	231,940	184,260	3,147
Oct.....	1,907	96,563	17,639	254,872	127,375	7,032
Nov.....	1,606	158,495	21,327	245,295	128,446	6,995
Dec.....	1,052	144,018	9,834	209,753	40,938	4,924
13th 4-week period		65,644				
<b>Total</b>	<b>13,746</b>	<b>1,031,837</b>	<b>134,861</b>	<b>2,624,580</b>	<b>1,226,340</b>	<b>57,563</b>

<sup>1</sup> Sugar statistics are given in thirteen periods of four weeks each.

## 4. TRADE STATISTICS

Month	Imports	Exports (Domestic) (excluding gold)	Cold Storage Stocks at first of month mentioned		Wheat Receipts Ft. William & Pt. Arthur (000 Bu.)
			Eggs <sup>1</sup> (000 Doz.)	Butter (000 Lb.)	
1937	\$(000)	\$(000)			
Jan. ....	51,883	77,837	4,705	35,999	848
Feb. ....	48,681	64,917	4,598	29,113	784
Mar. ....	70,990	84,403	3,750	18,940	2,553
Apr. ....	56,886	59,884	3,257	9,251	9,753
May. ....	76,707	91,249	6,967	5,861	11,488
June. ....	75,669	95,406	12,660	9,270	4,032
July. ....	71,996	91,805	16,265	26,829	6,502
Aug. ....	69,966	91,083	16,305	41,026	6,593
Sept. ....	70,240	83,570	16,010	49,505	28,070
Oct. ....	82,113	94,192	14,267	54,551	16,058
Nov. ....	80,640	101,879	10,130	48,122	10,385
Dec. ....	53,125	75,897	6,805	38,231	1,392
Total	808,896	1,012,122	....	....	98,458
1938					
Jan. ....	49,720	71,512	4,742	27,907	1,084
Feb. ....	46,951	60,444	3,778	18,481	1,175
Mar. ....	65,056	74,222	2,861	10,264	1,856
Apr. ....	48,895	51,513	3,093	4,478	5,126
May. ....	67,123	67,921	6,874	4,553	6,699
June. ....	58,947	66,833	10,660	13,070	2,047
July. ....	55,822	67,269	12,734	33,010	4,788
Aug. ....	57,026	69,913	13,562	50,567	15,260
Sept. ....	56,412	73,109	13,740	61,543	41,524
Oct. ....	63,909	89,254	12,172	65,091	50,130
Nov. ....	63,304	86,831	8,836	62,969	21,513
Dec. ....	44,286	69,863	5,817	53,524	9,083
Total	677,451	848,684	....	....	160,284

<sup>1</sup> Includes frozen eggs converted at rate of 35 lb.=30 doz. case.

## 5. TRANSPORTATION

Month	Railways				Canal Traffic (Ton)
	Gross Operating Revenues	Net Operating Revenues	Car Loadings	Freight Carried One Mile (Rev enue Freight)	
1937	\$(000)	\$(000)	Cars	(000)	
Jan. ....	25,141	2,251	192,464	2,053,316	.....
Feb. ....	24,710	2,511	186,213	1,936,166	.....
Mar. ....	28,691	4,342	214,374	2,209,095	.....
Apr. ....	29,458	4,979	207,613	2,361,607	1,147,158
May. ....	29,257	4,058	208,820	2,104,363	3,244,528
June. ....	28,253	2,604	214,229	1,832,237	3,265,438
July. ....	29,405	3,024	219,289	1,919,276	3,231,128
Aug. ....	29,211	2,272	231,038	2,072,500	3,264,364
Sept. ....	32,882	6,336	262,028	2,739,043	3,199,830
Oct. ....	34,780	8,718	259,984	2,882,753	3,413,938
Nov. ....	30,585	6,526	235,109	2,543,902	2,456,243
Dec. ....	28,969	5,455	204,210	2,218,009	128,373
Total	351,342	53,076	2,635,371	26,872,268	23,351,000
1938					
Jan. ....	24,362	151	187,332	2,022,901	.....
Feb. ....	23,316	—126	180,148	1,760,659	.....
Mar. ....	25,925	760	200,260	1,998,472	.....
Apr. ....	25,192	1,080	185,853	1,840,701	1,198,895
May. ....	25,445	1,259	190,601	1,798,332	3,513,822
June. ....	24,577	762	187,969	1,525,279	2,944,264
July. ....	25,773	1,258	182,456	1,689,248	3,047,329
Aug. ....	28,439	2,336	213,228	2,062,546	3,191,758
Sept. ....	34,504	7,585	249,401	3,389,407	3,503,486
Oct. ....	37,609	11,928	256,846	3,924,477	3,889,192
Nov. ....	30,431	7,769	219,750	2,667,637	3,114,612
Dec. ....	27,521	4,888	178,941	2,099,924	233,104
Total	333,094	39,650	2,432,785	26,779,583	24,636,462

6. PRICES

Month	General Wholesale Prices	Producers' Goods	Consumers' Goods	Materials Raw	Manufactured Goods	Family Budget (Weekly)
1937	1926=100	1926=100	1926=100	1926=100	1926=100	\$
Jan. ....	81.9	83.5	78.0	82.5	78.5	17.04
Feb. ....	82.9	84.7	78.6	83.8	78.7	17.12
Mar. ....	85.4	88.7	78.3	86.8	79.6	17.13
Apr. ....	86.2	89.2	79.1	87.6	80.6	17.18
May. ....	85.5	87.3	79.2	85.8	80.1	17.28
June. ....	84.6	85.8	79.5	83.2	80.3	17.20
July. ....	87.6	90.3	81.2	88.3	82.3	17.24
Aug. ....	85.6	86.8	80.6	83.6	81.9	17.48
Sept. ....	85.0	85.9	80.3	83.7	81.3	17.41
Oct. ....	84.7	84.8	80.6	83.5	81.4	17.51
Nov. ....	83.1	82.4	79.7	81.1	80.7	17.56
Dec. ....	82.7	82.6	79.1	80.8	80.3	17.58
Average	84.6	86.1	79.5	84.3	80.5	17.31
1938						
Jan. ....	83.8	84.5	78.8	81.9	81.5	17.48
Feb. ....	83.6	83.7	79.0	81.1	81.9	17.39
Mar. ....	83.1	82.5	79.1	79.6	82.0	17.48
Apr. ....	82.3	81.8	78.5	79.0	81.3	17.50
May. ....	80.3	78.9	77.7	75.8	79.3	17.36
June. ....	80.1	78.6	77.4	75.4	79.2	17.43
July. ....	78.6	75.8	77.7	72.5	78.4	17.45
Aug. ....	76.0	71.7	76.3	67.5	76.8	17.70
Sept. ....	74.5	68.7	76.0	65.5	75.6	17.41
Oct. ....	74.1	68.3	75.2	65.1	74.7	17.35
Nov. ....	73.5	67.9	74.8	64.6	73.9	17.29
Dec. ....	73.3	68.2	74.6	64.9	73.6	17.25
Average	78.6	75.8	77.2	72.7	78.2	17.42

7. LABOUR

Month	Index of Employment	Unemployment in Trade Unions	Employment Office Statistics		Strikes and Lockouts	
			Vacancies	Regular Placements	Disputes in Existence	Time Loss in Working Days
1937						
Jan. ....	103.8	14.5	30,685	21,828	17	64,850
Feb. ....	104.1	13.7	24,840	15,159	18	17,347
Mar. ....	102.8	12.9	25,126	15,284	21	34,345
Apr. ....	103.0	11.1	30,168	18,244	37	124,039
May. ....	106.3	9.5	36,016	22,927	46	53,818
June. ....	114.3	10.4	36,411	24,484	41	60,322
July. ....	119.1	8.9	39,532	28,072	41	67,587
Aug. ....	120.0	7.6	41,896	28,676	43	296,676
Sept. ....	123.2	7.7	41,540	27,490	32	41,288
Oct. ....	125.7	8.9	40,347	26,673	32	50,616
Nov. ....	125.2	11.2	37,348	26,187	27	42,007
Dec. ....	121.6	13.0	34,479	20,276	17	33,498
1938						
Jan. ....	113.4	12.4	29,253	20,087	23	29,287
Feb. ....	110.4	13.7	23,767	15,257	9	3,575
Mar. ....	107.8	12.8	24,243	14,769	14	9,391
Apr. ....	105.0	13.1	25,072	15,036	14	16,449
May. ....	107.4	13.2	29,033	17,220	15	12,589
June. ....	111.9	13.5	33,485	19,951	22	12,672
July. ....	113.5	14.0	33,246	20,485	16	9,768
Aug. ....	112.1	11.6	44,028	29,181	22	12,745
Sept. ....	115.1	10.4	39,279	24,242	15	16,268
Oct. ....	116.7	12.3	36,970	22,922	32	17,295
Nov. ....	114.6	13.7	43,859	31,853	9	6,409
Dec. ....	114.0	16.2	39,006	25,131	8	2,230



## 8. GENERAL BUSINESS

Month	Bank-ruptcies	Defaulted Liabilities	Sales of Life Insurance	Bank Clearings	Bank Debits
1937					
	No.	\$(000)	\$(000)	\$(000,000)	\$(000,000)
Jan.....	93	644	27,492	1,626	3,227
Feb.....	94	550	30,402	1,352	2,732
Mar.....	109	613	31,741	1,631	3,190
Apr.....	87	438	32,577	1,720	3,376
May.....	80	351	31,559	1,597	2,769
June.....	76	581	37,316	1,548	2,892
July.....	56	516	32,043	1,510	2,721
Aug.....	67	687	27,891	1,421	2,613
Sept.....	63	413	27,214	1,531	2,734
Oct.....	64	694	33,365	1,641	2,906
Nov.....	89	920	37,901	1,619	2,925
Dec.....	74	1,019	36,459	1,653	3,081
Total	952	7,426	385,960	18,850	35,166
1938					
Jan.....	77	1,236	30,291	1,358	2,445
Feb.....	99	952	30,935	1,168	2,176
Mar.....	101	1,221	32,495	1,320	2,371
Apr.....	47	502	29,624	1,360	2,401
May.....	93	1,035	29,902	1,424	2,462
June.....	92	672	34,767	1,486	2,730
July.....	72	826	29,775	1,358	2,466
Aug.....	102	595	27,552	1,353	2,371
Sept.....	81	1,084	27,147	1,515	2,655
Oct.....	92	811	31,495	1,672	2,976
Nov.....	122	1,083	36,181	1,662	2,965
Dec.....	71	1,019	35,343	1,587	2,906
Total	1,049	11,036	375,507	17,263	30,924

## 9. CURRENCY AND BANKING

Month	Notes in Hands of Public	Gold Reserve Bank of Canada	Demand Deposits	Notice Deposits	Current Loans	New York Funds in Montreal
1937						
	\$(000,000)	\$(000,000)	\$(000,000)	\$(000,000)	\$(000,000)	\$
Jan.....	182.95	179.5	644	1,549	687	1,000
Feb.....	189.22	179.5	656	1,564	692	1,000
Mar.....	188.96	183.2	711	1,584	694	1,000
Apr.....	194.54	190.8	732	1,583	710	.999
May.....	190.04	188.2	699	1,573	728	.998
June.....	196.41	183.5	713	1,570	728	1,001
July.....	202.78	181.0	667	1,572	735	1,001
Aug.....	202.39	179.5	686	1,578	748	1,000
Sept.....	211.02	179.5	714	1,575	771	1,000
Oct.....	217.75	179.5	679	1,584	770	1,000
Nov.....	205.56	179.9	695	1,570	768	.999
Dec.....	197.69	179.7	699	1,583	749	1,000
Average	199.10	182.0	691	1,574	732	1,000
1938						
Jan.....	192.46	179.7	640	1,591	731	1,000
Feb.....	197.05	180.0	634	1,615	737	1,000
Mar.....	197.61	180.2	648	1,623	752	1,003
Apr.....	203.99	180.7	687	1,631	770	1,005
May.....	194.00	181.3	670	1,625	769	1,008
June.....	206.51	181.9	690	1,621	786	1,011
July.....	204.02	180.8	671	1,623	786	1,005
Aug.....	199.72	180.5	687	1,635	781	1,003
Sept.....	221.55	181.5	725	1,637	829	1,006
Oct.....	214.75	181.4	749	1,656	848	1,009
Nov.....	206.32	181.2	750	1,655	837	1,007
Dec.....	206.74	182.4	734	1,660	806	1,009
Average	203.70	181.0	690	1,630	786	1,005

10. INVESTMENT AND SPECULATION

Month	Index of Industrial Stocks	Index of Bond Yields	Industrial Shares Sold on Montreal Exchange	Call Loans in Canada	Bank Holdings of Bonds and Stocks	Interest Rates N.Y. Call Loans Renewal	Interest Rates N.Y. Prime Com. Paper 4-6 months
1937	1926=100	1926=100	No.	\$(000,000)	\$(000,000)	P.C.	P.C.
Jan. ....	222.0	64.6	2,806,000	119	1,412	1.00	.75
Feb. ....	228.8	68.4	1,594,000	119	1,422	1.00	.75
Mar. ....	241.7	72.7	2,212,000	124	1,427	1.00	.88
Apr. ....	224.1	73.2	2,128,000	121	1,440	1.00	1.00
May. ....	216.4	71.0	813,000	117	1,438	1.00	1.00
June. ....	210.1	69.3	522,000	116	1,442	1.00	1.00
July. ....	217.8	69.0	639,000	114	1,431	1.00	1.00
Aug. ....	221.6	68.1	670,000	114	1,446	1.00	1.00
Sept. ....	193.3	68.3	1,430,000	100	1,446	1.00	1.00
Oct. ....	170.3	69.7	1,465,000	81	1,411	1.00	1.00
Nov. ....	166.3	68.8	781,000	87	1,391	1.00	1.00
Dec. ....	167.7	67.4	577,000	76	1,411	1.00	1.00
Average	206.7	69.2	1,303,083	107	1,426	1.00	.95
1938							
Jan. ....	177.0	66.3	604,000	72	1,434	1.00	1.00
Feb. ....	177.7	65.4	421,000	70	1,440	1.00	1.00
Mar. ....	164.0	64.7	726,000	63	1,438	1.00	.88
Apr. ....	160.5	63.7	532,000	64	1,456	1.00	.88
May. ....	163.5	61.7	411,000	66	1,449	1.00	.88
June. ....	163.5	61.8	705,000	69	1,462	1.00	.88
July. ....	175.1	62.7	1,107,000	71	1,436	1.00	.75
Aug. ....	172.8	62.7	553,000	71	1,440	1.00	.75
Sept. ....	162.2	65.3	945,000	60	1,421	1.00	.69
Oct. ....	182.7	63.2	970,000	66	1,409	1.00	.69
Nov. ....	184.9	61.5	691,000	64	1,426	1.00	.63
Dec. ....	179.4	61.8	545,000	65	1,463	1.00	.63
Average	172.0	63.4	684,166	67	1,440	1.00	.81

## INDUSTRIES AND COMMERCE

### Agriculture: Values and Production, 1937 and 1938

The current value of farm capital (gross agricultural wealth) in Canada, including land, buildings, implements and machinery, and live stock was \$4,720,751 in 1937, as compared with \$4,654,580 in 1938, according to the *Monthly Bulletin of Agricultural Statistics*, March, 1939. The average value of occupied farm lands in Canada in 1938 was unchanged from 1937 at \$24 an acre. The average value includes improved and unimproved land, together with dwelling houses, barns, and all other farm buildings. Average values of farm land in Canada declined from \$38 per acre in 1928 to \$23 per acre in 1934, then rose to \$24 an acre in 1935, and have remained at this figure.

The average values per acre of occupied farm lands for 1938 were as follows: (with the 1937 figures within brackets): Prince Edward Island, \$36 (\$34); Nova Scotia, \$29 (\$32); New Brunswick, \$27 (\$26); Quebec, \$40 (\$40); Ontario, \$45 (\$46); Manitoba, \$16 (\$17); Saskatchewan, \$15 (\$15); Alberta, \$15 (\$16); and British Columbia, \$60 (\$58).

The average cash wages of male farm help in Canada were reported at \$24 per month for the Summer months of 1938, as compared with \$23 per month in 1937, whereas the average cash wages of female farm help were reported at \$12 per month during the Summer months of both years. The value of board per month for men in 1938 was \$17 and for women \$13; in each case these values were the same in 1937. The average yearly wage for men in 1938 was \$230 and in 1937 was \$224; for women, the corresponding figures were \$135 and \$134.

The total numbers and values of farm live stock in 1938 and 1937 were estimated as follows (with the 1937 figures within brackets): horses, 2,820,700, \$198,938,000 (2,882,990, \$206,957,000); milch cows, 3,873,800, \$154,732,000 (3,940,400, \$156,467,000); other cattle, 4,637,400, \$123,354,000 (4,900,100, \$123,731,000); all cattle, 8,511,200, \$278,086,000 (8,840,500, \$280,198,000); sheep, 3,415,000, \$19,761,000 (3,339,900, \$18,741,000); and hogs, 3,486,900, \$46,078,000 (3,963,300, \$48,802,000).

The estimated numbers and values of farm poultry in Canada in 1938 (with figures for 1937 within brackets), were: hens and chickens, 53,774,600, \$36,793,000 (53,982,900, \$37,335,000); turkeys, 2,039,600, \$3,859,000 (1,997,900, \$3,804,000); geese, 807,000, \$1,167,000 (874,900, \$1,259,000); ducks, 615,800, \$531,000 (654,400, \$556,000); and all poultry, 57,237,000, \$42,350,000 (57,510,100, \$42,954,000).

### Gross Value of Agricultural Production in Canada, by Commodities, 1934 to 1938

[Thousand Dollars]

Description	1934	1935	1936	1937	1938
	(000)	(000)	(000)	(000)	(000)
Field crops .....	549,080	511,873	612,300	556,222	528,860
Farm animals .....	99,438	120,078	130,979	140,989	136,846
Wool .....	1,255	1,493	1,861	2,049	1,498
Dairy products .....	172,864	180,756	198,672	215,623	220,164
Fruits and vegetables .....	43,424	49,964	44,015	41,816	42,952
Poultry products .....	45,515	50,434	53,244	51,766	53,748
Fur farming .....	4,534	5,516	6,532	6,802	6,200
Maple products .....	3,041	3,522	3,714	2,245	3,850
Tobacco .....	7,218	10,870	9,374	17,140	19,563
Flax fibre .....	250	321	298	332	519
Clover and grass seed .....	2,010	1,818	2,154	2,344	2,990
Honey and wax .....	2,575	2,338	2,823	2,164	3,027
<b>TOTAL</b> .....	<b>931,204</b>	<b>938,983</b>	<b>1,065,966</b>	<b>1,039,492</b>	<b>1,020,217</b>



The net value of agricultural production in 1938, calculated by deducting from the gross value estimates of the value of the farm products used for seed and live stock feed, according to the revised estimate, was \$727,565,000, as compared with \$678,953,000 in 1937.

### All Field Crops, 1937 and 1938

According to the third estimate of Field Crops issued by the Dominion Bureau of Statistics the aggregate value of all such crops in Canada in 1938 was estimated at \$528,860,000, as compared with \$556,222,000 (revised value) for 1937 (crop years ended July 31). Another backward Spring ushered in the crop season of 1937. As the season progressed, optimism rose, only to wane with the appearance of grasshoppers, drought, and other detrimental factors, eventually culminating in very poor yields for the crops as a whole. During 1938, Ontario, Manitoba and British Columbia experienced early seasons, but Spring was delayed in the Maritime Provinces. In Saskatchewan and Alberta, April was comparatively cold. Drought, rust and grasshoppers did considerable damage, but supplies of forage crops and feed grains were adequate over most of the Dominion. Potatoes throughout Eastern Canada were a relatively light crop. Yields in all field crops in 1938 were considerably below their long time averages, but the year showed marked improvement compared to the disastrous yields of 1937.

The following table gives the principal field crops in Canada during the years 1937 and 1938, with area sown, price per bushel and total value. (*Monthly Bulletin of Agricultural Statistics*, January, 1939):

Field Crops: Productions and Values

Field Crops	Year	Area Acres	Yield Per Acre Bush.	Total Production Bush.	Average Price Per Bush.	Total Value
Fall Wheat .....	1937	718,800	26.0	18,689,000	\$0.98	\$ 18,315,000
	1938	742,100	26.7	19,814,000	0.58	11,492,000
Spring Wheat .....	1937	24,851,400	6.5	161,521,000	1.03	166,336,000
	1938	25,188,400	13.1	330,196,000	0.59	193,859,000
All Wheat .....	1937	25,570,200	7.0	180,210,000	1.02	184,651,000
	1938	25,930,500	13.5	350,010,000	0.59	205,351,000
Oats .....	1937	13,048,500	20.6	268,442,000	0.43	114,093,000
	1938	13,009,700	28.5	371,382,000	0.24	89,600,000
Barley .....	1937	4,331,400	19.2	83,124,000	0.51	42,020,000
	1938	4,453,900	23.0	102,242,000	0.28	28,383,000
Fall Rye .....	1937	700,300	6.5	4,579,000	0.72	3,307,000
	1938	553,500	15.1	8,363,000	0.28	2,347,000
Spring Rye .....	1937	193,400	6.2	1,192,000	0.71	845,000
	1938	187,900	14.0	2,625,000	0.28	747,000
All Rye <sup>1</sup> .....	1937	893,700	6.5	5,771,000	0.72	4,152,000
	1938	741,400	14.8	10,988,000	0.28	3,094,000
Peas .....	1937	84,000	14.3	1,199,600	1.68	2,012,000
	1938	80,200	17.0	1,365,000	1.55	2,113,000
Beans .....	1937	67,600	19.2	1,295,500	1.23	1,597,000
	1938	70,600	22.1	1,557,000	1.11	1,725,000
Buckwheat .....	1937	395,500	19.6	7,745,000	0.72	5,592,000
	1938	375,600	18.8	7,079,000	0.59	4,171,000
Mixed Grains .....	1937	1,128,200	32.0	36,129,000	0.51	18,329,000
	1938	1,159,500	33.8	39,161,000	0.39	15,126,000
Flaxseed .....	1937	241,300	3.2	774,600	1.48	1,148,000
	1938	221,200	6.3	1,389,000	1.14	1,581,000
Corn, Husking .....	1937	165,600	32.7	5,415,000	0.64	3,466,000
	1938	180,100	42.7	7,690,000	0.47	3,614,000
			<b>Cwt.</b>	<b>Cwt.</b>	<b>Per Cwt.</b>	
Potatoes .....	1937	531,200	80.0	42,547,000	0.63	26,650,000
	1938	521,900	69.0	35,938,000	0.75	27,079,000
Turnips, Etc. ....	1937	185,700	195.0	36,300,000	0.32	11,777,000
	1938	189,500	201.0	38,160,000	0.32	12,133,000

Field Crops: Productions and Values—*Continued*

Field Crops	Year	Area Acres	Yield Per Acre Tons	Total Production Tons	Average Price Per Ton	Total Value
Hay and Clover .....	1937	8,693,300	1.50	13,030,000	7.53	98,136,000
	1938	8,819,800	1.56	13,798,000	6.96	95,993,000
Alfalfa .....	1937	848,900	2.48	2,107,000	8.06	16,986,000
	1938	859,000	2.40	2,061,000	7.78	16,036,000
Fodder Corn .....	1937	447,300	8.78	3,927,500	3.08	12,087,000
	1938	460,200	9.59	4,412,800	2.81	12,422,000
Grain Hay .....	1937	1,147,800	1.54	1,768,000	6.23	11,021,000
	1938	949,500	1.76	1,674,000	4.37	7,315,000
Sugar Beets .....	1937	46,700	8.95	418,000	5.99	2,505,000
	1938	47,900	11.00	527,000	5.93	3,124,000

**Board of Grain Commissioners for Canada, 1937 and 1938**

The total expenditure of the Board of Grain Commissioners (E. B. Ramsay, Chief Commissioner) for the fiscal year 1937-38 was \$1,675,051 as compared with \$1,738,585 for the previous fiscal year. Revenue for these fiscal years was \$734,979 and \$1,259,596, respectively, being a decrease of \$524,617 in 1937-38. The Annual Report of the Board for 1937 stated that during the year the great bulk of accumulated carry-overs had been dispersed. The Canadian Government elevators at Moose Jaw and Saskatoon were closed for the greater part of the year. The Moose Jaw elevator, however, was re-opened for the use of The Canadian Wheat Board in their accumulation of seed grain for the drought area. The Port Arthur elevator was under lease to McCabe Brothers Grain Company. The other elevators had a very small handling due to the short crop and the disposal of the surplus. The Board's Report for 1938 stated that on account of the larger crop, in addition to the Moose Jaw elevator which had been re-opened the previous year, the Saskatoon elevator had been re-opened. The Government elevators in Alberta also showed a fair handling. The Port Arthur Elevator was still under lease to the McCabe Brothers Grain Company. The Prince Rupert elevator had been closed. This elevator was under lease to the Alberta Wheat Pool at a nominal rental since 1926, but the lease was not renewed at its expiry on July 31, 1938.

During the early months of the Autumn (1938) shipping season on the Great Lakes the rates on the carriage of wheat to St. Lawrence ocean ports rose rapidly until they reached a level markedly higher than that of recent years. In October, the Board fixed a maximum rate on wheat from Port Arthur and Fort William to Montreal of 7 cents per bushel.

In its Report for 1937 the Board reported the trial shipment of 24,000 bushels of Thatcher wheat, and 24,000 bushels of Coronation wheat to United Kingdom centres for milling tests under commercial conditions. Dr. W. F. Geddes, the Chief Chemist, spent the months of January, February and March co-operating with the millers of the United Kingdom, making the tests and observing results. It was found that Thatcher wheat in general was equal to Marquis but Coronation was not up to the same standard. Consequently, large areas of Western Canada were sown to Thatcher in 1938. While not wholly resistant to rust, the general results fully warranted the growing of Thatcher in districts subject to this disease.

The Amendment to The Canada Grain Act passed in 1938 excluding Red Spring Wheat of the Garnet variety from the Statutory Grades of No. 3 Manitoba Northern and No. 4 Manitoba Northern came into force on Aug. 1, 1938. The exclusion of Garnet combined with the prevalence of rusted wheat in 1938 led to some complaints by European buyers arising out of the lighter weight per measured bushel of these grades.

The Wheat Bonus payments during the period under review were as follows: in 1937, a further sum of \$49.95 was paid out of the 1931 Wheat Bonus and in 1938, outstanding wheat bonus certificates in the amount of \$32.45 were redeemed and outstanding certificates still remained to the amount of \$8,450.

### The Canadian Wheat Board, 1937 and 1938

The Report of The Canadian Wheat Board for the crop year 1936-37 stated that at the end of the previous crop year, July 31, 1936, the Board had a balance unsold of 2,030,761 bus. of 1935 crop wheat which was disposed of prior to Nov. 21, 1936, and 82,667,891 bus. of "Old Wheat" (acquired from Canadian Co-operative Wheat Producers Limited to July 31, 1936) or a combined total of 84,698,652 bus. Unsold wheat at July 31, 1937 amounted to 6,964,000 bus. of wheat represented by futures contracts which, in the ordinary course of business would have been disposed of prior to that date. However, due to disastrous crop conditions, particularly in the Province of Saskatchewan, it was apparent that seed wheat would be required over a very large area. After consultation with the Wheat Committee of the Cabinet, it was decided to retain the futures contracts for the purpose of subsequent exchange for the physical wheat for seed purposes. The contracts referred to were disposed of to the Government of the Province of Saskatchewan, the consideration being the average futures closing market price for the period from Aug. 1, 1937 to Feb. 28, 1938. This transaction completed the marketing of the "Old Wheat."

From the inception of the Board in August, 1935, to July 31, 1938, total sales of 355,927,206 bus. of wheat were completed, of which 150,740,226 bus. represented deliveries by the producers to the 1935 Board and 205,186,980 bus. represented "Old Wheat" acquired from The Canadian Co-operative Wheat Producers Limited. (For review of the operations of The Canadian Co-operative Wheat Producers Limited from Nov. 30, 1930, the date of John I. McFarland's appointment as General Manager, see *The Canadian Annual Review, 1935 and 1936*, p. 560-64).

The net results of the Board's operations to 31st July, 1938, may be summarized as follows:

Profit on Wheat taken over from Canadian Co-operative Wheat Producers Limited at market prices of 2nd December, 1935 .....	\$24,809,988.42
Less: Amount necessary to repay advances to Board by Dominion Government against estimated loss (figured at market prices of 2nd December, 1935) on Wheat taken over from Canadian Co-operative Wheat Producers Limited ..	15,856,645.35
<b>Net Profit</b> .....	<b>\$ 8,953,343.07</b>
Less: Loss on Board Operations:	
1935 Crop .....	\$11,858,104.18
1936 Crop .....	49,574.88
	<hr/>
	11,907,679.06
<b>Net Loss as at 31st July, 1938</b> .....	<b>\$ 2,954,335.99</b>

The price to be paid to producers for the 1937-38 season had been fixed on the same basis as in the previous season, namely Eighty-seven and One-half cents (87½c) per bushel for No. 1 Northern Wheat, in store Fort William or Vancouver. As in the previous year, this price had been approved by the Governor-in-Council to become effective only if the closing market price for wheat dropped below Ninety cents per bushel for No. 1 Northern, in store Fort William. Since the closing market price was higher than this figure throughout the season under review, no deliveries were received by the Board.



The wheat seed purchases for Saskatchewan included all suitable Thatcher wheat available, and this wheat with its rust resistant qualities amply demonstrated its value in the rust areas where it was sown, and where other varieties were wholly or partially destroyed by rust. In co-operation with the Board of Grain Commissioners for Canada (See B.G.C. Reports in this Section).

In October, 1936, Mr. R. V. Biddulph was appointed European Commissioner of The Canadian Wheat Board with the principal duty of promoting the use of Canadian wheat overseas. This work was curtailed during the period of small exportable supplies of Canadian wheat but was again extended as soon as it became apparent that the 1938 crop would be near average in size and that Canada would encounter keen competition in disposing of its surplus. The Board's advertising and publicity in Great Britain was mainly through the local daily and weekly newspapers, and appeared in 93 dailies throughout England, Scotland and Northern Ireland.

Following the resignation of J. R. Murray in July, 1937, George H. McIvor, Assistant Chief Commissioner, was appointed to succeed Mr. Murray as Chief Commissioner, and R. C. Findlay was appointed Assistant Chief Commissioner, with A. M. Shaw continuing as Commissioner. Following the resignation of Dean Shaw in July, 1938, W. Charles Foliott was appointed as Commissioner.

### **The Canadian Co-operative Wheat Producers Limited**

In the Directors' Report for 1936-37 of the "Canadian Wheat Pool", or the Central Selling Agency of the Wheat Pools, attention was drawn to the death on Apr. 22, 1937 of L. C. Brouillette, President of the Central Board. The Report gave reviews of the previous Canadian crop year; of the World wheat situation, and of the Royal Grain Inquiry Commission at which a brief was submitted by the President of the Manitoba Pool Elevators describing the forty years' record of the Wheat Pools.

The Directors' Annual Report for the Central Agency for the year 1937-38 also dealt briefly with the World wheat situation and the Canadian wheat crop; with a meeting in July, 1938, of the International Wheat Advisory Committee; with the Empire Producers' Conference at Sydney, Australia, Mar. 28 to Apr. 7, 1938; and with the balance of the 1930 adjustment claims with the Canadian Wheat Board.

Referring to the Statement of the Canadian Wheat Board covering the year 1936-37, the Directors' Report stated that the Central Selling Agency Board (the Canadian Co-operative Wheat Producers' Limited) had continued to press for further settlement from the Dominion Government in connection with the balance of the 1930 adjustment claim, and that in personal interviews with members of the Cabinet Wheat Committee, the Board had done everything possible to secure the unpaid balance of the original settlement before stabilization holdings were turned over to the 1935 Wheat Board. The Report further stated that in a personal interview with the Wheat Committee of the Cabinet at Ottawa on June 14, 1938, the Canadian Wheat Pool's executive had made a strong appeal to have an actively functioning Wheat Board handling the 1938-39 crop with participation certificates and with an initial payment of not less than 87½ cents per bushel, basis No. One Northern, Fort William. (On Aug. 4, 1938, the Prime Minister of Canada fixed a price of 80 cents per bushel Basis No. One Northern, Fort William).

## The World Wheat Situation, 1937 and 1938

World wheat production in 1938 (excluding Russia and China) reached an all-time record volume of 4,471,000,000 bus., representing an increase of 633,000,000 bus. over that of 1937. (*The Monthly Review of the Wheat Situation*, January, 1939—D.B. of Statistics). The comparative figure for 1937 was 3,838,000,000 bus., and for 1936, 3,540,000,000 bus. The world wheat area of 286 million acres remained approximately in 1938 the same as in 1937. On the other hand, the world average wheat yield per acre, rose significantly from 13.5 bus. in 1937 to 15.5 bus. in 1938, the highest yet attained. Most wheat-producing countries showed increased production in 1938. European wheat production in 1938 (excluding the Danubian countries and Russia) amounted to 1,814,502,000 bus. The comparative figures for 1936 and 1937 were 1,481,339,000 bus and 1,540,906,000 bus., respectively.

Production in the four leading countries of the world was as follows—Argentina: 1938—315,991,000 bus.; 1937—184,799,000 bus.; Australia: 1938—145,000,000 bus.; 1937—188,018,000 bus.; Canada: 1938—350,010,000 bus.; 1937—180,210,000 bus.; and the United States: 1938—930,801,000 bus.; 1937—875,676,000 bus. In addition, Northern Africa, including Algeria, Morocco, Tunisia and Egypt, had a yield of wheat in 1938 of 113,437,000 bus., as compared with 117,014,000 bus. in 1937. Asia, including Palestine, Syria and Lebanon, India, Japan, Chosen and Turkey, produced 645,888,000 bus. in 1938, as compared with 579,621,000 bus. in 1937.

World stocks of old-crop wheat at Aug. 1, 1938, amounted to 602,000,000 bus., registering an increase of 75,000,000 bus. over the very low world carry-over of wheat amounting to 527,000,000 bus. at Aug. 1, 1937.

World net exports of wheat and wheat flour, including those from Russia, amounted to 546,000,000 bus. in 1937-38, representing a decrease of 60,000,000 bus. from the volume of net exports attained in 1936-37. Several uncertainties surround the prediction of the volume of world net exports during current crop seasons, such as additional purchases of wheat for security reserves, possible over-estimates of production for certain countries and increased human and animal consumption of wheat.

The Bulletin stated that import restrictions of the various countries had caused Canadian exports to decline materially in recent years, with the exception of exports to the United Kingdom. At one time Canada had supplied a large proportion of Germany's hard wheat requirements, but since 1934 there was a tendency to direct purchase to countries with which Germany had clearing agreements and special trading arrangements. Importation into Italy was subject to ministerial licence while imports into France were only permitted for special purposes and in amounts determined by the National Wheat Office. Imports into Switzerland were restricted by a quota system since May, 1932, and Belgian imports were controlled by a system of import licences and taxes. Since 1933 the Netherlands also were subject to an import licence system.

When the business recession commenced in October, 1937, world wheat prices started a downward trend as it became apparent that both exporting and importing countries would have good harvests. The Liverpool December future averaging \$1.21 per bus. in November, 1937 declined to 63 cents in November, 1938. Canadian hard milling wheats, because of small supplies, enjoyed a very favourable price spread in 1937-38. The Winnipeg cash price of No. 1 Northern averaged \$1.35 per bus. in November, 1937, and rose to \$1.49 in January, 1938. It declined to an average of 59 cents in November, 1938, less than half the price of a year earlier.

The price that growers were to receive became a matter of government policy in the major exporting countries following the decline in market prices in 1938. The Canadian Wheat Board accepted deliveries of the 1938 crop from growers at a basic rate of 80 cents per bus. for No. 1 Northern in store at Fort William, Port Arthur, equivalent to approximately 59 cents to the farmer. The United States Government offered co-operating wheat producers loans averaging about 60 cents per bus. beside subsidizing wheat and flour exports. The Argentine Government paid growers the equivalent of 59¼ cents a bus. for top quality wheat delivered at Buenos Aires, while the Australian Government paid a subsidy on the portion of the crop used in domestic consumption.

The following table shows imports of wheat into the United Kingdom for the twelve months Aug. 1 to July 31, 1936-37 and 1937-38:

Exporting Countries	1936-37 Bushels	1937-38 Bushels
Canada .....	86,456,847	43,895,650
United States .....	103,438	31,380,591
Argentina .....	29,429,041	9,550,177
Australia .....	38,963,005	55,974,140
Russia .....		20,264,361
British India .....	10,670,162	10,818,261
Roumania .....	8,420,847	3,335,969
Other Countries .....	10,423,586	5,325,800
	184,466,926	180,544,949

## The Canadian Wheat Situation, 1937 and 1938

Canadian production of wheat in 1938 rose sharply to 350.1 million bus., as compared to the unusually small 1937 crop of 180.2 million bus. The 1938 production followed a five-year period of below normal wheat yields in Canada.

The gross value of the 1938 wheat crop was estimated by the Dominion Bureau of Statistics (January, 1939) at \$205,351,000. Although wheat production in 1938 was nearly double that of 1937, sharply lower prices for the 1938 crop resulted in a gross value barely \$21,000,000 greater than the value of the 1937 crop.

The lake movement of Canadian wheat during the latter part of November, 1938, was particularly heavy, and as a result the total volume of wheat moved down the lakes during the 1938 season amounted to 132.2 million bus., which was 43 millions in excess of the total lake movement in 1937. Up to Dec. 15, 1938, only a negligible amount of wheat had been shipped by rail from Georgian Bay and Lake Huron Ports to Maritime Ports.

With regard to 1938 prices: between Nov. 21 and Dec. 19, 1938, the Liverpool futures market ruled somewhat stronger in the current delivery month than did either the Winnipeg or Chicago markets. The Liverpool December future rose from 62¾ cents on Nov. 21 to 68¼ cents on Dec. 12, and then eased to 66¾ cents on Dec. 19 for a net gain during the month of 3½ cents. The Winnipeg December future rose more moderately from 57¾ cents on Nov. 21 to 61¼ cents on Dec. 12, and dropped again to 59½ cents on Dec. 19 for a net gain during the month of 1½ cents.

The monthly average Winnipeg cash price of No. 1 Northern Wheat (basis, in store Fort William and Port Arthur) for the crop year 1936-37 was \$1.22.7, the lowest monthly average being \$1.02.2 in August and the



highest, \$1.45.6 in July. Figured on the same basis the monthly average for the crop year 1937-38 was \$1.31.5, the lowest monthly average being 98.4 cents in July; and the highest, \$1.49.1 in January.

The final estimate of the wheat production in the Prairie Provinces for 1937 was 156,800,000 bus. made up as follows: Manitoba, 45,100,000 bus., Saskatchewan, 36,000,000 bus., and Alberta, 75,700,000 bus. The third estimate of 1938 for wheat production in the Prairie Provinces totalled 326,000,000 bus. The figures for Manitoba being 51,000,000 bus., Saskatchewan, 132,000,000 bus., and Alberta, 143,000,000 bus.

The Canadian wheat area increased slightly to 25.9 million acres in 1938, as compared with 25.6 million acres in 1937, and the ten-year (1928-37) average area of 25.3 million acres. The average yield per acre in 1938 rose to 13.4 bus., as compared with 7.1 bus. in 1937, the ten-year (1928-37) average of 13 bus., and the 1908-30 average of 17.1 bus. per acre.

Canada's carry-over of old wheat on Aug. 1, 1937 was 32.7 million bus., as compared with 108 million bus. in 1936. Practically all available supplies were exported during the 1937-38 crop year, consequently the carry-over at Aug. 1, 1938 was reduced to 23.4 million bus., the lowest level within fifteen years.

The total Canadian wheat and flour exports during the 1936-37 season amounted to 195 million bus., or 32 per cent. of the world net export movement. The 1937-38 season's exports, however, dropped to 93 million bus., which was considerably short of the average exports of 215 million bus. during the five crop years 1932-33 to 1936-37. Canada's total exports for the two years 1937 and 1938 (year ended July 31) of wheat and wheat flour are given in the following table:

#### Exports of Canadian Wheat and Flour by Countries

Exports by Countries	Twelve Months Ended	
	1937	July 1938
Wheat—		
To United States .....	bush. 14,868,352	1,802,502
	\$ 15,788,844	1,759,393
To United Kingdom and 'orders'—		
<i>via</i> United States .....	bush. 38,937,335	11,600,299
	\$ 41,509,884	13,423,442
<i>via</i> Canadian Atlantic Seaboard .....	bush. 57,474,572	35,053,178
	\$ 69,340,678	45,091,512
<i>via</i> Canadian Pacific Seaboard .....	bush. 23,663,489	8,186,404
	\$ 26,614,165	9,697,743
<i>via</i> Churchill .....	bush. 4,293,501	603,982
	\$ 4,288,888	775,953
Total to United Kingdom and 'orders' .....	bush. 124,368,897	55,443,863
	\$ 141,753,615	68,988,650
To Other Countries—		
<i>via</i> United States .....	bush. 269,786	349,461
	\$ 331,914	383,440
<i>via</i> Canadian Atlantic Seaboard .....	bush. 24,469,495	16,253,772
	\$ 28,312,771	19,253,662
<i>via</i> Canadian Pacific Seaboard .....	bush. 10,881,630	2,863,997
	\$ 12,216,807	3,498,352
Total to Other Countries .....	bush. 35,620,911	19,467,230
	\$ 40,861,492	23,135,454
TOTAL WHEAT .....	bush. 174,858,160	76,713,595
	\$ 198,403,951	93,883,497

Exports of Canadian Wheat and Flour by Countries—*Continued*

Exports by Countries		Twelve Months Ended	
		July	1938
Wheat Flour—		1937	1938
To United States .....	bbl.	84,591	39,827
	\$	312,467	159,457
To United Kingdom and 'orders'—			
<i>via</i> United States .....	bbl.	2,657	6,390
	\$	13,465	39,993
<i>via</i> Canadian Atlantic Seaboard .....	bbl.	2,296,351	2,055,234
	\$	12,034,921	11,789,664
<i>via</i> Canadian Pacific Seaboard .....	bbl.	28,188	22,452
	\$	154,822	127,660
Total to United Kingdom and 'orders' .....		bbl.	2,327,196
	\$	12,203,208	2,084,076
To Other Countries—			
<i>via</i> United States .....	bbl.	332,930	158,550
	\$	1,715,752	938,219
<i>via</i> Canadian Atlantic Seaboard .....	bbl.	1,115,437	1,019,301
	\$	5,992,265	6,016,694
<i>via</i> Canadian Pacific Seaboard .....	bbl.	665,511	307,902
	\$	3,197,895	1,626,561
Total to Other Countries .....		bbl.	2,113,878
	\$	10,905,912	1,485,753
TOTAL WHEAT FLOUR .....		bbl.	4,525,665
	\$	23,421,587	3,609,656
TOTAL EXPORTS OF WHEAT AND FLOUR .....		bush.	195,223,653
	\$	221,825,538	92,957,049
			114,581,745

NOTE.—On the average, one barrel of flour equals  $4\frac{1}{2}$  bushels of wheat.

**Barley and Oats, 1936-37 and 1937-38**

The barley crop in 1936-37 amounted to 71,922,000 bus. This, with a carry-over from the previous crop of 9,827,631 bus., and an import of 3,381 bus. made a total available for distribution of 81,753,012 bus. Comparative figures for 1937-38 were: 83,124,000 bus., 4,315,699 bus., 3,151 bus., and 87,422,850 bus. The largest market for Canadian barley in the year 1936-37 was the United States; 15,082,377 bus. being shipped to that country during the crop year ended July 31, 1937. The United Kingdom took 2,322,318 bus. and other countries, 151,138 bus. Export figures for 1937-38 were: 555,742 bus. to the United States; 13,223,955 bus. to the United Kingdom; and 962,591 bus. to other countries. During 1936-37, 1,049,617 bus. were milled for domestic consumption and in 1937-38, 1,277,453 bus.; for malting and brewing establishments 6,168,419 bus. were consumed in 1936-37 and 6,139,001 in 1937-38. After making an allowance of 8,662,800 bus. for seed requirements for the crop of 1937 and adding the stocks at the end of the crop year amounting to 4,363,235 bus., some 38,932,104 bus. of the crop were accounted for, leaving a balance of 42,820,908 bus. consumed on the farms.

The situation with regard to the Barley crop in 1937-38 was as follows: After making an allowance of 8,907,800 bus. for seed requirements for the crop of 1938 and adding the stocks at the end of the crop year amounting to 6,630,934 bus., some 37,699,476 bus. of the crop were accounted for, leaving a balance of 49,743,374 bus. consumed on the farms. The average price per bus. of No. 3 C.W. barley was 57 $\frac{1}{2}$  cents, during the crop year 1937-38.

\*Oats, like barley, were consumed chiefly on the farm and, owing to drought, Canada's production for the crop years 1936-37 and 1937-38 showed lowered yields. For the above mentioned years the crops amounted to 271,778,000 bus. and 268,442,000 bus., respectively. After adding the stocks

\*NOTE.—In the 1935 and 1936 edition of *The Canadian Annual Review* the figure 271,778,000 was erroneously given as the production for 1935-36. It was the crop of 1936.

from the previous crop years and imports, the quantities available for distribution were 312,106,954 bus. and 298,526,154 bus., respectively.

The distribution showed that 235,264,211 bus. were consumed on farms in 1936-37 and 220,537,852 bus. in 1937-38. Small amounts were allowed for seed requirements, exports, milled in grist mills, stocks at the end of the crop year and a deduction for unmerchantable grain and for loss in cleaning. The average yearly price of No. 2 C.W. oats in 1936-37 was 53 cents and in 1937-38, 50½ cents. The average price per bus. of No. 3 C.W. barley was 70¼ cents in 1936-37; and 57½ cents in 1937-38.

### Potato Production, 1937 and 1938

Potato production in Canada declined from 42,547,000 cwt. in 1937 to 35,938,000 in 1938. The total value for 1937 was \$27,143,000, and for 1938 it was \$27,079,000 (preliminary). Acreage sown in 1938 totalled 521,900, as compared with 531,200 acres in 1937. The average price per cwt. in 1938 was 75 cents, and for 1937, 64 cents. In 1938, unmerchantable potatoes amounted to 4,572,000 cwt. against 2,323,000 cwt. in 1937. Imports in 1938 totalled 177,000 cwt., as compared with 151,000 cwt. in 1937. Exports totalled 1,533,000 cwt. in 1938, a considerable gain over the 1937 exports which totalled 519,000 cwt. Potatoes available for home use in 1938 and 1937, respectively, were: 30,010,000 cwt. and 39,856,000 cwt. The quantity of potatoes on farms at Mar. 31, 1938 was 9,558,000 cwt., and at Mar. 31, 1937, 13,878,000 cwt.

### Tobacco Production, 1937 and 1938

The total value of the tobacco crop in Canada in 1938 was estimated at \$19,106,800, as compared with \$17,140,200 in 1937 (Dominion Bureau of Statistics). The acreage planted in 1938 was 83,145 acres, and in 1937, 69,028 acres, continuing the progressive yearly record of planted areas since 1934. The average yield per acre, in 1938, was 1,183 lb., as compared with 1,044 lb. in 1937. The total production for Canada was 98,340,700 lb. in 1938, as against 72,093,400 lb. in 1937. The average farm price was lower in 1938 than in 1937, the estimates being 19.4 cents per lb., and 23.8 cents per lb., respectively.

The area under tobacco cultivation in Quebec in 1938 was estimated at 9,950 acres, (of this area 1,850 acres were flue-cured) in Ontario, the total acreage was 72,815 acres (60,900 acres flue-cured) in 1938; and in British Columbia, 380 acres (all flue-cured) in 1938. Corresponding figures for 1937 were: Quebec, 7,734 acres (420 acres flue-cured); Ontario, 60,819 acres (52,452 acres flue-cured); British Columbia, 475 acres (all flue-cured).

The 1938 Crop of (Ontario) flue-cured totalled 73,250,000 lb. from 60,900 acres, as compared with 54,655,000 lb. from 52,452 acres in 1937. The total production and average farm prices per lb. in 1938 were as follows: Quebec, 10,875,000 lb. and 10.6 cents; Ontario, 87,070,500 lb. and 20.5 cents; and British Columbia, 395,200 lb. and 14.0 cents. Corresponding figures for 1937 were: Quebec, 8,678,000 lb. and 10.2 cents; Ontario, 63,026,000 lb. and 25.3 cents; and British Columbia, 395,000 lb. and 16 cents.

### Sugar Beets and Beetroot Sugar

The production in both sugar beets and beetroot sugar increased in 1938 over 1937, but was still lower than the 1936 levels, which had the peak record in the sugar beet industry. The total output of sugar beets in 1938 was 498,102 tons valued at \$3,403,635, as compared with 422,152 tons, valued at \$2,825,006 in 1937. The average price per ton in 1938 was \$6.83,



as compared with \$6.69 in 1937. A total of 45,194 acres was harvested in 1938 yielding 11.02 tons per acre, as against 43,758 acres in 1937 yielding 9.65 tons per acre. Production of refined beetroot sugar in Canada in 1938 amounted to 143,013,847 lb. at an average price of 4.2 cents per lb. and a total value of \$6,001,380. Comparative figures for 1937 were: 120,440,235 lb., 4.3 cents per lb., and \$5,230,921. (The above final figures, which are taken from the *Report on the Sugar Industry in Canada, 1938* (Dominion Bureau of Statistics), are for sugar beet crops delivered at the factory only).

#### **Fruit and Floriculture, 1937 and 1938**

The total value of commercial fruit production in Canada during 1938 was \$19,041,900 (estimate) according to the Dominion Bureau of Statistics, as compared with \$18,045,000 in 1937. By Provinces the fruit yield totalled for 1938 and 1937, respectively: Nova Scotia, \$5,901,700 and \$3,756,000; New Brunswick, \$217,600 and \$256,900; Quebec, \$1,357,900 and \$1,684,700; Ontario, \$3,592,700 and \$4,891,500; and British Columbia, \$6,972,000 and \$7,455,900. The apple crop in 1938 amounted to 5,134,300 bbl., valued at \$12,636,400, as compared with 5,153,800 bbl., valued at \$11,110,200 in 1937. The average price per barrel in 1938 was \$2.46, and in 1937 it was \$2.16. The value of other fruits for 1938 and 1937, respectively were: pears, \$692,800 and \$634,500; plums and prunes, \$283,000 and \$283,200; peaches, \$1,014,600 and \$1,035,900; apricots, \$132,700 and \$122,000; cherries, \$597,200 and \$513,600; strawberries, \$1,974,300 and \$2,170,500; raspberries, \$940,700 and \$957,200; grapes, \$667,400 and \$1,120,400; and loganberries, \$102,800 and \$97,500.

The total values of the floricultural and decorative plant production in Canada for years ended May 31, 1937 and 1938, were estimated at \$3,138,126 and \$2,976,940, respectively. Cut Flowers and Greens grown indoors reported an estimated total of \$1,849,702 in 1938 and \$1,952,128 in 1937; cut flowers, outdoor-grown, had corresponding totals of: \$54,175 and \$47,151.

#### **Maple Sugar and Maple Syrup, 1937 and 1938**

The total production and value of maple sugar in Canada in 1938 and 1937, respectively, were: 3,453,900 lb. and \$370,500; and 4,413,100 lb. and \$524,200. The average price per lb. was 11 cents in 1938, as compared with 12 cents in 1937.

The total production and value of maple syrup for the same years were: 2,955,300 gal. and \$3,479,400 for 1938; and 1,232,100 gal. and \$1,720,800 for 1937. The average price per gallon showed a sharp decrease in 1938 at \$1.18, as compared with \$1.40 in 1937.

#### **Honey and Beeswax, 1937 and 1938**

Honey production showed a steady increase in 1938; the crop for that year totalled 37,268,700 lb. (an all-time high), as compared with 23,196,600 lb. in 1937. Production of honey in 1938, with the estimates for the 1937 crop within brackets, was distributed by Provinces in order of magnitude, as follows: Ontario, 15,708,000 lb. (8,000,000 lb.); Manitoba, 9,539,900 lb. (6,748,600 lb.); Quebec, 5,108,200 lb. (3,588,700 lb.); Saskatchewan, 2,794,200 lb. (1,142,500 lb.); Alberta, 2,418,000 lb. (2,160,000 lb.); British Columbia, 1,584,100 lb. (1,427,500 lb.); Nova Scotia, 55,000 lb. (46,100 lb.); New Brunswick, 50,000 lb. (67,000 lb.); and Prince Edward Island, 11,300 lb. (16,200 lb.). The production of beeswax in 1938 was estimated at 446,850 lb., as compared with 286,650 lb. in 1937. The average price received by producers for the 1938 crop was estimated at 7.8 cents per lb., as compared with 9.0 cents

in 1937. Total value of production, including beeswax, was estimated at \$3,027,400 for the 1938 crop, as compared with \$2,163,700 in 1937. Exports of honey for the crop year ended July 31, 1938, amounted to 2,842,923 lb., valued at \$240,539, as compared to 2,668,581 lb., valued at \$225,387 in 1937. Imports for 1937-38 were 131,059 lb., valued at \$12,661 and for 1936-37, 32,510 lb., at \$3,790.

## The Live Stock Situation, 1937 and 1938

The estimated number of farm animals in June, 1938, as compared with the number in June, 1937 showed decreases in cattle and swine and an increase in sheep. The number of milch cows was 3,873,800 in 1938 and 3,940,400 in 1937; other cattle, 4,637,400 and 4,900,100, respectively; sheep, 3,415,000 and 3,339,900; and swine, 3,486,900 and 3,963,300. The total for all classes of poultry on farms decreased from 57,510,100 in 1937 to 57,237,000 in 1938. (Horses numbered 2,820,700 in 1938 and 2,882,990 in 1937. (Dominion Bureau of Statistics).

Values for 1938, with comparative figures for 1937 placed within brackets, were as follows: milch cows, \$154,732,000 (\$156,467,000); other cattle, \$123,354,000 (\$123,731,000); sheep, \$19,761,000 (\$18,741,000); and swine, \$46,078,000 (\$48,802,000). The total value of holdings of these groups amounted to \$343,925,000, as compared with \$347,741,000 in 1937. The total value of all poultry in Canada in 1938 was \$42,350,000, as compared with \$42,954,000, making a grand total of \$386,275,000 for 1938 as against \$390,695,000 in 1937 for the classes included above. (Horses in Canada were valued at \$198,938,000 in 1938 and at \$206,957,000 in 1937).

Marketings of cattle, calves and swine showed a marked decline from the record outputs of the previous year and marketings of sheep and lambs, which had been falling off continuously since 1934, reached their lowest point. The curtailment in all classes was in large part a reflection of drought conditions and enforced liquidation in 1937. The re-stocking campaign which was started under the improved feed conditions of 1938 further tended to lessen the year's marketings.

Slaughterings in inspected establishments in 1938 showed decreases in all classes, as compared with the previous year. The totals for 1938 and 1937 were as follows: cattle, 859,260 (923,961); calves, 676,579 (702,405); sheep, 801,679 (821,758); and swine, 3,137,203 (3,802,141). The total value of all products of packing houses and abattoirs was \$175,767,382 in 1938 against \$181,419,311 in the previous year.

In interprovincial and export movements of live stock Ontario was the largest shipper in the aggregate and also the largest shipper of calves and hogs. Saskatchewan led in shipments of cattle and Alberta in shipments of sheep. There was a marked difference in comparative figures for the two years, but drought conditions in Western Provinces in 1937 made shipments out of these areas during that year abnormal. Total shipments in 1938 with comparative figures for 1937 were as follows: cattle, 458,601 (878,867); calves, 242,599 (358,917); hogs, 517,715 (911,097); sheep, 245,902 (315,553).

The average prices of cattle, calves and hogs at stock yards were higher than in any year since 1930, and the price of sheep and lambs was the second highest since 1930.

The export situation was less favourable than in 1937. Prices of live cattle and calves on United States markets were not sufficiently high to attract exports in volume. As a result the export quota, which was

exceeded in 1937, was not filled in 1938. Exports of hog products are closely related to the volume of hogs marketed and the shortage of supplies in 1938 resulted in a decline in exports. Although exports of bacon and hams to Great Britain were short of the previous year's exports by about 22½ million pounds, they were the second highest exports from Canada to the United Kingdom market since 1919.

The foreign trade situation with regard to live stock showed a falling-off as compared with the previous year. Exports of cattle and calves which had reached the high level of 321,760 head valued at \$15,677,093 in 1937 decreased to 179,224 head valued at \$9,181,199 in 1938. Exports to the United States totalled 146,745 head valued at \$6,491,695 and to Great Britain 27,307 head valued at \$2,457,267. Sheep exports increased slightly over the previous year but hog exports fell off from 82,863 head valued at \$1,348,764 in 1937 to 5,500 head valued at \$30,429 in 1938.

The export situation in meats corresponded fairly closely with that in live animals. Exports of pork in 1937 totalled 219,141,500 pounds valued at \$36,731,544 and in 1938 they had fallen to 178,493,800 pounds valued at \$31,879,168; exports to Great Britain fell from 193,001,300 pounds to 170,411,300 pounds and exports to the United States from 19,705,000 pounds to 3,065,000 pounds. Lard exports also, most of which go to Great Britain, decreased from 30,099,100 pounds to 16,766,700 pounds. Exports of beef to all countries in 1938 amounted to 5,692,400 pounds as compared with 17,265,200 pounds in 1937 and the value was \$568,872 as compared with \$1,338,941. Of the beef exported in 1938, 2,047,900 pounds went to Great Britain and 1,230,700 pounds to the United States. Exports of mutton and lamb decreased from 283,500 pounds valued at \$52,695 in 1937 to 202,500 pounds valued at \$39,085 in 1938.

The consumption of meats in Canada in 1938 was estimated at 1,395 million pounds, a decrease of nineteen million pounds from the estimate for the previous year. Beef figures showed an increase and pork and mutton figures showed decreases. The per capita consumption of beef was 61.53 (58.68) pounds; pork, 56.88 (62.33) pounds; mutton and lamb, 6.09 (6.15) pounds; the figures within brackets being those for 1937.

### **Wool Production and Value, 1937 and 1938**

The total production of wool in Canada was 17,695,000 lb. (estimated) in 1938, and 17,629,000 lb. in 1937. Of the 1938 total, 13,386,000 lb. were shorn wool, as compared with 13,271,000 lb. in 1937. The total production of pulled wool was 4,309,000 lb. in 1938, and 4,358,000 lb. in 1937. The average farm price of shorn wool per lb. was 11 cents in 1938 and 15 cents in 1937. The exports of wool were 4,260,000 lb. and imports, 15,524,000 lb. in 1938, and in 1937, exports were 4,813,000 lb. and imports, 24,427,000 lb.

### **Poultry and Eggs, 1937 and 1938**

The value of poultry marketed off farms was \$13,094,000 in 1938 and \$13,286,000 in 1937. (For total values see "Live Stock"). The estimated number of egg-laying hens (Dominion Bureau of Statistics) was 23,089,000, a decline of 772,000 or 3.2 per cent. from that of 1937. The average production of eggs per hen was 111, in 1938, and 110 in 1937. The estimated production of farm eggs in 1938 was 213,399,000 doz., as compared with 219,443,000 doz. in 1937. The estimated value of farm eggs amounted to \$40,653,000 in 1938, an increase of \$2,173,000 or 5.6 per cent. over that of 1937. The average price per doz. was 19 cents in 1938, as compared with



17.5 cents in 1937. New Brunswick, Manitoba and British Columbia each registered gains in egg production in 1938, while decreases were shown in all other Provinces. The estimated consumption of eggs and poultry was as follows: 233,471,546 doz. of eggs and 200,839,206 lb. of poultry for 1938; and 238,913,108 doz. of eggs and 201,822,040 lb. of poultry for 1937. *Per capita* consumption of eggs was 20.83 doz. in 1938, as compared with 21.49 doz. in 1937; *per capita* consumption of poultry was 17.91 lb. in 1938 and 18.15 lb. in 1937.

## Dairy Products, 1937 and 1938

The estimated value of dairy products in 1938 was \$220,163,227, as compared with \$215,623,262 in 1937. These figures included dairy and creamery butter, farm-made and factory cheese, miscellaneous factory products and milk otherwise used.

The total milk production of Canada in 1938 was 15,770,235,900 lb., as compared with 15,326,727,600 in 1937. Milk used in the making of dairy butter totalled 2,459,829,000 lb. in 1938, a decrease from 1937 which was 2,530,246,000 lb.; milk used for creamery butter showed an advance of 6,247,821,900 lb. in 1938 and of 5,783,598,400 lb. in 1937.

Total butter production in Canada for 1938 was 371,962,900 lb., valued at \$87,037,700; for 1937, production was 355,140,746 lb. valued at \$86,839,332. Creamery butter production in 1938 was 266,886,900 lb. valued at \$66,080,700; and in 1937, production was 247,056,746 lb. valued at \$64,217,332. Dairy butter production in 1938 was 105,076,000 lb. valued at \$20,957,000 and in 1937 production was 108,084,000 lb., valued at \$22,622,000.

In December, 1938, the Secretary of the National Dairy Council issued a statement asking domestic consumers to help relieve the butter surplus situation by using more butter in cooking. "This has been a year of abundance in butter production in Canada, the United States, and in almost all butter-producing countries the world over," he stated. "We have in Canada, as they have in the United States and Britain, larger stocks than we ordinarily require. In Canada we have upward of 15,000,000 lb. which we would like to remove from the country if we could find a buyer. The buyer is not available."

The production of cheese in Canada in 1938 totalled 122,415,900 lb., as compared with 131,858,138 lb. in 1937. The value of the total production for 1938 was \$16,748,527; and \$18,139,150 for 1937. Of this total, the quantity and value of factory cheese for 1938 was, 121,314,600 lb. and \$16,597,500; and for 1937, 130,625,838 lb. and \$17,965,123. The corresponding figures for farm-made cheese were 1,101,300 lb. valued at \$151,027 for 1938 and 1,232,300 lb. valued at \$174,027 for 1937.

Concentrated whole milk products and by-products totalled 161,164,000 lb. valued at \$11,774,000 in 1938, an increase over that of 1937 which had a total of 137,399,863 lb. at \$10,078,192. An increase in total production of ice cream for 1938 over that of 1937 showed 8,668,000 gal. valued at \$10,551,000 and 8,409,765 gal. at \$10,195,432, respectively.

The total value of miscellaneous dairy factory products in 1938, excluding butter, cheese and concentrated milk, as shown by the Bulletin, *Production of Dairy Factories, Canada, 1938*, was \$45,660,110, as compared with \$43,933,674 in 1937. Total and *per capita* consumption of butter in Canada in 1938 was 356,797,062 lb. and 31.83 lb., as compared with 359,286,406 and 32.31 in 1937. Imports of butter rose sharply from 65,918 lb. in 1937 to 5,231,838 lb. in 1938. Exports of butter declined in 1938 and

totalled 3,893,400 lb., as compared with 4,096,600 lb. in 1937. The average price of creamery butter per lb. in 1938 as given by *Statistics of Dairy Factories, 1938*, was 24.89 cents, as compared with 25.99 in 1937. Cheese consumption in 1938 amounted to 40,555,515 lb. at 3.62 *per capita*, as compared with 39,779,627 lb. at 3.58 *per capita* in 1937. Cheese imports amounted to 1,386,645 lb. in 1938, as against 1,410,336 lb. in 1937. Exports of cheese in 1938 amounted to 80,989,100 lb. in 1938, as against 88,955,300 lb. in 1937. The average price of factory cheese per lb. in 1938 was 13.56 cents, and in 1937, 13.75 cents.

The value of all dairy products by Provinces in 1938 and 1937, respectively, were, as follows: Prince Edward Island, \$1,878,527 and \$1,757,451; Nova Scotia, \$7,889,900 and \$7,675,424; New Brunswick, \$5,799,900 and \$5,387,378; Quebec, \$55,702,300 and \$55,711,347; Ontario, \$89,153,500 and \$87,646,648; Manitoba, \$15,363,000 and \$14,083,012; Saskatchewan, \$15,668,900 and \$17,131,917; Alberta, \$18,792,000 and \$17,210,925; and British Columbia, \$9,915,200 and \$9,019,160.

In 1938 the number of dairy factories in operation was 2,552, classified as follows: creameries, 1,344; cheese factories, 988; combined butter and cheese factories, 196; and concentrated milk factories, 24. In 1937 the comparative figures were: total, dairy factories, 2,592; creameries, 1,299; cheese factories, 1,025; combined butter and cheese factories, 244; and concentrated milk factories, 24.

### **The Department of Agriculture, 1936-37 and 1937-38**

The Annual Reports of the Department for the fiscal years ended Mar. 31, 1937 and 1938, respectively, covered as in former years the many branches of the Department. The Experimental Farms Branch, the largest and most important, is covered separately in the following chapter of this Section. The devastating drought in Saskatchewan and Alberta during the Summer of 1937 engaged the serious attention of the Minister of the Department, the Hon. James G. Gardiner. He made three extended tours of the stricken areas, and on the third trip during the latter part of July was accompanied by the Hon. Norman Rogers, Minister of Labour. At the conclusion of this 1,500 mile drought inspection, Mr. Gardiner discussed Western drought conditions at a Conference, Aug. 3, 1937, with Liberal Members of Parliament for Saskatchewan at a meeting of the Prairie Farm Rehabilitation Board in Regina. He stated that if it had not been for recent rains, or if conditions had remained as they had been two weeks previously, it would have been necessary to ship more than 500,000 head of cattle out of the drought areas of Saskatchewan and Alberta. Mr. Gardiner explained that the Dominion Government had decided that the Department of Agriculture would provide facilities to assist in placing the feeder cattle which the market could not absorb at that date with farmers in other parts of Canada and the United States, who would finish them and put them on the market later. This plan was subsequently carried out under the direction of grading and accounting organizations established for that purpose. Speaking at Ottawa on Sept. 7, 1938, Mr. Gardiner declared that during the previous three weeks 50,000 cattle had been removed from the drought areas; of these 30,000 had been moved under the freight and feeder policy, by which the Government paid half the freight and half the passenger fares of eastern buyers; and the remaining 20,000 had been bought by the Government to be sold in the East. The Prairie Farm Rehabilitation for 1937 and 1938 follows in a separate chapter.

### Dominion Experimental Farms, 1937 and 1938

The Experimental Farms Service during the fiscal years ended Mar. 31, 1937 and 1938 continued its many vital services. Publications issued during the period under review included Reports covering Divisions, Branch Farms, Stations and Sub-stations, Farmers' Bulletins, Technical Bulletins, Household Bulletins, and Circulars. Work included tests in the breeding and feeding of live stock; problems of dairying; preservation of food products; further research on the qualitative nature of the bacteria indigenous to soil; analyses of well water, milk and its products and other farm specimens; experiments and tests in the Bee, Botany, Plants, and Cereal Divisions; fruit breeding by the Division of Horticulture; studies of the freezing quality of peas of several varieties as grown in different parts of the country, low temperature investigations, including gas storage work; progress in the origination of varieties of vegetables better adapted to different parts of the country.

The Cereal Division in connection with breeding work reported that the phenomenal progress which had been made in recent years in the creation of superior varieties of rust-resistant wheat and oats had not only provided much promising new material but also had stimulated still greater activity. The year 1938 was the first year in which a major catastrophe in Western Canada, due to wheat stem rust, was very largely averted through the use of rust-resistant varieties. According to careful calculations made by the Division and others, it was estimated that approximately \$30,000,000 was saved through the use of these resistant types in 1938.

The Division of Agricultural Bacteriology conducted research in 1937 and 1938 on the hygienic factors involved in the preparation and handling of frozen pack vegetables. Special attention was given to staphylococci, the group of bacteria found to be most resistant to freezing, in view of the importance of this group of organisms to food poison. Definite recommendations were made regarding measures affecting the safety and general quality of frozen pack products. Increased attention was given to microbiological aspects of the Wiltshire bacon-curing process. In co-operation with the Fruit Branch a survey of the sanitary condition of canned tomato products was conducted. Results of the 1937 survey showed an increased general quality of the domestic pack following the adoption of standards set in 1935, and this survey was continued in 1938. Following the establishment of bacteriological standards for edible gelatine in 1936, control of this product was maintained in collaboration with the meat and canned foods Division during the two years under review. The value of the control in helping to assure a hygienically suitable gelatine for food products is indicated by the 1937 tests which showed that 82.7 per cent. of the samples were within the standard as compared with 56.9 per cent. for 1936, and subsequently the 1938 test showed that the percentage of all samples within the limits had increased to 91.4 per cent.

The Division of Chemistry during 1937 received 12,610 samples and during 1938, 12,737. The larger proportion were in connection with investigational work with soils and fertilizer, pastures, cereals, forage crops, insecticides, fungicides, materials connected with animal and poultry nutrition and control samples for the administration of various Acts under the Department.

The Fibre Division rendered valuable service to Canadian flax growers. The introduction of modern flax pulling and scutching machines at DeBeaujeu has added a distinct stimulus to the fibre producers of the Co-operative. New flax mills were established in 1937 at St. Marthe and



St. Clet, under the same management as the DeBeaujeu Flax Co-operative Society. The introduction of new and better seed cleaning machinery from Belgium has also been of tremendous value to the flax growers.

Soil Drifting control in the Prairie Provinces was effected on a large scale during both years. Approximately, 14,251,600 acres of land were summer-fallowed in 1936 in the three Prairie Provinces out of a total cultivated area of 53,821,900 acres; corresponding figures for 1937 were, 16,000,000 acres summer-fallowed out of a total cultivated area of 65,788,900 acres.

### **Prairie Farm Rehabilitation Act, 1937-1938**

The Parliament of Canada in April, 1935, passed The Prairie Farm Rehabilitation Act, "to provide for the rehabilitation of drought and soil drifting areas in the Provinces of Manitoba, Saskatchewan, and Alberta." Measures to assist the agricultural population of the affected areas were introduced to promote "systems of farm practice, tree culture, and water supply that would afford greater economic security," and to further this purpose an Amendment to the Act, in March, 1937, was added, namely, "Land Utilization" and "Land Settlement." Dominion Experimental Farms, through demonstrational and investigational work on District Experiment Sub-Stations and Reclamation Stations in the affected areas of the Prairie Provinces, put into practice projects to ascertain the most suitable reclaimed abandoned farm lands for crop production or cattle grazing, to ensure economical use of a limited supply of soil moisture, and to prevent soil drifting. Together with the interest and co-operation of farmers through Agricultural Improvement Associations and the large scale of tree planting to promote soil drifting control, the Rehabilitation Programme was well launched in its research work in the afflicted drought areas. A major phase of the programme was the development of surface water resources, with a view to securing the most effective utilization of the limited water supplies for irrigation, stock-watering, and domestic farm purposes.

Regrassing projects were in progress in 1938 in Manitoba and South-eastern Saskatchewan where grass was grown to add fibre to the soil in the reclamation work. In South-western Saskatchewan seed of suitable grasses and legumes were sown on acres of low land which is occasionally moist, and on areas spring flooded by dams or dykes for demonstration purposes, also on two small irrigation projects.

On Mar. 31, 1938, there were 47 sub-stations for demonstration purposes in the drought area of the Prairie Provinces, each comprised of approximately 640 acres, with no advantage in land or equipment over neighbouring farms. Soil drifting was an alarming factor, and sub-stations were effectively demonstrating and gaining valuable experience with diverse methods of control, namely, strip farming, cultural practices and cover crops. At the Canuck sub-station a small irrigation project showed beneficial effect in the growth of garden produce. During the fiscal year, 1937-38, 302,530 pounds of grasses and legumes, and 13,125 bushels of cereals were purchased for seed project purposes. In 1937, 82,795 seedlings were supplied to sub-stations for demonstration work, and the total for rehabilitation programmes was 2,182,095 trees. During 1937 some 485 members of the Agricultural Improvement Associations planted 584,890 seedlings.

Financial aid for planting ceased after 1938, but payment of express on all planting stock to drought areas continued. This was to further a wider distribution of tree planting. The total distribution in the Prairie Provinces was 8,057,675 trees in 1937. On 16 sub-marginal areas in Sas-

katchewan, covering approximately 175,900 acres, a potential carrying capacity from 6,280 to 7,100 head of live stock was established by the end of 1937. In September of that year (1937) temporarily increased financial aid was tendered the drought area to extend 377 small irrigation projects covering approximately 12,000 acres. Progress in major water developments for the fiscal year ended Mar. 31, 1938, in Manitoba, was estimated at \$10,227; in Saskatchewan, \$109,868; and in Alberta, \$27,365. Under the Land Utilization programme the total expenditures for Manitoba, Saskatchewan and Alberta, were: \$11,947; \$532,717; and \$38,201, respectively. The total expenditures on all P.F.R.A. operations for the year 1937-38 (to Apr. 30, 1938) was \$1,831,677 and for 1936-37, \$959,819. A Conference of 23 delegates from Agricultural Improvement Associations and 6 operators of District Experiment Sub-stations was held at Brandon, Man., on Feb. 22, 23 and 24, 1938. Members of the staff of the Dominion Experimental Farm, Brandon, Prof. J. H. Ellis, and Mr. N. C. McKay, also attended. Rehabilitation and further improvement of agriculture in South-western Manitoba was discussed.

The Land Utilization Conference, with 86 delegates in attendance, was convened at Regina, May 5, 1937, by Mr. Gardiner, Dominion Minister of Agriculture. It was comprised of representatives of the Dominion, Provincial Governments, and Municipal organizations of the three Prairie Provinces, investment and loan companies, railways and the Hudson's Bay Company. Reports of surveys were made covering rainfall, average yields, mortgage indebtedness, ownership of lands, and probable means of rehabilitation in the drought area of Frenchman River, Estevan, Matador, and Mariposa in the Province of Saskatchewan.

### **The Canadian Farm Loan Board, 1936-37 and 1937-38**

The method of financing the operations of the Farm Loan Board was explained in the Board's Report for the year ended Mar. 31, 1938 to the Minister of Finance. This Report stated that in order to finance the operations of the Board in the early years of its existence provision was made by the terms of The Canadian Farm Loan Act by which the Government of Canada was authorized to make the Board a capital advance of \$5,000,000 free of interest for three years from the date of the advance and subsequently to bear interest at a rate fixed by the Governor-in-Council. Following the organization of the Board, advantage was taken of these provisions. The rate of interest payable on the advanced capital of \$5,000,000 was fixed originally at 5 per cent., but was later reduced to 3½ per cent., which was the rate payable in 1938.

Applications for loans received during the fiscal year ended Mar. 31, 1937, totalled 9,821 amounting to \$21,872,723, as compared with 3,924 applications, amounting to \$8,254,401 for 1937-38. Total loans granted during 1936-37 amounted to \$10,509,000 and loans disbursed totalled \$11,074,156, as compared with \$3,841,575 and \$5,264,307 respectively in 1937-38. Collections on principal for 1936-37 were \$653,109, and in interest \$812,666—a total of \$1,465,775. Relative figures for 1937-38 were: \$1,338,595 on principal and \$1,184,562 in interest—a total of \$2,523,157.

Sale or foreclosure proceedings during 1936-37 involved (1937-38 figures in brackets) 132 loans (39), and the Board acquired by sale a total of 55 farms (65), disposed of 57 farms (55), and at the close of the year held 92 properties (102) for sale.

Interest paid on bonds and capital advances amounted to \$676,451 for 1936-37 and \$943,317 for 1937-38. The total cost of administration in 1936-37

was \$427,932 and in 1937-38, the total was \$371,437. The Board showed a loss on operations for the year 1936-37 of \$41,161, as compared with a profit of \$140,152 for 1937-38. Reserves at the close of the year 1936-37 totalled \$445,019, as compared with \$496,390 for 1937-38.

### Operation of The Farmers' Creditors Arrangement Act

During the period, July, 1934 (the inception of the Act) to Mar. 31, 1938, a total of 150,782 farmers interviewed Official Receivers, 33,640 proposals were submitted, 36,108 meetings of creditors were held, 11,314 voluntary settlements were effected by Official Receivers and 17,251 cases were disposed of by Boards of Review. (See *The Canadian Annual Review* for previous history of the operations of the Act). The average debt of farmers who submitted proposals during this period was \$6,005 and the average reduction effected per case was \$1,904. The percentage of reduction in the amount of secured debts was 29.93; percentage of reduction in unsecured debts, 44.55; and percentage of reduction in total debt, 31.69. The average annual reduction in interest was \$159.84. The following table is a statistical review of 26,365 cases disposed of by Official Receivers and Boards of Review from the inception of the Act to Mar. 31, 1938:

Province	Number of Cases	Total Original Debt	Total Reduction	Annual Interest Reduction
		\$	\$	\$
Prince Edward Island .....	1,076	2,985,037	734,477	42,179
Nova Scotia .....	148	798,379	272,194	15,998
New Brunswick .....	939	1,576,994	479,434	35,851
Quebec .....	5,094	19,230,643	3,122,765	488,084
Ontario .....	7,372	34,960,615	9,268,483	743,540
Manitoba .....	3,157	22,380,814	9,463,273	728,824
Saskatchewan .....	4,659	43,243,842	14,533,478	966,124
Alberta .....	3,297	29,505,360	11,040,505	1,086,964
British Columbia .....	623	3,629,682	1,274,901	106,529
Total for Dominion .....	26,365	158,311,366	50,189,511	4,214,096

The number of farmers who interviewed Official Receivers during the fiscal years ending Mar. 31, 1937 and Mar. 31, 1938 were: 23,118 in 1936-37 and 19,272 in 1937-38. Total proposals submitted were 7,452 in 1936-37 and 7,097 in 1937-38. There were 8,086 meetings of creditors held in 1936-37 and 9,187 held in 1937-38. Voluntary settlements effected by Official Receivers in 1936-37 totalled 2,404, and in 1937-38 they totalled 4,017. Cases disposed of by Boards of Review totalled 5,776 in 1936-37 and 5,357 in 1937-38; and the total number of cases disposed of in 1936-37 was 8,180 and in 1937-38, 9,374. The cost of administration in 1936-37 was \$555,316 and in 1937-38, \$494,953.

### Agricultural Conferences, 1938

The Empire Producers' Conference was held Mar. 26, 1938 at Sydney, New South Wales. The Canadian representatives were: Paul F. Brett, President of the Western Wheat Pool Organizations, and President of the Manitoba Pool Elevators, Limited, and J. H. Wesson, President of the Saskatchewan Wheat Pool and President of the Canadian Chamber of Agriculture. The Conference was comprised of representatives of primary producers in the various countries of the British Commonwealth of Nations, but was not a Governmental Conference. The *agenda* included a review of agricultural possibilities in Great Britain and in the Dominions, consideration of disposal of surplus primary products for export, development of intra-Dominion trade, and establishment of a liaison and consultative committee of Empire producers to review Empire policy.



The International Wheat Conference was opened in London, July 14, 1938, by the United States Ambassador to Great Britain, the Hon. Joseph P. Kennedy, who explained President Roosevelt's purpose in continuing the five-year effort to obtain control of wheat acreage by international agreement. Sixteen countries were represented. Reports of the bumper wheat crops, which were expected to bring in the largest harvest in the world's history, and prospects of further increases in acreage the following season, were discussed. The second day of the Conference the Advisory Committee voted to recommend that its 16 constituent Governments should take some action to meet the threat of the enormous world harvest, then in prospect, with the danger of repetition of the disastrous prices which ruled in 1931. The Committee agreed to the United States proposal that the life of the Committee, which was due to end the month of the meeting, should be extended for two years. The following countries were represented: Australia, Canada, the United States, Russia, Poland, Hungary, Rumania, Jugoslavia, the United Kingdom, France, Germany, Italy, Belgium, Czechoslovakia, Sweden and Switzerland.

On Aug. 25, 1938, a Conference of Canadian and United States Government officials opened at Ottawa to discuss possible methods of co-operation in the marketing abroad of the wheat surpluses of the two countries and in other farm products marketing problems. M. L. Wilson, United States Under Secretary of Agriculture; Leslie A. Wheeler, Chief of the Division of Foreign Agricultural Services; and his Assistant Donald F. Christy, were the representatives of the United States Government. Canadian Government officials included: W. C. Clark, Deputy Minister of Finance; A. M. Shaw, Head of the Agricultural Marketing Services; and George S. McIvor, Chairman of The Canadian Wheat Board.

The Prairie International Markets Conference, called by the Hon. John Bracken, Prime Minister of Manitoba, met on Dec. 12, 1938, with 200 representatives of the agricultural, industrial, business and financial life of Canada in attendance. The four-day sessions were held at the Fort Garry Hotel, Winnipeg. The conference was convened for the purpose of finding a solution for the major problems facing Western Canada's primary producers. Mr. Bracken stated that "the answer to the agricultural problem of Western Canada caused by loss of world markets will probably be found eventually in a combination of restored international trade and controlled production" (Canadian Press dispatch, Dec. 16, 1938). There were no resolutions passed by the Conference, but a Continuing Committee on Markets and Agricultural Adjustment, which would be representative of various interests in the three Prairie Provinces, was appointed.

The third annual meeting of the Canadian Chamber of Agriculture was held in Winnipeg, Oct. 28-29, 1938, with the President, J. H. Wesson, presiding. The Hon. J. Bracken, Prime Minister of Manitoba; Hon. J. G. Taggart, Minister of Agriculture, Saskatchewan; and the Hon. W. R. Motherwell, were visitors with the full complement of delegates from five Provinces. In recognition of his many years of service to Canadian agriculture, the Hon. W. R. Motherwell was elected Honorary President of the Chamber. Resolutions passed included: to ask each provincial organization to press for provincial marketing legislation similar to The British Columbia Marketing Act; to urge the Dominion Government to pass immediately a compulsory act to deal with inter-provincial and export trade; a Dominion act for the incorporation and regulation of co-operative societies was requested; that the Bank of Canada be authorized to issue credit directly to Dominion, Provincial and Municipal Governments based on their securi-

ties and that interest rates in agriculture be not more than four per cent.; and to ask the Dominion Government to extend The Wheat Board Act to include Ontario. At the closing session of the meeting Mr. J. H. Wesson, President of the Saskatchewan Wheat Pool was named President of the Canadian Chamber of Agriculture.

### Industries of Forest Products, 1937 and 1938

The total forest production in 1937 (latest Report available, February, 1940) involved the cutting of 2,996,633,000 cubic feet of standing timber; this constituted only the depletion for use—to it must be added the volume of material destroyed by fire, which during a term of 10 years had averaged 304,000,000 cubic feet of merchantable timber and young growth of various ages estimated to be equivalent to 264,000,000 cubic feet. Insects, fungi and windfall destroy annually at least 700,000,000 cubic feet so that the drain on Canadian forest resources in 1937 was approximately 4,264,633,000 cubic feet.

The total value of all forest products in 1937 was \$163,249,887, an increase of 21.1 per cent. over the estimated value of \$134,804,228 for 1936.

Canada's forest resources were estimated for 1937 at 273,656 million cubic feet of standing timber made up of 425,250 million feet board measure of sawn lumber and 1,746,639 thousand cords of pulpwood, ties, poles and other smaller materials.

Pulpwood, the most important forest product in Canada, and heading the list of products in Quebec, Ontario, New Brunswick and Nova Scotia, was valued in 1937 at a total of over \$63,000,000. Logs and bolts, with a total value exceeding \$58,000,000 came second on the list for the Dominion as a whole and first in British Columbia. Firewood came third on the value list with more than \$32,000,000—the most valuable forest product in Alberta, Manitoba, Saskatchewan, and Prince Edward Island. Hewn railway ties, poles and round mining timber and post came next in order of importance for value.

The following table shows, by Provinces, forest production (operations in the woods), 1936 and 1937:

Province	M. Cubic Feet	Value
Prince Edward Island .....	12,882	\$ 548,074
Nova Scotia .....	137,823	7,399,065
New Brunswick .....	217,098	13,157,666
Quebec .....	1,050,087	58,577,529
Ontario .....	629,826	37,668,861
Manitoba .....	73,897	2,812,234
Saskatchewan .....	79,627	2,099,475
Alberta .....	105,646	3,196,988
British Columbia .....	689,747	37,789,995
<b>TOTALS .....</b>	<b>2,996,633</b>	<b>\$163,249,887</b>

Out of a total of about 3,000 million cubic feet of standing timber cut in Canada in 1937 about 90 per cent. was retained in the country for immediate use or as raw material for further manufacture in some Canadian industry, and 10 per cent. was exported in a more or less unmanufactured form.

In 1937 the total value of capital invested in the wood and paper group of industries was \$927,070,757. The employees numbered 147,254 and were paid \$165,298,485 in wages and salaries. The net value of production was \$306,961,553 and the gross value \$597,061,878.

The logs and bolts cut in 1937 were converted into 4,005,601 M ft.b.m. of sawn lumber and into other sawmill products with a total net value of over forty-six million dollars. Only 6 per cent. of the saw logs cut in Canada in 1937 were exported unmanufactured.

About 20 per cent. of the pulpwood cut during 1937 was exported before being manufactured into pulp but 85 per cent. was rossed or barked before exportation thus considerably increasing its value. The proportion of Canadian pulpwood exported in the raw or unmanufactured form rose from 18 per cent. in 1936 to 20 per cent. in 1937. Of the total cut of pulpwood, about 80 per cent. was used as the principal raw material in the pulp and paper industry, one of the most important manufacturing industries of Canada. In pulp making the value added to the raw pulpwood by manufacture was over \$65,000,000 in 1937 (Dominion Bureau of Statistics, Estimate of Forest Production, 1937). Of the pulp manufactured in Canada during 1937, 16.9 per cent. or 870,716 tons, were exported, as shown by the Final Report on the Pulp and Paper Industry for 1937. The corresponding figure for 1938 shown in the Preliminary Report for that year was 554,037, a decrease of 36.4 per cent. The remainder was made into paper in Canada with a value added to the pulp of over \$101,000,000. The value added to pulpwood by manufacturers in the pulp and paper industry as a whole was over \$124,000,000, for 1937.

The wood cut for distillation and charcoal burning was all consumed in Canada. The firewood, hewn ties, poles, round mining timber, posts and rails are largely used locally and if exported they are used in the form in which they leave the woods and would not receive any further manufacturing if they were retained in Canada.

### **Pulp and Paper Industry, 1937 and 1938**

The pulp and paper industry, one of the most important in Canada, had a gross value of production of \$226,244,711 during 1937, an increase of more than 23 per cent. over 1936; the net value of production was \$106,002,017, an increase of 23.6 per cent. over 1936. Comparative figures for 1938 (preliminary) were, gross value, \$183,897,503, a decrease of 18.7 per cent. from 1937, and a net value of \$89,034,186, a decrease of 16 per cent., as compared to the 1937 total. The gross value represented the sum of the values of pulp made for sale in Canada, pulp made for export and paper manufactured. It did not include pulpwood nor the pulp made in combined pulp and paper mills for their own use.

In accordance with a resolution passed at the Conference of British Commonwealth Statisticians, held in 1935, the net value of production or the value added by manufacture is compiled by subtracting the cost of materials and supplies, fuel and electricity from the gross value of the products. Prior to this only the cost of materials was deducted.

During 1937, 98 mills operated in Canada, 5 more than in 1936. During 1938 (figures for 1938 are all preliminary), the number was 99, one more than in 1937. Pulp produced in 1937 amounted to 5,141,504 tons (an increase of 14.6 per cent. over 1936) with a value of \$116,729,228 an increase over 1936 of 26.4 per cent. Pulp produced in 1938 amounted to 3,667,789 tons valued at \$87,897,148.

During 1937 Canada produced 4,345,361 tons of paper, an increase of 14.1 per cent. over 1936. Production for 1938 was 3,249,358 tons (preliminary), a decrease of 25.2, as compared to 1937. Newsprint consumed 84.5 per cent. of paper manufactured in 1937 which was 13.9 per



cent. more than in 1936, and made an all-time record for Canadian newsprint production. Of the total 1938 tonnage, 82.1 per cent. was used for newsprint, a decrease of 27.4 per cent. from 1937.

Capital invested in the industry in 1937 totalled \$570,352,287, an increase of 5.7 over 1936. The capital employed in 1938 was \$594,908,222 (preliminary), an increase of 4.3 per cent. over 1937.

Employees in the pulp and paper industry numbered 33,205 in 1937, with salaries and wages totalling \$48,757,759; increases over 1936 were, respectively, 6.8 per cent. and 21.7 per cent. The total employment for 1938 was 30,943 and the total payroll, \$42,619,311, showing decreases, as compared to 1937, of 6.8 per cent. and 12.6 per cent., respectively.

The exports of paper and paper goods during the calendar year 1938 were valued at \$112,872,776, as compared with \$136,164,168 in 1937 (an increase of almost 23 per cent. over 1936). These exports were made up chiefly of newsprint paper, 2,424,654 tons valued at \$104,615,042 being exported, of which 1,938,296 tons valued at \$85,190,912 went to the United States. Since 1937 Canada's exports of newsprint have surpassed those of wheat, which was formerly the leading commodity exported. For a number of years Canadian newsprint exports have been greater than those of the rest of the world combined. In 1938 newsprint exports showed a decrease in quantity of 29.8 per cent., and a decrease in total value of 17.3 per cent., from the 3,455,239 tons valued at \$126,466,412 which were exported in 1937. During 1938 the total value of paper and paper goods imported was \$7,520,328, a decrease of 5.8 per cent. from the imports for 1937.

The pulp and paper industry contributed a large part of the excess of exports over imports, amounting to \$279,274,701, realized by Canada during the calendar year 1938. In 1937 the contribution was over 57 per cent. of the excess of exports over imports, amounting to \$316,063,687 (*Preliminary Report of the Pulp and Paper Industry in Canada, 1938*, Dominion Bureau of Statistics).

### **The Lumber Industry, 1937**

The Annual Final Reports on the Lumber Industry prepared by the Forestry Branch of the Dominion Bureau of Statistics includes sawn lumber, shingles, sawn ties, box shooks, veneer, spoolwood, pickets, staves, heading and hoops and the cutting-up and barking or robbing of pulpwood. The gross value of the various products of sawmill operations in Canada as given by the 1936-37 Final Report (latest Report available), was \$104,849,785, an increase of 30.5 over the 1936 figure of \$80,343,291. As in previous years the lumber industry headed the list with a value of \$61,965,540 for 1936, and a total of \$82,776,822 for 1937. Sawn lumber increased in quantity from 1936 to 1937 by 17.4 per cent. and in total value by 33.6 per cent. Shingles came second on the list with a value of \$6,754,788 for 1936 and \$7,631,691 for 1937. In point of value of production in the industry British Columbia came first with a gross value of \$45,546,430 during 1936 and \$53,647,601 during 1937.

The total value of exports of sawmill products and other partly manufactured and unmanufactured forest products from Canada in the calendar years 1936 and 1937 were \$63,073,096 and \$79,775,059 respectively.

## Mining and Metallurgical Industries in 1937 and 1938

After three consecutive years of increases over the previous year's value of Canadian mineral production, in each case, the year 1938 witnessed a slight reduction, according to the Dominion Bureau of Statistics. The total production for the calendar year 1938 was valued at \$441,823,237, as compared with \$457,359,092 for the record year 1937, or a decrease of 3.4 per cent. The Report of the Dominion Bureau of Statistics stated that "Although more gold, platinum metals, copper, lead, zinc, natural gas and crude petroleum were produced than in any former year, lower average base metal prices and the drop in output of some of the more important non-metallic minerals and structural materials more than offset the increase in the value of gold and petroleum."

The values of metallics as a group totalled \$323,075,154 for 1938, whereas for 1937 the total was \$334,165,243. Further reductions for 1938 were accounted for by other non-metallics which totalled \$20,066,123, in comparison with \$22,495,271 for 1937. Clay products and other structural materials were valued at \$4,536,084 and \$29,342,582 respectively for 1938, whereas they were valued at \$4,516,859 and \$30,352,840 respectively for 1937.

## Gold, 1937 and 1938

In world production, Canada ranked third as a gold-producing country in 1938 (preliminary statistics). Canadian gold production, in amount and value, reached a new high in 1938, the output totalling 4,725,117 fine troy ounces valued at \$166,205,990, as compared with 4,096,213 fine ounces valued at \$143,326,493 for 1937. The average price of an ounce of fine gold was \$35.17 in Canadian funds for the year 1938 and \$34.99 per fine ounce for 1937.

Ontario, as in previous years, was far ahead of the other Provinces in gold production during both of these years, with 2,896,492 fine oz. in 1938 (62 per cent. of total), as compared with 2,587,095 in 1937. The Porcupine camp maintained the premier position with 15 gold mines in production in 1938, with an output totalling 1,258,797 fine oz. (preliminary), as compared with 1,120,525 fine oz. in 1937. The Kirkland Lake area was second, with 1,030,747 oz. of fine gold in 1938, as against 999,446 oz., in 1937; and with 15 mines on the producing list. During 1937 in the Porcupine area, Hollinger installed a new crushing plant and a unique 11,000-ton ore bin of hemispherical design. The Paymaster, Buffalo-Ankerite and Pamour deepened their shafts; Coniaurum and Dome Mines completed internal shafts to the 5,100-foot and 29th levels respectively. Hallnor commenced work on a 400-ton mill; the Delnite started milling in July, and the Moneta brought its 200-ton mill into production in January, 1938. In the Kirkland-Larder Lakes belt, Golden Gate constructed a 100-ton mill in 1937; Raven River mine, formerly the Harris-Maxwell, brought its 60-ton mill into production; and Kerr-Addison advanced construction on the first unit of a 500-ton mill. In Algoma district a 250-ton cyanide mill was commenced during 1937 at the Cline Lake mine. The Long Lac-Beardmore area was active in 1937. Little Long Lac increased tonnage to 300 tons daily; Sand River commenced producing with a 50-ton plant; Hard Rock constructed a 200-ton mill; McLeod-Cockshutt a 500-ton mill; Tombill a 100-ton flotation plant. At Red Lake a 125-ton cyanide mill was erected during 1937 at the Gold Eagle property. The most northerly development in Ontario gold mining during 1937 was that of the Sachigo River Exploration Co.

at Sherman Lake near the Manitoba boundary and about 350 miles north of Sioux Lookout. According to *Summary Review, The Gold Mining Industry in Canada*, 1938 witnessed underground developments in Ontario, comparable with that of 1937, but there was a decided decline in diamond drilling and also in the recording of mining claims during 1938. A mill was constructed at Preston East Dome, with a capacity of 300 tons; Wright-Hargreaves No. 5 winze was sunk to 6,400 feet; Lake Shore commenced operating roasting plant of 50 tons; Ronda, a 125-ton plant; in May, 1938 the Sachigo River Exploration Company tuned in a 25-ton mill.

In 1938 the Province of Quebec reached a new high record of 875,285 oz. valued at \$30,788,150, as compared to 711,480 fine oz. valued at \$24,894,685 in 1937. Returns of production of gold were received from 30 operating companies in 1938; of these 8 mines poured their first gold brick during the year. The new producers were: East Malartic, Francoeur, Halliwell, Lapa Cadillac, Lake Rose, Pan-Canadian, Payore, Sladen-Malartic (*Summary Review of Gold Mining Industry, 1938*).

British Columbia's production totalled 605,617 fine oz. in 1938 in comparison with 505,857 the preceding year. The combined production of Manitoba, Saskatchewan and Alberta was 236,032 fine oz. in 1938, as against 223,881 in 1937. Nova Scotia produced 26,560 fine oz. of gold in 1938 compared with 19,918 the previous year. The Yukon and Northwest Territories produced 79,168 fine oz. in 1938 as against 47,982 in 1937.

### **Silver, 1937 and 1938**

Canadian silver production in 1938 was 22,219,195 fine oz. in comparison with 22,977,751 in 1937, although the latter year was much in excess of the production in 1936 of 18,334,487 fine oz. The average price of the metal on the New York market in Canadian funds for 1938 was 43.477 cents, and for 1937 was 44.881 cents per fine oz. Consequently, the total value was \$9,660,239 in 1938, as against \$10,312,644 in 1937. British Columbia produced 11,186,563 fine oz. of silver in 1938, as compared with 11,530,177 in 1937. Ontario mines yielded 4,318,837 fine oz. in 1938, and 4,693,047 the previous year. Manitoba totalled 1,198,315 fine oz. in 1938, against 905,179 in 1937; Quebec, 1,189,495 as against 908,590; Nova Scotia, 988, as against 26,990; Saskatchewan, 898,413 as against 821,637; Yukon, 2,844,659, as against 3,956,504; Northwest Territories, 581,902 as against 135,442.

### **Nickel, Copper, Lead, Zinc and Platinum, 1937 and 1938**

In 1937 a new all-time high record in Canadian nickel production was established for the fourth consecutive year. Although 1938 production was slightly lower than that of 1937 it was still greatly in excess of all years prior to the latter. Statistics showed an output for 1938 of 210,572,738 lb. valued at \$53,914,494, as compared with 224,905,046 lb. worth \$59,507,176 in 1937. Production as recorded came entirely from the Province of Ontario, and represented the recovery of the metal in the refined metallic state in salts and oxides and in matte exported.

Production of copper in Canada in 1938 totalled 571,249,664 lb. valued at \$56,554,034, establishing an all-time high record for output and the value was surpassed only by that of 1937. In comparison, the 1937 production totalled 530,028,615 lb. valued at \$68,917,219. Copper production (in lb.) by Provinces in 1938 and 1937 was, respectively: Ontario, 309,030,106 and 322,039,208; Quebec, 112,645,797 and 94,653,132; Manitoba, 65,582,772 and 44,920,835; British Columbia, 65,759,265 and 45,797,988; Saskatchewan, 18,-



156,157 and 22,436,843; Nova Scotia (none was reported for 1938), and 180,609, and Northwest Territories, 75,567 in 1938 (none was reported for 1937).

Lead production in Canada in 1938 totalled 418,927,660 lb., valued at \$14,008,941 as against 411,999,484 lb., valued at \$21,053,173 in 1937. The average price per lb. was 3.344 in 1938 (Preliminary Report, Mineral Production of Canada, 1938) and 5.11 in the previous year (*Annual Report, Mineral Production of Canada, 1937*). In both years under review British Columbia was the chief producer. The production of Yukon and the Northwest Territories totalled 5,198,990 lb. in 1938, and 6,440,454 lb. in 1937.

New highs were again attained in Canadian zinc production with a total of 381,506,588 lb. in 1938, and 370,337,589 in 1937.

The platinum group of metals continued to show a marked increase in 1938 and 1937 over previous years. Canada's cobalt production was less in 1937 and 1938 than in 1936, the respective quantities being: 507,064; 459,266, and 887,591 lb. Selenium production in 1938 was 358,929 lb., as against 397,227 in 1937; tellurium, 48,237 lb. and 41,490; cadmium, 699,138 lb. and 745,207; and bismuth 9,516 lb. and 5,711 lb. in 1937. The high for bismuth was reached in 1936 with production of 364,165 lb.

### Coal Production, 1937 and 1938

Production of Canadian coal in 1938 totalled 14,247,783 short tons valued at \$43,912,204 (preliminary), *Mineral Production of Canada, 1938*, as compared with 15,835,954 short tons worth \$48,752,048 in 1937. Nova Scotia continued to be the leading coal producing Province with a total output of 6,231,923 short tons in 1938 and 7,256,954 in 1937. New Brunswick reported production of 329,030 short tons in 1938 and 364,714 in 1937; Manitoba, 2,365 and 3,172; Saskatchewan, 1,017,128 and 1,049,348; Alberta, 5,227,051 and 5,562,839; British Columbia, 1,440,286 and 1,598,843; Yukon, (no production reported in 1938) and 84 in 1937.

Imports of coal into Canada were 16 per cent. lower in 1938 at 13,464,060 tons, though anthracite receipts increased 4 per cent. to 3,716,447 tons, (*Preliminary Report, Mineral Production of Canada, 1938*). Natural gas production in Canada during 1938 advanced to 33,441,139 M. cu. ft. from the preceding year's total of 32,380,991 M. cu. ft. Crude petroleum production advanced to a new high record in 1938 (Preliminary Report, 1938) of 6,956,229 barrels in comparison with 2,943,750 barrels in 1937.

### Non-Metallic Production, 1937 and 1938

In the non-metallic group the output of asbestos in 1937 was the greatest in the history of the Canadian asbestos mining industry and, as in former years, came almost entirely from the Eastern townships in the Province of Quebec. Production totalled 410,026 short tons, valued at \$14,505,791 (*Annual Report, Mineral Production of Canada*). According to the preliminary figures for 1938 production totalled 289,877 tons valued at \$12,893,806. Gypsum production in 1938 totalled 1,008,799 tons and 1,047,187 tons in 1937; mica, 1,037,026 lb. in comparison with 1,890,376 lb. in 1937; sodium sulphate, 63,009 tons, and 79,884 short tons in 1937. Canadian feldspar production was 14,058 short tons, and 21,346 in 1937. Sulphur production was 112,395 tons and 130,913 tons in 1937. For the third consecutive year the quantity of salt produced reached a record of 440,045 tons and 458,557 tons manufactured in 1937. Improvement in structural materials group showed a distinct advance in 1937 when the

value of these materials aggregated \$34,869,699, or an increase of 35.31 per cent. over the corresponding value in 1936; aggregate value of production of clay products, cement, stone and sand and gravel was 6 per cent. less in 1938 than in the previous year (preliminary figures for 1938).

### Non-ferrous Smelting and Refining Industry, 1937 and 1938

According to the *Annual Reports on the Mineral Production of Canada* issued by the Dominion Bureau of Statistics, the gross value of all products made in Canadian smelters and refineries, from almost entirely primary mine material totalled in 1937 \$318,278,251, and in 1938 \$287,295,733. Refined products included gold, silver, copper, lead, zinc, aluminium, cobalt, cadmium, selenium, tellurium, radium salts, uranium compounds and sulphur; other end products of individual plants or companies were copper-nickel matte, cobalt salts, nickel salts, nickel and cobalt oxides, arsenious oxide, sulphuric acid, platinum metals residues, silver sulphide, silver-bismuth bullion, zinc dust, zinc oxide (fume), blister and anode copper and copper matte. The capital employed in the industry in 1937 was \$162,696,595, and in 1938 was \$184,337,126. Estimated cost of ores, concentrates and other material treated in 1937 was \$191,303,251 and in 1938 was \$173,070,377.

In 1938 Canada's all-time high in copper production was 571,249,664 lb. in comparison with 530,028,615 lb. in 1937. The proceeds from the 1937 production, however, totalled \$68,917,219, whereas in 1938 they were only \$56,554,034. In the production of lead Canada ranked fourth during both years under review being surpassed only by the United States, Australia and Mexico.

The reduction of aluminium ores and the production of primary aluminium in Canada was confined to the Province of Quebec, where the Aluminum Company of Canada Limited operated an ore treatment plant at Arvida and reduction plants at both Arvida and Shawinigan Falls.

The smelter of Noranda Mines Limited, situated at Noranda, Quebec, treated 1,155,755 tons of ore, concentrate and refinery slag and produced 89,915,813 lb. of anodes during 1937. In 1938 this smelter treated 1,291,692 tons of ore, concentrate and refinery slag and produced 99,139,734 lb. of anodes. During the latter year the estimated production of new metals was 96,966,169 lb. of fine copper, 337,024 oz. of gold, and 975,623 oz. of silver; these figures include the production from 221,498 tons of customs ore and concentrate; the estimated recovery from the Horne mine ores being 76,358,442 lb. of fine copper, 299,033 oz. of gold and 607,447 oz. of silver.

In Ontario, the International Nickel Company of Canada, Limited, in 1937 treated 4,583,100 tons of ore; Copper Cliff smelter produced 188,169 tons of bessemer matte and 158,100 tons of converter copper; the Coniston smelter was operated at full capacity and 891,956 tons of ore were treated and 54,329 tons of bessemer matte produced. During 1938 International Nickel Company's smelter at Copper Cliff, Ontario, produced 182,906 tons of bessemer matte and 158,912 tons of converter copper; the Coniston smelter processed 823,906 tons of ore and produced 48,608 tons of bessemer matte. The nickel refinery at Port Colborne produced 147,264,099 lb. of refined nickel in 1937 and 124,233,682 lb. of refined nickel in 1938; the Copper Cliff refinery of the Ontario Refining Company Limited processed 159,286 tons of converter copper, in 1937, which was produced at the Copper Cliff smelter of International Nickel Company, and produced 145,600 tons of refined copper, whereas, in 1938 the figures were 158,793 tons of converter copper and 145,141 tons of refined copper.

In 1937 the ore dressing plant of Falconbridge Nickel Mines Limited treated 438,629 tons of ore of which 195,658 tons were milling ore and 242,971 tons smelting ore. The Company produced 13,384.2 short tons of matte, containing 7,384.4 short tons of nickel and 3,522.8 short tons of copper. For 1938 the Falconbridge plant treated 490,938 tons of ore and 14,779.1 short tons of matte were produced, containing 8,012.7 short tons of nickel and 4,108.5 short tons of copper.

In May, 1938, Eldorado Gold Mines Limited completed the construction at Port Hope, Ontario, of a modern plant for the treatment of concentrated pitchblende ores from Great Bear Lake, N.W.T. Commercial products of the Company, according to their Summary Report for 1938, included: radium salts for therapeutic and commercial use; uranium compounds; silver sulphide; radioactive lead as a source of radium D. The productive capacity, estimated to be slightly over 100 grams of radium annually, was believed to be sufficient to take care of the requirements of this young industry for an indefinite period to come. The processes consist of a long and complicated series of roasting and chemical operations. Facilities were also provided in the new plant for the production of additional products and for the treatment of secondary minerals, including cobalt, should this prove desirable. Extensive research facilities were also included at Port Hope.

Chemical operations were limited to 9 months in 1937, the old plant being operated to full capacity up to Oct. 1, when it was necessary to suspend all chemical treatment for transfer of the equipment from the old plant to the new. The ore shipments received at the plant from the mine at Great Bear Lake, N.W.T., in 1937 amounted to 339 tons. Refinery products processed during 1938 had a current market value of \$1,200,000. Including concentrates on hand from the previous year, the roasting and milling plant in 1938 treated 584 tons, producing 605 tons ready for chemical recovery; this compares with 294 and 302 tons, respectively, for the year preceding.

In 1937 the Hudson Bay Mining and Smelting Company Limited, Flin Flon, smelted in its reverberatory furnace 320,918 tons of Flin Flon ore and concentrates; in 1938, 335,834 tons. There were produced and shipped 34,240 tons of blister copper, with an average assay of: gold 3.974 oz., silver 50.44 oz., and copper 98.80 per cent. in 1937; 42,527 tons of blister copper, with an average assay of: gold 3.111 oz., silver 48.46 oz., and copper 98.87 per cent. in 1938. During 1937 the electrolytic zinc plant treated 94,936 tons of zinc concentrates, yielding 68,972,244 lb. of slab zinc; in 1938, 109,166 tons were treated, yielding 76,827,172 lb. of slab zinc.

The Consolidated Mining and Smelting Company of Canada, Limited, produced in 1937 at its Kimberley and Trail plants, together, 200,284 tons of refined lead; and 124,094 tons of zinc plus 41,860 tons of zinc concentrates exported to Europe; in 1938, 201,574 tons of refined lead, and 149,071 tons of zinc were produced.

### **Canadian Institute of Mining and Metallurgy, 1937 and 1938**

The Thirty-eighth Annual General Meeting of the Institute was held in Montreal, Mar. 15—17, 1937, the President, Lieut.-Col. G. E. Cole, presiding. At the inaugural session Mr. Cole delivered the principal address; at the business meeting following the President's address, Mr. W. H. Losee of the Dominion Bureau of Statistics advised the members that gains were general to all groups, metals, fuels, non-metallic minerals other than fuels and structural materials. Highlight of the second day



was a luncheon at which the Hon. F. J. Leduc, Provincial Minister of Roads, addressed the large assembly, pledging full provincial co-operation affecting progress in the mining industry. The Convention closed with an annual dinner at which the Hon. Maurice Duplessis, Premier of Quebec, the Hon. T. A. Crerar, Dominion Minister of Mines and Resources, and the new Institute President, the Hon. Michael Dwyer, Minister of Mines for Nova Scotia, were guests of honour. At the banquet which ended the three-day Annual Convention of the Institute, the Hon. T. A. Crerar, Minister of Mines and Resources for Canada, gave an interesting address. He was followed by the Hon. Onesime Gagnon, Minister of Mines for Quebec.

The Thirty-ninth Annual General Meeting of the Institute was held at Toronto, Mar. 14—16, 1938. At the inaugural session the President Mr. Dwyer and the Past-President Mr. Neilly, acted as chairmen. A review of the achievements of the mineral industry with graphs and tabulations displayed on the screen was given by Mr. W. H. Losee. Among the addresses delivered during the Convention were those of the Hon. Michael Dwyer, Nova Scotia's Minister of Mines, the presidential address; "The Mineral Industry in Canada" given by Mr. W. H. Losee; Mr. J. J. Denny, Experiments in the Prevention of Silicosis; Dr. G. S. Hume, on the "Turner Valley", with moving pictures. The final ceremony at the Annual Dinner was the gracious induction of the new President, Mr. E. A. Collins, by Dr. R. C. Wallace, Principal of Queen's University.

### Water Power and Output of Central Electric Stations in 1937 and 1938

According to the Annual Bulletins issued by the Department of Mines and Resources: *Water-Power Resources in Canada* and *Hydro-Electric Progress in Canada*, the total available water power at Dec. 31, 1938, in Canada was 20,347,400 h.p., under conditions of ordinary minimum flow and 33,617,000 h.p. as ordinarily available for six months of the year. The Reports stated that the existing recorded water-power resources of Canada would permit a turbine installation of about 43,700,000 h.p. The existing turbine installation indicated the development of only 18¾ per cent. of the existing recorded water-power resources of Canada, approximately, 60 per cent. of these resources (total available) and more than 80 per cent. of the developed water-power being located in the highly industrialized Provinces of Ontario and Quebec. New turbine installations during 1937 showed a net total of 167,161 h.p., bringing the total installations to 8,112,751 at the end of 1937, and during 1938 installations aggregated 135,459 h.p., making a total, following a general revision of plant ratings during the year 1938, of 8,190,772 h.p. The estimated value of hydraulic installation in Canada at the end of 1937 was \$1,640,000,000 and at the end of 1938, \$1,650,000,000.

Central electric stations in Canada (the power developed for the sale of electricity to meet the general demand) had, according to the bulletins, *Central Electric Stations in Canada (Dominion Bureau of Statistics)*, a total output for 1938 of 26,012,805,000 kw.h., as compared to 27,583,927,000 kw.h. in 1937. The 1938 total included exports to the United States of 1,826,515,000 kw.h. and the 1937 total, 1,847,100,000 kw.h. Ninety-eight per cent. of the total output was produced by water-power and the balance by fuel.

The 1937 *Report on the Use of Electric Power in Manufacturing and Mining Industries* issued by the Department of Trade and Commerce shows that during this year a total of 4,712,279 h.p. was employed in Canadian

manufacturing industries, of which the pulp and paper industry used 1,804,941 h.p. and the mining industry 850,489 h.p. The total employed in the year 1938 was not available at the time of preparation of this summary.

The 47th Annual Convention of the Canadian Electrical Association, June 21, 1937, was attended by 240 odd delegates, who were welcomed by the President, Mr. E. H. Adams, Vancouver, B.C., of the British Columbia Electric Railway Company. The Secretary's Report showed a net increase of 23 in membership and showed a very healthy and progressive advance in the Association's affairs. The 1938 Convention of the same Association was addressed by the President, Mr. R. H. Mather, Montreal, Manager, Southern Canada Power Company. The Secretary's Report showed the largest net increase, *i.e.*, 82 new members, for any year during the past twenty-five years.

### Fisheries' Statistics, 1937-1938

Canadian fisheries had shown steady improvement during the last few years, as stated by the Hon. J. E. Michaud in the course of an address at Ottawa, Dec. 12, 1938. He also stated that last year Canada's fishermen received more money for their total catch than in any other year since 1930, and that fisheries' export trade in 1937 increased by nearly \$3,500,000 over the total for the previous year. According to the *Annual Report on the Fisheries of Canada, 1938-39*, Dominion Bureau of Statistics, the catch of fish and shellfish, both sea and inland, for 1938 amounted to 10,741,150 cwt., with a marketed value of \$40,492,976, as compared with the corresponding figures of 1937, 10,918,048 cwt. and \$38,976,294, respectively. Of the 1938 total, sea fisheries contributed \$33,774,148, and the product of inland fisheries, \$6,718,828. In 1937, sea fisheries contributed \$31,984,047, and inland fisheries' production, \$6,992,247. Of first importance was the salmon fishery, with a value of output of \$14,992,500, in 1938, of which \$14,544,126, or 97 per cent., was credited to British Columbia. The yield of salmon showed an increase over the preceding year of 42,500 cwt., and the value of product, an increase of \$2,622,000; lobster fishery is next in importance with a marketed value of \$3,793,219 in 1938 and \$4,633,400, in 1937; cod fishery had a marketed value of \$3,335,231 in 1938 and \$3,140,230 in 1937. Herring fishery was not as successful as in the preceding year. In the inland waters whitefish was the leader with a marketed value of \$1,650,347 in 1938 and \$1,887,889 for the preceding year. By Provinces, the marketed value of all fish caught in 1938 and 1937, respectively, was as follows: British Columbia, \$18,672,750 and \$16,155,439; Nova Scotia, \$8,804,231 and \$9,229,834; New Brunswick, \$3,996,064 and \$4,447,688; Ontario, \$3,353,775 and \$3,615,666; Quebec, \$1,957,279 and \$1,892,036; Manitoba, \$1,811,124 and \$1,796,012; Prince Edward Island, \$930,874 and \$870,299; Alberta, \$492,943 and \$433,354; Saskatchewan, \$468,646 and \$527,199; and Yukon Territory, \$5,290 and \$8,767.

Plant and equipment in use in the primary operations of the fishery industry in 1938, comprising vessels, boats, nets, wharves, etc., showed a total value of \$26,598,944, a slight decrease from the total value of \$26,768,979 in the preceding year. There was a total of 71,380 fishermen employed during 1938, as compared with a total of 69,967 in 1937.

There were 561 fish-canning and curing establishments in 1938 as against 597 in 1937; the establishments provided employment during 1938 for 14,491 persons, as compared with 14,044 in 1937; the value of the capital investment in the various establishments for 1938 and 1937 were as follows; lobster canneries, \$1,220,121 for 1938 and \$1,660,901 for 1937;

salmon canneries, \$11,615,322 for 1938 and \$8,399,825 for 1937; clam canneries, \$284,709 for 1938 and \$206,056 for 1937; sardine and other fish canneries, \$2,181,350 for 1938 and \$1,837,321 for 1937; fish-curing establishments, \$5,333,983 for 1938 and \$4,500,166 for 1937; freezing plants, \$404,971 for 1938 and \$412,557 for 1937; reduction plants, \$922,042 for 1938 and \$1,113,559 for 1937.

### **The Department of Fisheries, 1937 and 1938**

The Reports of the Department for the two fiscal years, 1936-37 and 1937-38 described as one of its major activities during the two years the efforts put forward to expand the demand for fishery products by means of large scale publicity undertakings in Canada and the United Kingdom. In 1936-37 it entailed a cost of approximately \$125,000. A further sum was appropriated for the 1937-38 fiscal year.

Continuing the preceding year's (1936-37) plan of assisting needy fishermen through joint Federal-Provincial action, direct aid was given during 1937-38 to 9,176 individual fishermen and 28 associations in the three Maritime Provinces and the Magdalen Islands area of Quebec. The year's loans and grants totalled approximately \$327,041, the Department of Fisheries of Canada contributing \$218,004 of this amount. In 1936-37, the Dominion Department contributed \$200,007. During the year 1937-38, a total of \$159,857 was paid in fishing bounties on the Atlantic Coast; during 1936-37, the total for this purpose was \$159,977.

Under arrangement made by the Department, important educational work was being conducted by specialists from St. Francis Xavier University amongst the fishermen of the Atlantic Coast. This adult education was carried on in certain New Brunswick areas and the Magdalen Islands and preparations were being made to extend it to other areas. In the two districts, about 600 study clubs, with an average membership of ten, functioned in 1937-38, the work having started in 1936-37.

### **The International Pacific Halibut Commission**

Under authority of the Treaty of May 9, 1930, between Canada and the United States and the new supplanting Treaty of Jan. 29, 1937, the International Fisheries Commission continued the investigation of the life history of the Pacific halibut and the halibut fishery. The new Treaty did not become effective until August, 1937. It was passed at the request of the fishing fleets and gave the Commission additional regulatory powers. The additions authorized the Commission to permit, regulate or prohibit the retention and landing of halibut caught incidental to fishing for other species of fish in any area, when halibut fishing was prohibited there, and the possession of halibut of any origin during such fishing. They also authorized the Commission to stop the departure of vessels for an area when the number of vessels, which had already cleared, were sufficient to catch the limit set by the Commission for that area. The investigations during 1937 and 1938 indicated that the stocks of halibut were continuing to increase as a result of regulations. During the 1937-38 Winter season, 309 quantitative net hauls were made at 114 stations in the neighbourhood of Cape St. James. Analysis of the catches of eggs and larvae during the 1937-38 spawning season indicated that the production of spawn was somewhat less than in the Winter of 1936-37, though still greater than in the 1935-36 season. The personnel of the Commission in 1938 was: For Canada: L. W. Patmore and A. J. Whitmore; for the United States: E. W. Allen and F. T. Bell.



### **Pacific Sockeye Salmon Commission**

This Commission was established in 1937 following exchange of ratifications in July of the Convention which had been signed by Canada and the United States in 1930 for the protection, preservation and extension of the sockeye salmon fisheries of the Fraser River system. Approval of the Convention was qualified by three conditions: that the Commission should have no power to authorize any type of fishing gear contrary to the laws of the State of Washington or the laws of Canada; that the Commission "shall not promulgate or enforce regulations until the scientific investigations provided for in the Convention have been made covering two cycles of sockeye salmon runs, or eight years"; and that the Commission should set up an Advisory Committee representative of various salmon interests in the United States and Canada. This Committee was immediately established; it represented the fishermen and the canning branch of the salmon industry.

An Honorary Scientific Advisory Council, with whose members the programme of investigations and the results obtained could be discussed from time to time, was also appointed by the Commission. The Commissioners were: the United States—C. E. Jackson, Washington, D.C.; B. M. Brennan, and E. W. Allen, Seattle, Washington; Canada—A. L. Hager (Chairman), Vancouver, T. Reid, New Westminster, and W. A. Found. (Mr. Found retired in 1938 and was succeeded by A. J. Whitmore, Department of Fisheries for Canada). The Commission made substantial progress during 1938—one operation was the tagging of 5,695 sockeye salmon at various points along the generally recognized migration route, including the entrance to Juan de Fuca straits, the mouth of the Fraser River and Hell's Gate canyon. Of those fish tagged, 2,295 were later recovered.

### **The North American Council on Fishery Investigations**

This Council, including representatives of those countries interested in the principal fisheries of international importance on the North American side of the North Atlantic, was set up to correlate investigations and make recommendations to the governments of the countries concerned. The 1937 Meeting of the Council was held at Montreal, Sept. 23—25. Newfoundland and the United States were represented and the three members representing Canada were Dr. W. A. Found, Deputy Minister of Fisheries; Prof. J. P. McMurrich of the Fisheries Research Board of Canada, and Dr. A. G. Huntsman, Consulting Director of the Fisheries Research Board.

The 1938 Meeting of the Council was held at Boston, Oct. 4—6. Representatives from Newfoundland, the United States and Canada were present. This meeting was arranged to coincide with other fishery meetings at Boston to introduce a new feature, a general session to which the members of the Advisory Committee of the United States Bureau of Fisheries were invited and at which various papers reviewing investigations were presented. At the close of the Council meeting, Dr. Huntsman, formerly the Council's Secretary, was elected Chairman.

### **The Fisheries Research Board of Canada, 1937 and 1938**

By an Act of Parliament in 1937 the Biological Board of Canada received the more comprehensive title of "The Fisheries Research Board of Canada". The newly constructed Board was given the power to appoint Canadian scientists peculiarly suited to the work of the Board. Nine

scientists, four representative of the fishing industry and two representative of the Department of Fisheries for Canada, comprised the Board in 1937 and 1938; it had as its Chairman, Prof. A. T. Cameron.

During the two-year period important research was being conducted at the five experimental stations and the various sub-stations. The Board was also increasing the extent of its direct co-operation with the National Research Council and together they were sponsoring the National Committee on Fish Culture which was making steady progress in co-ordinating and supporting research on problems of fish culture throughout Canada.

### **Fur Resources, Production and Trapping during 1937 and 1938**

The number of fur farms in operation in Canada in 1937 was 9,179 as compared with 8,142 in 1936, according to the Fur Statistics Branch of the Dominion Bureau of Statistics (1938 Report not available). The value of lands and buildings of fur farms was \$7,687,171 in 1937 and \$7,097,036 in 1936; the value of fur-bearing animals was \$9,676,431 in 1937 and \$9,838,280 in 1936. With regard to value of property (land, buildings and fur-bearing animals) the order in which Provinces stood in 1937 was: Ontario, Quebec, Manitoba, Alberta, and Prince Edward Island, and the comparative order for 1936 stood at: Ontario, Quebec, Alberta, Prince Edward Island and Manitoba.

The number of silver foxes born on fur farms during 1937 was 238,936 as compared with 221,905 during 1936; the number of mink born on farms during 1937 was 106,999 as compared with 65,892 during the former peak year. The total number of fur-bearing animals born on farms, exclusive of beaver and muskrat, was 354,075 during 1937 and 296,480 during 1936. The total revenue of farms from pelts and live animals during 1937 was \$6,810,386 as compared with \$6,539,210 in 1936.

The raw fur production of Canada in the 12 months ended June 30, 1938, had a total value of \$13,196,354 as compared with \$17,526,365 for the preceding fiscal year. These totals comprised the value of pelts taken by trappers and of pelts sold from fur farms, the latter representing approximately 43 per cent. of the 1937-38 season and 40 per cent. of the 1936-37 season.

The gross and net values of trapping (fur production, wild life) for the 1937-38 season was \$7,521,922, as compared with \$10,515,819 for the 1936-37 season.

The value of pelts by Provinces for the period under review was as follows (The 1936-37 season follows the 1937-38 season within brackets): Prince Edward Island, \$1,704,046 (\$2,182,723); Nova Scotia, \$733,816 (\$910,877); New Brunswick, \$1,252,465 (\$870,402); Quebec, \$2,107,765 (\$2,516,012); Ontario, \$1,978,113 (\$2,987,713); Manitoba, \$989,975 (\$1,632,660); Saskatchewan, \$852,147 (\$1,327,116); Alberta, \$1,156,011 (\$2,161,507); British Columbia, \$814,532 (\$1,411,668); Northwest Territories, \$1,311,627 (\$1,178,129); and the Yukon Territory, \$295,857 (\$347,558).

The trade tables for the 12 months ended June 30, 1938, showed that of the total of \$12,653,355 worth of raw furs exported, the United Kingdom received \$8,363,694 and the United States, \$3,610,520; the corresponding figures for the 12 months ended June 30, 1937, showed: \$18,529,254, \$10,384,268, and \$7,217,087, respectively.

## Construction Situation in 1937 and 1938

The Report on the Construction Industry in Canada for 1937, prepared by the Dominion Bureau of Statistics, showed substantial increases in all values as compared with those for 1936, while the Report for 1938 indicated little variation from the 1937 record.

The total value of work performed in 1937 amounted to \$351,874,114, an increase of 36.4 per cent. over 1936. The value for 1938 was \$353,223,285. New construction in 1937 amounted to \$244,946,916, an increase of 43.5 per cent. over 1936, while new construction for 1938 was \$240,549,164. Alterations, maintenance and repairs totalled \$106,927,198 for 1937, an increase of 22.3 per cent. over 1936. Alterations, etc., for 1938 totalled \$112,674,121, an increase of 5.4 per cent. over 1937. The average number of employed during 1937 totalled 151,652, an increase of 9,308 over 1936. Employment during 1938 fell off to 147,191, a decrease of 4,461 from 1937.

Total wages and salaries paid during 1937 amounted to \$150,637,291 an increase of 33.5 per cent. over 1936. Figures for 1938 were \$147,405,398, a decrease of \$3,231,893 from 1937 (Salaries in 1938 increased from \$30,398,287 to \$34,809,919). Work performed in 1937 by general, trade and sub-contractors, builders, etc., was valued at \$278,209,051, representing an increase over 1936 of 41.4 per cent. of which \$72,873,918 was for alterations, maintenance and repairs and the balance, \$205,335,133, was for new construction. In 1938 the work performed amounted to \$281,484,690, an increase of \$3,275,639 over the year 1937. Alterations, maintenance and repairs accounted for \$76,703,509, the balance, \$204,781,181 being new construction.

Cost of material consumed by the construction industry during 1937 amounted to \$175,844,435, representing an increase of 43.9 per cent. over 1936. For the year 1938 material consumed amounted to \$176,562,208, an increase of \$717,773 over 1937.

*The MacLean Building Review* showed that the value of construction contracts awarded throughout the Dominion was \$224,056,700 in 1937 and \$187,277,900 in 1938. The decline from 1937 in the MacLean's estimate of construction undertaken in 1938 was 16.4 per cent., but with this exception the total for 1938 was the highest since 1931.

The Annual Review of *Building Permits* issued in Canada covering 58 cities showed the value to be 8.9 per cent. higher in 1938 than in 1937. The estimated cost of the building work authorized in 1938 was \$60,817,332, an increase of \$4,972,333 over the 1937 figure of \$55,844,999. The following shows the estimated cost of building work by Provinces for 1937 and 1938, as indicated by *Building Permits* issued by 35 cities. Nova Scotia, 1937—\$1,842,890 and 1938—\$1,816,226; New Brunswick, 1937—\$475,763 and 1938—\$513,736; Quebec, 1937—\$10,857,838 and 1938—\$14,186,725; Ontario, 1937—\$23,807,258 and 1938—\$21,511,151; Manitoba, 1937—\$2,209,410 and 1938—\$2,035,985; Saskatchewan, 1937—\$905,029 and 1938—\$972,707; Alberta, 1937—\$1,533,369 and 1938—\$3,717,651; British Columbia, 1937—\$8,063,290 and 1938—\$9,778,600.

## Manufacturing Production:— 1937 and 1938

The Advance Report of the Manufacturing Industries in Canada for 1937, the latest available report issued in April, 1939 by the Dominion Bureau of Statistics, showed that the rise in manufacturing production, which commenced during the Summer of 1933, made substantially higher gains in 1937. During this year

the gross value of production was \$3,623,159,500, an increase of 20.7 per cent. over 1936, but still 6.7 per cent. below the 1929 level, owing to a



drop of 13.5 per cent. in the wholesale price of manufactured products. For the first time since the depression set in the volume of production exceeded that of 1929, the previous peak year.

The number of persons employed fell from 665,564 in 1929 to 468,658 in 1933, a drop of 29.6 per cent. In 1937 the number rose to 660,451 an increase of 11.1 per cent. over the 1936 figure, but was still 9 per cent. below that of 1929. The decline in the payroll between 1929 and 1933 was \$340,021,641 or 43.8 per cent. In 1937 the payroll amounted to \$109,655,603, an increase of 17.9 per cent. over 1936. Average employee earnings were \$1,166 in 1929 but dropped to \$931 in 1933. In 1937, average earnings rose to \$1,093. (For further statistics re employment see Sections: "Labour" and "Statistical Survey").

The improvement recorded in 1937 was shared in by all groups. Iron and its products showed the greatest expansion with a gain of \$169,134,324 in production and 19,945 in employment. Non-ferrous metals came second with increases of \$131,275,702, and 7,679. Wood and paper was third with \$99,958,212 and 14,880. Vegetable products next with \$75,078,528 and 7,187. (It was pointed out by the Dominion Bureau that the wide differences in its 1937 Report when compared with data published in previous years was due to the exclusion of "Central Electric Stations" and "Dyeing, Cleaning and Laundry Establishments.")

Improvement in 1937 was general throughout Canada. The order of increase of employment by Provinces was as follows: New Brunswick, 14.0 per cent.; Nova Scotia, 13.4 per cent., followed by Quebec, Ontario, and British Columbia. Manufacturing establishments reporting in 1937 numbered 24,834, as compared with 24,202 in 1936. A capital investment of \$3,465,227,831 in fixed and current assets was reported by these plants, as compared with \$3,271,263,531 in 1936. In value added by manufacture there was an increase of \$217,032,195 over 1936, \$109,655,603 being paid in salary and wage increase. Ontario, as the dominant manufacturing province in Canada, employed 48 per cent. of the capital, 48 per cent. of the number of employees and produced almost 52 per cent. of the entire output. The average salary during 1937 was \$1,692 and the average wage, \$965. As in 1936 and the few years preceding, a prominent feature of Canadian manufacturing development in 1937 was the growth of non-ferrous metal smelting and refining. This industry had taken its place among the leading manufactures based on forest, agricultural and live-stock resources.

By 1933 the pulp and paper industry (See under "Forests Products" in this Section) had displaced flour milling as Canada's most important manufacturing industry, a position held until 1935 when it was displaced by non-ferrous smelting and refining. In employment, salaries and wages, however, pulp and paper is still the dominant industry.

The incidence of the depression caused a re-arrangement in the rank of many industries, but in years previous to 1937 some return to the pre-depression order of importance was in evidence.

Comparing the Provinces, the gross value of products of Canadian manufacturing industries for 1937 shows the following order: (For comparative purposes the corresponding figure for 1936 is shown in brackets) Ontario, \$1,878,088,188 (\$1,547,551,931); Quebec, \$1,046,470,796 (\$863,687,389); British Columbia and Yukon, \$251,924,258 (\$216,136,078); Manitoba, \$140,805,451 (\$122,050,502); Alberta, \$86,225,069 (\$74,052,010); Nova Scotia, \$84,393,656 (\$67,784,970); New Brunswick, \$69,479,207 (\$56,225,201); Saskatchewan, \$62,205,884 (\$51,604,510); Prince Edward Island, \$3,566,991 (\$3,311,223).

The gross value of products for each of the main groups in 1937 runs, as follows (1936 figures in brackets): Vegetable products, \$672,540,163 (\$597,461,635); iron and its products, \$622,519,877 (\$453,385,553); wood and paper products, \$597,061,878 (\$497,103,666); non-ferrous metal products, \$482,440,562 (\$351,164,860); animal products, \$449,783,908 (\$397,955,241); textiles and textile products, \$400,383,726 (\$366,285,008); non-metallic mineral products, \$208,205,148 (\$177,771,597); chemicals and chemical products, \$148,973,220 (\$126,874,791); and miscellaneous industries, \$41,251,018 (\$34,401,463). It will be noted that every activity in the main group during 1937 made substantial gains over the 1936 figures.

### Iron and Steel, 1937 and 1938

According to the Preliminary Summary Statistics as compiled from the Census of Industry reports for 1938 the production of Iron and Steel and their manufactures during that year amounted to \$550,493,894 at factory prices. This value was 11.9 per cent. below the corresponding total of \$624,819,877 for 1937 but it was still higher than for any other year since 1930 notwithstanding that substantial declines were recorded for 12 of the 17 industries in this group.

The number of iron and steel plants in 1938 was 1,399, as compared with 1,345 in 1937. The capital employed was \$659,454,318 for 1938 and \$651,398,528 for 1937. The average number of employees during 1938 was 122,762 and 127,148 during 1937. Salaries and wages for 1938 totalled \$156,106,958 and for 1937, \$163,261,130. The cost of materials at works in 1938 was \$274,270,141 and in 1937 \$328,091,063. (See also in this Section, Table: Forty Leading Industries, 1937).

The three largest items in the Iron and Steel group according to production value were as follows: automobiles, \$134,810,280 for 1937 and \$116,746,239 for 1938; railway rolling stock and repairs, \$93,854,555 for 1937 and \$81,936,751 for 1938; and primary products (pig iron, ferro-alloys, steel and rolled products) \$74,580,669 for 1937 and \$59,146,150 for 1938. Imports of iron and steel products for 1937 were \$211,002,837 and in 1938, \$162,554,216. Imports from the United Kingdom were \$29,794,323 in 1937 and \$173,864,866 from the United States. In 1938 United Kingdom imports were \$21,640,236; and the United States imports, \$134,844,204. Exports and re-exports showed a value of \$68,249,994 in 1937 and \$62,327,446 in 1938.

Automobile production in Canada according to final statistics issued by the Dominion Bureau of Statistics for 1937 and 1938 totalled 207,463 units valued at \$123,757,293 at factory prices during 1937 and 166,086 units valued at \$108,158,725 during 1938, a decline of 20 per cent. in number and 13 per cent. in value, as compared to 1937. The 1937 figures included 153,046 passenger cars worth \$93,368,282 and 54,417 trucks worth \$30,389,011. In 1938, passenger cars fell off to 123,761, valued at \$81,661,687 and 42,325 trucks, valued at \$26,497,038. Including repair parts, accessories and other products made in automobile factories the output for the industry in 1938 declined 13.4 per cent. from the preceding year. The Automobile Statistics Reports for 1937 and 1938 issued by the Bureau of Statistics gives the number of engines made in Canada in 1937 as 149,588 and in 1938, 155,318. Imports of engines were 65,665 in 1937 and 13,196 in 1938. Fifteen plants operated in 1937 and 12 in 1938. Capital employed in 1937 was \$57,996,242 and in 1938, \$59,798,250. Employees in 1937 numbered 14,946 and drew \$22,138,991 in salaries and wages. 1938 employees numbered 14,872 and drew \$20,993,362. Cost of materials used in 1937 was \$92,706,147 and in 1938, \$76,202,670. Cars imported during 1937 numbered 20,069 and during 1938, 15,154, making available a total supply of 227,532 cars in 1937 and 181,240

in 1938. Exports and re-exports aggregated 66,143 cars in 1937 and 57,909 in 1938 thus leaving the number of cars apparently absorbed by the Canadian market as 161,389 in 1937 and 123,331 in 1938. Registration of cars in Canada (excluding motorcycles) amounted to 1,308,600 during 1937 and 1,382,780 during 1938. It was estimated that 82,088 were withdrawn from use in 1937 and 49,151 in 1938. Purchasers of cars, trucks and buses were financed to the value of \$75,850,173 in 1937 and \$69,685,853 in 1938. Of the 1937 total, \$40,664,675 represented the value of 56,247 new vehicles, and \$35,185,498 for 121,651 used vehicles. For 1938 the corresponding figures were \$33,701,624 for 45,267 new vehicles, and \$35,984,229 for 117,436 used vehicles. Imports of automobiles and parts in 1937 were valued at \$48,959,818 and in 1938, \$37,414,388. Exports of Canadian cars and parts totalled \$26,783,045 in 1937 and \$24,914,739 in 1938.

### Non-Ferrous Metals Industries

Production of manufactures, based chiefly on non-ferrous metals, placed production value for 1938 (preliminary statistics, Dominion Bureau of Statistics) at \$434,870,513; this value was 9.9 per cent. below the corresponding figure of \$482,440,562 for 1937. The seven industries in this group all showed a decline in production in 1938, as compared to 1937. Comparative figures for 1937 and 1938, with percentage of decline, were as follows: aluminum manufactures: 1937, \$7,156,243 and 1938, \$6,898,091—decline, 3.6 per cent.; brass and copper products: 1937, \$34,453,160 and 1938, \$27,565,295—decline, 20 per cent.; white metal alloys: 1937, \$9,011,283 and 1938, \$8,068,728—decline, 10.4 per cent.; jewellery and silverware: 1937, \$13,093,546 and 1938, \$12,980,698—decline, 0.8 per cent.; electrical apparatus: 1937, \$98,841,992 and 1938, \$90,463,584—decline, 8.5 per cent.; miscellaneous non-ferrous products: 1937, \$1,606,087 and 1938, \$1,598,384—decline, 0.5 per cent.; non-ferrous smelting and refining: 1937, \$318,278,251 and 1938, \$287,295,733—decline, 9.7 per cent.

In 1937 there were 525 factories in operation, which number dropped to 517 in 1938. Capital employed in 1937 was \$306,522,643, in 1938 the figure was \$327,044,514, an advance of 6.7 per cent. The number of workers in 1937 was 44,614 and in 1938, 44,379, a decline of 0.5 per cent. Salaries and wages for 1937 totalled \$57,722,728, and \$57,903,768 for 1938, an increase of 0.3 per cent. The cost of manufacturing materials in 1937 was \$282,532,128. In 1938 cost of materials dropped 10.4 per cent. to \$253,008,791. Canadian imports of non-ferrous metals and their products were valued at \$47,016,907 in 1937, as compared to \$38,395,767 in 1938. Exports were appraised at \$307,701,616 for 1937 and \$255,516,252 for 1938.

### Chemicals and Allied Products Industry

The Chemicals and Allied Products group showed a record value for 1937 of \$148,973,220; and for 1938 the figure was \$145,074,313 (preliminary, Dominion Bureau of Statistics) or 2.6 per cent. less than for 1937. During 1937 there were 754 plants operating with 21,968 employees. In 1938, there were 774 plants operating with 21,829 employees. Capital employed in 1937 was \$161,165,068 and \$161,331,427 in 1938. Cost of materials for 1937 was \$64,460,947, and for 1938, \$60,562,618. Salaries and wages in 1937 totalled \$28,612,719 and \$29,338,144 in 1938. Ten industries in 1938 reported lower output values than in 1937 and 3 industries reported higher values. About 56 per cent. of the 1938 total production was from Ontario's 407 establishments with an output valued at \$81,682,060. Quebec, with 235 factories, accounted for 31 per cent. valued at \$44,311,008. Imports of chemicals and allied products were valued at \$37,413,987 in 1937 and \$35,-



205,579 in 1938. During 1938 imports from the United States were about the same as in 1937, but purchases from the United Kingdom dropped nearly 12 per cent. and those from Germany declined by one-third. In 1937, 60.2 of the total imports came from the United States and 63.5 per cent. in 1938. The United Kingdom's share decreased from 21.0 per cent. in 1937 to 19.7 per cent. in 1938. Exports also dropped in 1938 being \$19,-495,966 in 1938 as against \$21,666,897 in 1937. The United States took 40.3 per cent. of exports in 1938, the United Kingdom 25.8 per cent. and other countries 33.9 per cent.

In the preceding chapters 1938 statistics (preliminary) are given. In the following table taken from *Advance Report on the Manufacturing Industries of Canada, 1937* (latest Report available) the 1937 statistics figures can be compared with those of 1936 by referring to *The Canadian Annual Review, 1935 and 1936*, where a similar table will be found.

### Statistics of the Forty Leading Industries of Canada, 1937

Industries	Capital \$	Em- ployees No.	Salaries and Wages \$	Cost of Materials \$	Gross Value of Products \$
Non-ferrous metal smelting and refining	162,696,595	11,570	17,990,947	201,862,965	318,278,251
Pulp and paper	570,352,287	33,205	48,757,795	91,121,629	226,244,711
Slaughtering and meatpacking	65,411,606	13,070	17,085,008	148,057,651	181,419,311
Automobiles	57,996,242	14,946	22,138,991	92,706,147	134,810,280
Flour and feed mills	56,280,032	5,803	5,877,756	111,558,331	133,634,179
Butter and cheese	60,001,842	16,583	15,699,085	91,175,996	124,935,055
Sawmills	90,405,105	33,917	27,173,872	57,280,080	104,849,785
Electrical apparatus and supplies	97,187,905	21,706	26,291,436	41,695,446	98,841,992
Petroleum products	64,280,266	5,137	8,246,843	80,401,880	98,454,014
Railway rolling stock	88,426,476	21,496	29,187,157	56,191,146	93,854,555
Bread and other bakery products	49,164,576	21,252	19,759,740	39,498,456	76,462,891
Rubber goods (including footwear)	65,119,212	13,035	14,041,066	31,126,755	74,263,753
Primary iron and steel	96,875,377	14,054	19,926,498	33,805,631	72,280,669
Cotton yarn and cloth	67,832,556	19,160	16,350,956	42,063,654	72,113,878
Printing and publishing	53,235,912	17,834	25,189,376	12,990,521	60,982,409
Clothing factory, women's	26,734,768	19,981	16,926,471	34,915,469	60,610,755
Machinery	66,323,206	12,638	16,059,392	22,204,200	57,096,816
Hosiery and knitted goods	51,666,165	20,250	16,228,813	26,446,763	52,855,754
Fruit and vegetable preparations	47,488,051	10,630	7,194,477	30,620,211	50,289,711
Biscuits, confectionery, cocoa, etc.	38,565,652	11,879	10,892,004	24,351,815	49,475,403
Sheet metal products	56,527,585	8,499	9,518,325	28,338,113	49,132,766
Automobile supplies	28,440,176	8,416	10,358,098	26,631,014	46,631,643
Clothing, factory, men's	20,868,845	12,176	12,135,443	25,594,619	45,249,174
Tobacco, cigars and cigarettes	59,359,240	7,920	7,578,110	23,169,834	45,110,135
Breweries	64,162,671	5,151	7,904,517	18,155,465	43,485,071
Castings and forgings	48,814,929	12,164	14,333,923	17,091,230	41,913,753
Coke and gas products	91,911,250	4,027	5,709,569	17,217,957	41,702,929
Boots and shoes, leather	27,374,704	16,773	13,026,642	22,295,404	41,088,713
Sugar refineries	35,413,781	2,332	3,318,861	29,013,057	40,916,044
Printing and bookbinding	42,091,744	13,358	15,589,840	13,747,403	37,758,604
Brass and copper products	23,686,294	5,094	6,310,384	21,498,095	34,453,160
Boxes and bags, paper	23,400,776	6,637	6,767,971	17,097,334	30,035,299
Silk and artificial silk	34,135,176	10,246	9,099,437	10,453,196	27,871,292
Coffee, tea and spices	15,495,053	2,149	2,657,789	20,691,430	27,035,275
Furnishing goods, men's	17,722,232	10,073	7,173,314	16,053,321	26,761,676
Furniture	27,445,103	10,804	9,481,946	10,965,149	26,518,767
Leather tanneries	24,596,637	4,382	4,576,703	18,592,794	26,269,794
Fish curing and packing	18,130,385	5,427	3,354,771	16,318,781	26,088,625
Paints, pigments and varnishes	23,853,360	3,324	4,827,199	12,307,011	25,531,117
Planing mills, sash and door factories	29,653,158	8,369	7,380,636	12,772,336	24,947,718
Total forty leading industries	2,589,126,930	495,467	542,121,161	1,648,078,289	2,850,255,727
Total, all industries	3,465,227,831	660,451	721,727,037	2,006,926,787	3,623,159,500
Percentages of leading industries to all industries	74.7	75.0	75.1	82.1	78.7

### Production and Stocks of Liquor, 1937 and 1938

The Dominion Bureau of Statistics Reports on the Brewing Industry for Canada for 1937 and 1938 gave the output value in 1937 as \$58,437,038

and \$57,875,450 in 1938. Beer, ale, stout and porter formed the main items with a total of 63,466,908 gallons valued at \$57,437,668 for 1937 and 62,468,233 gallons valued at \$56,841,181 for 1938. During 1937 the 65 establishments engaged in production, employed 5,151 persons, paying out \$7,904,517 in salaries and wages, and spending \$18,155,465 for materials. In 1938, the 65 establishments employed 5,379 persons, paying \$8,343,279 for salaries and wages, and spending \$17,140,219 for materials. In 1937 these plants represented a capital investment of \$64,162,671 and in 1938 a capital investment of \$62,745,249. Foreign trade in beer, ale, etc., was very small in comparison with domestic production. In 1937 imports amounted to 107,774 gallons valued at \$162,844 while exports were 156,000 gallons valued at \$161,554. Imports for 1938 were 97,648 gallons valued at \$130,959 and exports, 123,962 gallons valued at \$122,974. Sales tax and other duties payable on materials and products were \$14,951,967 for 1937 and \$15,496,597 for 1938, thus leaving the net values at \$43,485,071 for 1937 and \$42,378,853 for 1938.

Reports on the Wine Industry in Canada for 1937 and 1938 showed a net production value of \$3,783,076 for 1937 and \$3,930,105 for 1938. Wines produced and stored for maturing totalled 3,481,884 gallons for 1937 with an inventory value of \$1,185,905. For 1938 the corresponding figures were 3,975,617 and \$1,251,869 respectively. During 1937 the 41 establishments operating reported a capital investment of \$7,203,906. In 1938 the 42 establishments operating had a capital investment of \$7,305,361. The average employment in 1937 was 646 persons who received \$777,531 in salaries and wages. Employment in 1938 averaged 643 persons with salaries and wages amounting to \$840,190. Sales tax and other duties paid on products in 1937 amounted to \$638,628 in 1937 and \$638,667 in 1938. Imports of wine in 1937 were valued at \$1,043,298 and exports, at \$9,082. The figures for 1938 were: imports, \$904,884 and exports, \$4,834. The Province of Ontario produced over 92 per cent. of total output in 1937 and over 87 per cent. in 1938.

The Dominion Bureau of Statistics Reports on the Distilled Liquor Industry in Canada for 1937 and 1938 gave a net value of production of \$24,756,012 for 1937 and \$21,726,436 for 1938. Potable spirits produced and placed in bond during 1937 totalled 4,860,247 proof gallons with an inventory value of \$2,831,394. Corresponding figures for 1938 were 5,286,629 gallons and inventory value \$3,114,268. Seventeen establishments, reporting a capital investment of \$34,563,076, were engaged in production during 1937; and fifteen, reporting a capital investment of \$33,411,988, operated in 1938. Salaries and wages totalling \$2,427,508 were paid to 2,041 in 1937, the corresponding figures for 1938 being \$2,431,437 paid to 1,780 persons. The apparent consumption of spirits in Canada in 1937 was 3,303,559 proof gallons and in 1938, 3,875,845 proof gallons. Imports of distilled liquors in 1937 were 1,315,926 proof gallons valued at \$6,843,569, corresponding figures for 1938 were 1,285,682 gallons valued at \$5,934,964. Exports in 1937 amounted to 5,384,615 gallons, valued at \$21,004,471 and in 1938 the figures were 2,502,363 gallons, with a value of \$10,814,331. Sales tax and other duties paid by the industry in 1937 totalled \$9,798,176, and in 1938, \$9,015,041.

### **Canadian Manufacturers' Association, 1937 and 1938**

The 66th Annual General Meeting of the Association was held at the Royal York Hotel, Toronto, June 1-3, 1937. The President, Mr. B. W. Coghlin, in giving his annual review pointed out that Canada stood fourth in the value of annual exports and fifth in total trade, a very creditable

performance for a country of about eleven million people. He warned, however, that export trade was difficult to acquire and very easy to lose and counselled his listeners against neglect. He regretted that the problem of unemployment and its relief was still most serious. In noting that general recovery and industrial production was being retarded by strikes and labour troubles he reminded members of the Association's resolution to "continue to favour proper remuneration . . . for all taking part in production . . . ." (See also Supplement Section of this Volume). The Executive Committee reported six meetings during the year. The Industrial Relations Committee studied and reported on the increasing industrial and social legislation of the Dominion and Provincial governments. The Tariff Committee had a difficult year following the announcement of the Budget on Feb. 25. The membership of the Association numbered 3,444 in 1937. Officers elected for the ensuing year were: President, Captain F. C. Brown, Vancouver; First Vice-President, W. D. Black, Hamilton; Second Vice-President, D. R. Turnbull, Halifax; and Treasurer, T. F. Monypenny, Toronto.

The 67th Annual Meeting of the Association was held in the Chateau Laurier, Ottawa, June 1-3, 1938. The President, Mr. F. C. Brown in his address reviewed the general decline in the physical volume of business, industrial production and manufacturing throughout Canada and expressed the thought that it was due largely to the influence of the United States on our thoughts and activities. He asked why we should imitate the States so closely when they become gloomy in thought and utterance and pessimistic in action. He appealed for confidence with regard to the future and urged co-operation between the provinces to maintain a vigorous and permanent nation. The Executive Committee reported seven meetings and among the chief subjects dealt with were trade agreements, labour legislation, taxation and regulations and standards of industry. The membership for 1938 was 3,287. Officers elected for the ensuing year were: President, W. D. Black, Hamilton; First Vice-President, D. R. Turnbull, Halifax; Second Vice-President, H. Crabtree, Montreal; and Treasurer, T. F. Monypenny, Toronto.

### **Canada's Trade Position during 1937 and 1938**

Canada, in common with practically all other countries, experienced a continued rise in world trade throughout the years 1935 to 1937 inclusive. In 1938 a definite decline set in and, although the year 1938 was below 1937 on the whole, at its end a considerable upswing was in progress. According to a calculation of the League of Nations the gold value of the international trade of 76 countries, which had risen to 47.5 per cent. of its 1929 level by 1937, fell back to 45.5 per cent. in 1938; in volume the decline was greater, for the index in terms of 1929 which had stood at 97.0 in 1937 was down to 88.5 in 1938. The total imports and domestic exports of 24 countries, for 1937 and for 1938, expressed in millions of dollars (Canadian currency) were, as follows: 1937 imports totalled 21,826 and domestic exports, 19,062; 1938 imports totalled 18,809 and domestic exports, 16,760. Consequently the total imports of the 24 countries for the year 1938 were 13.8 per cent. lower in value than the total for 1937; the 1938 exports were down by 12.1 per cent.

Canada maintained its rank among the nations as the world's fourth largest exporting country and eighth in respect of imports during 1937 and 1938. In 1938, Canada moved up to fifth position in total trade, displacing Japan. The following table (Dominion Bureau of Statistics)



gives the trade of leading commercial countries of the world in Canadian currency:

### Canada's Rank in World Trade

(Calendar Year, 1938)

Countries	Total Trade		Imports		Domestic Exports				
	Rank	Amount	Rank	Amount	Rank	Amount			
	1937	1938	1937	1938	1937	1938			
United Kingdom .....	1	1	6,840	1	1	4,525	2	2	2,315
United States .....	2	2	5,034	2	3	1,960	1	1	3,074
Germany (including Austria) .....	3	3	4,767	3	2	2,473	3	3	2,294
France .....	4	4	2,215	4	4	1,334	5	5	881
Canada .....	6	5	1,590	8	8	677	4	4	913
Japan .....	5	6	1,531	5	7	763	6	6	768
Belgium .....	7	7	1,510	6	6	776	7	7	734
Netherlands .....	8	8	1,357	7	5	783	10	9	574

The growth of Canada's foreign trade during the years 1934 to 1937 inclusive was interrupted in 1938. The total trade, imports and exports combined in 1938 amounted to \$1,634,000,000, as compared with \$1,934,000,000 in 1937; imports declined 16.3 per cent. to \$677,451,000 and total exports dropped 15 per cent. to \$956,726,000. Lower prices combined with smaller volume caused these declines. Exports were adversely affected to a greater extent than imports by the price factor, while the decline in volume was greater for imports. In 1938 the balance of trade was somewhat less favourable than in 1937, but if the prices of imported and exported goods had remained at the 1937 levels there would have been an increase in the favourable balance of trade (*Review of Canada's Foreign Trade, 1938*).

### Canada's Total Trade, 1936-1938

(Merchandise)

Calendar Years	Total Imports	Total Exports	Total Trade	Excess Exports (+) Excess Imports (-)	Duty Collected
(IN THOUSANDS OF DOLLARS)					
1936.....	635,191	1,027,902	1,663,093	+392,711	87,775
1937.....	808,896	1,124,960	1,933,856	+316,064	104,808
1938.....	677,451	956,726	1,634,177	+279,275	92,297

NOTE.—It is pointed out with reference to the statistics in the above table regarding Canada's imports in 1936, 1937 and 1938 throughout this review, that the excise duty, which has been included in the value of distilled spirits, chiefly whiskey, imported into Canada from countries entitled to the British Preferential Tariff since the fiscal year 1921 is excluded as from April 1, 1935. Imports in 1936, 1937 and 1938, particularly from United Kingdom are consequently lower than would otherwise be the case.

Exports of gold in Canadian trade statistics are distinguished as between monetary and non-monetary. Monetary gold exports are those which entail a corresponding reduction in the Dominion's monetary gold stocks. All other gold exports (classed as non-monetary) are shown as merchandise and included with total merchandise exports in trade statistics. The following table gives a summary of Canada's trade with all countries including and excluding non-monetary gold:

### Trade of Canada With All Countries

Including and Excluding Non-monetary Gold

Calendar Years	Imports	Exports		Total Exports	Excess Exports (+) Excess Imports (-)
		Domestic	Foreign		
<b>1937</b>					
Including non-monetary gold .....	808,896,325	1,110,192,151	14,767,861	1,124,960,012	+316,063,687
Exports of gold included above ..		112,825,233	12,999	112,838,232	
Excluding all gold ...	808,896,325	997,366,918	14,754,862	1,012,121,780	+203,225,455
<b>1938</b>					
Including non-monetary gold .....	677,451,354	913,435,803	43,290,252	956,726,055	+279,274,701
Exports of gold included above ..		75,851,886	32,190,036	108,041,922	
Excluding all gold ...	677,451,354	837,583,917	11,100,216	848,684,133	+171,232,779

Revenue from Canadian imports declined from \$104,808,000 in 1937, the highest amount in any previous year since 1931, to \$92,297,000 in 1938. The duty collected (see column in preceding table) was slightly higher, however, than in the previous year in percentage of the value of imports. In 1938 the average rate of duty on all imports was 24.3 per cent., as compared with 24.0 per cent. in 1937.

The following tables, taken from *The Review of Canada's Foreign Trade, 1938* (Dominion Bureau of Statistics), give imports and exports of Canada by main groups for 1937 and 1938 from and to (1) all countries; (2) the United Kingdom; and (3) the United States:

### Imports Into Canada by Main Groups

(Calendar Years, 1937 and 1938)

Main Groups	Imports from All Countries		Imports from United Kingdom		Imports from United States	
	1937	1938	1937	1938	1937	1938
	\$	\$	\$	\$	\$	\$
Agricultural and Vegetable Products . . . . .	148,146,749	125,121,498	19,377,889	16,389,835	44,416,082	46,963,227
Animals and Animal Products	31,528,395	25,226,625	6,115,189	4,640,392	12,557,770	10,795,308
Fibres, Textiles and Textile Products . . . . .	115,273,202	87,443,217	52,642,628	40,094,905	39,050,348	30,168,324
Wood, Wood Pro- ducts and Paper	33,999,087	32,143,098	4,052,274	3,576,100	27,469,552	26,404,809
Iron and Its Products . . . . .	211,002,837	162,554,216	29,794,323	21,646,236	173,864,866	134,844,204
Non-Ferrous Metals and Their Products . . . . .	47,016,907	38,395,767	7,301,579	5,807,707	31,141,637	24,364,956
Non-Metallic Min- erals and Their Products . . . . .	136,473,376	121,721,363	13,299,830	13,044,704	104,650,924	91,922,690
Chemicals and Allied Products.	37,413,987	35,205,579	7,857,577	6,947,216	22,520,157	22,333,431
Miscellaneous Commodities . . .	48,041,785	49,639,991	6,850,262	7,121,084	34,833,642	36,957,869
Total Imports:	808,896,325	677,451,354	147,291,551	119,268,179	490,504,978	424,754,818

### Domestic Exports From Canada by Main Groups

(Calendar Years, 1937 and 1938)

Main Groups	Exports to All Countries		Exports to United Kingdom		Exports to United States	
	1937	1938	1937	1938	1937	1938
	\$	\$	\$	\$	\$	\$
Agricultural and Vegetable Products . . . . .	244,583,151	190,896,714	146,159,103	107,280,907	38,323,025	30,978,269
Animals and Animal Products	144,532,334	118,135,506	79,734,849	73,175,748	48,778,884	30,351,002
Fibres, Textiles and Textile Products . . . . .	14,400,522	13,054,660	3,418,299	3,425,276	2,678,174	1,731,126
Wood, Wood Pro- ducts and Paper	262,967,688	211,612,958	44,327,579	38,486,412	179,541,762	140,293,241
Iron and Its Products . . . . .	66,027,238	60,139,369	14,914,879	13,517,445	6,954,215	4,148,832
Non-Ferrous Metals and Their Products . . . . .	307,701,616	255,516,252	103,857,798	91,475,027	154,898,962	109,374,987
Non-Metallic Min- erals and Their Products . . . . .	30,896,016	25,013,087	3,276,123	3,090,439	19,393,344	11,931,421
Chemicals and Allied Products.	21,666,897	19,495,986	5,248,845	5,031,528	9,724,310	7,844,059
Miscellaneous Commodities . . .	17,416,689	19,571,271	3,663,000	4,228,304	9,888,370	9,258,978
Total Exports.	1,110,192,151	913,435,803	404,600,475	339,711,086	470,181,046	345,911,915

Exports and imports of commodities in the main groups will be found elsewhere in this Section:—under “Production” and “Manufactures”.

The proportion of Canada's trade with countries of the Empire and with foreign countries during the calendar years 1937 and 1938 is shown in the following table:

Proportion of Canada's Trade, 1937 and 1938

Proportion of Trade With:	1937		1938	
	Imports	Exports	Imports	Exports
	%	%	%	%
Other Empire Countries .....	29.2	45.8	27.5	48.5
Other Foreign Countries .....	70.8	54.2	72.5	51.5
United Kingdom .....	18.2	36.4	17.6	37.2
United States .....	60.6	42.3	62.6	37.9

NOTE.—If adjustment is made in the value of the imports in 1937 and 1938 to account for the exclusion of the excise duty on distilled spirits, as from Apr. 1, 1935, the proportion of the imports from Empire Countries and the United Kingdom, would have been larger than recorded.

### Wholesale and Retail Trade, 1937 and 1938

The total sales of Canadian wholesale trading houses declined 4.2 per cent. in 1938 from 1937 (which had a greater annual increase than in any year since the beginning of the upswing in 1933) according to the Census of Merchandising Service Establishments, Dominion Bureau of Statistics. After a 4-year period of substantial annual increases, sales of these establishments declined from \$1,352,212,000 in 1937 to \$1,295,969,000 in 1938. Sales indexes on the 1930 base declined to 94.6 for 1938 after having reached the peak of 98.7 for 1937. Indexes for other years succeeding 1930 are: 81.6 for 1931, 68.7 for 1932, 65.7 for 1933, 74.7 for 1934, 78.9 for 1935 and 86.2 for 1936. Only five groups increased in sales in 1938 over 1937. Amusement, photographic and sporting goods showed the largest increase, rising 10.0 per cent. in 1938 over 1937 and reporting sales of \$4,251,000 for 1938 against \$3,865,000 for 1937. Other groups registered the following increases: automotive, 5.5 per cent.; tobacco and confectionery, 4.4 per cent.; petroleum products, 2.4 per cent. and drugs and drug sundries, 0.3 per cent. Except for these groups, downward trends were general. Staple lines of consumers goods decreased from 1937 as follows: leather and leather goods, 16.8 per cent.; dry goods and apparel, 10.4 per cent.; coal and coke, 9.0 per cent.; furniture and house furnishings, 7.6 per cent.; hardware, 6.5 per cent.; jewellery and optical goods, 5.7 per cent.; foods, 3.5 per cent.; and paper and paper products, 1.6 per cent. A decrease of 3.5 per cent. in the sales of food wholesalers for 1938 was shown, the index standing at 95.3. The whole group showed a general decline. Staple lines of groceries declined only 2.0 per cent., while meats and fish decreased by 3.2 per cent. Dairy and poultry products showed the largest decline when the index fell from 99.8 in 1937 to 90.1 in 1938, a decrease of 9.7 per cent. Fruits and vegetables lost 4.6 per cent., the index receding from 92.7 in 1937 to 88.5 in 1938. The Prairie Provinces reported an increase in sales in 1938 of 3.0 per cent. over 1937, total sales being \$257,621,000. The remainder of the Provinces showed decreases in 1938.

The dollar volume of retail purchasing was well maintained in Canada in 1938, sales for the year at \$2,404,756,000 standing only 2 per cent. below the total of \$2,453,715,000 for 1937, according to the Dominion Bureau of Statistics *Retail Merchandise Trade Report*. Alberta sales registered 6 per cent. higher in 1938 than in the preceding year; Saskatchewan and Manitoba remained unchanged while all other Provinces



reported minor decreases as follows: Quebec, 1 per cent.; Ontario, 3 per cent.; Nova Scotia and British Columbia, 4 per cent.; Prince Edward Island, 5 per cent.; and New Brunswick, 7 per cent. There were 457 different chain store companies operating 7,692 individual stores with sales of \$414,448,300, or 17.2 per cent. of the total retail trade of all stores including both chains and independents in 1938. For 1937 the figures were 447 chains with 7,015 stores totalling \$414,133,300 in sales, while the *ratio* of chain to total business was 16.9 per cent. These figures relate to corporate chains only; that is, groups of 4 or more stores (exclusive only of department stores) under the same ownership and carrying on the same or similar lines of business. In 1938 there were also 49 voluntary chains with 8,419 members. Information regarding the amount of business transacted by these voluntary chains was not available but purchases of members from the affiliated wholesale companies totalled \$34,256,395. In 1937 there were 49 voluntary groups having 8,310 members, whose purchases at wholesale prices from affiliated wholesalers amounted to \$35,006,804. Sales of the food group totalled \$518,893,000 for 1938, being practically unchanged from the preceding year.

### The Tariff Board of Canada, 1937 and 1938

The Tariff Board of Canada during the years 1937 and 1938 was composed of the Hon. George H. Sedgewick, C.M.G., K.C. (Chairman), Mr. M. M. Campbell (Vice-Chairman) and Mr. Charles B. Herbert. Mr. James R. McGregor was the Secretary. During the year 1937 the Tariff Board reported on 12 References as follows: No. 74 (Part II), Synthetic Resins and Plastics of all Kinds—Reference by the Minister of Finance; No. 75, Certain Sporting Goods—an application by A. G. Spaulding and Brothers of Canada Limited and A. J. Reach, Wright and Ditson of Canada Limited; No. 77, Hard Rubber in Rods, Tubes, Strips and Sheets—an application by Joseph Stokes Rubber Company Limited; No. 80, Silica Sand—an application by Ottawa Silica and Sandstone, Limited; No. 86, Light Weight Chiffon—an application by Dress Essentials Limited; No. 87, Combs of Hard Rubber—an application by The Dominion Comb and Novelty Company; No. 91, Automotive Industry—a continuing Reference from the Minister of Finance; No. 93, Furniture Industry—an application by the Furniture Manufacturers' Association; No. 94, Hats, Shapes, Hoods, Caps, Bonnets and Berets—an application by the Millinery Manufacturers of Montreal; No. 95, Motion Picture and Sound Equipment—an application by the Victoria Chamber of Commerce; No. 96, Steel Wool—an application by the Thamesville Metal Products Limited; and No. 98, Processed Cherries—an application by The British Columbia Fruit Growers' Association.

Reference No. 74, Part II—Synthetic Resins and Plastics of all Kinds—was a Reference from the Minister of Finance arising out of a section of the application in Reference No. 74 requesting the insertion in the Customs Tariff of separate classifications to cover certain so-called casein plastics and phenol resin plastics. By reason of the close relationship obtaining between all types of synthetic resins and plastics, the Minister of Finance instructed the Board to review the whole field of synthetic plastics with a view primarily to the inclusion in the Customs Tariff of an adequate group of Items dealing with these commodities. Owing to the lack of a definite classification these commodities in the form of raw material and semi-manufactured forms, were classified as "rubber substitutes" if imported in sheets or rods and under Tariff Item 711 as unenumerated articles if imported in other forms. The new plastics

schedule "embraces thirteen tariff items, most of which involve" a reduction in rates of duties.

Reference No. 77—an application for an increased duty on Hard Rubber in Sheets, Strips, Rods and Tubes—was considered concurrently with Reference No. 74 (Part II), by reason of the fact that any change in the classification of these products would necessitate a change in the rulings of the Department of National Revenue relating to plastics as the existing rulings were based on the classification of hard rubber. An increased rate of duty was recommended in the case of hard rubber in strips or sheets of a certain thickness and in rods or tubes.

No tariff changes were suggested in the Reports on References Nos. 75, 80 and 86. In the case of Reference No. 87—Combs of Hard Rubber—while no increase was recommended in the rates of duties applicable to hard rubber combs, the rates of duties applicable to celluloid combs were reduced to the level of rates applicable to combs of hard rubber; also pyroxylin and hard rubber comb blanks were made free of duty.

The tariff was revised downward as a result of Reports Nos. 94 and 95. In the case of Reference No. 94—Hats, Shapes, Hoods, Caps, Bonnets and Berets—the specific rates of duties applicable to hats, hoods and shapes of wool felt, were reduced. In its previous Report on Hats and Hoods, which was submitted to the Minister of Finance in 1935, the Board pointed out that the rates recommended should be regarded as temporary and that after a period of two or three years they should be re-examined. In its 1937 Report, the Board recommended certain reductions on the assumption that a further period of two years would be given to the industry in which to demonstrate that it will be ready and able to accept reductions of duties to rates more in line with those existing generally in respect of semi-manufactured goods.

In References Nos. 93 and 96, upward revisions resulted from the Board's Reports. In the Report on Reference No. 93—Furniture—the Board considered that the increase in duty recommended should be regarded as in the nature of a temporary relief rather than as a final view as to the amount of protection required by the industry and that the situation should be reviewed after a period of two years. In respect of Reference No. 96—Steel Wool—while the rates of duty applicable to steel wool were increased, the rates of duty applicable to steel wool impregnated with soap were reduced.

In the case of Reference No. 98—Processed Cherries—as an alternative to an increased rate of duty, the Board gave effect to the result desired by the applicants, by recommending that when the laid-down duty paid, price at the port, of cherries, sulphured or in brine, "is less than 14½ cents per pound", the powers contained in the Customs Act and particularly in Section 43, should be invoked to establish values for duty sufficient to bring the laid-down duty paid price of processed cherries at a Canadian port up to 14½ cents per pound for the highest priced grade of processed cherries and corresponding values for the lower priced grades.

Reference No. 91—Automotive Industry—was a continuing Reference from the Minister of Finance. This Reference had been before the Board since March, 1935, and the first Report of the Board was tabled in Parliament with the Budget of 1936. It involved a study of the industry in all its phases—manufacturing, merchandising—including part-time payment financing, importing, and exporting. The Reference also covered the manufacture and sale of parts and materials entering into the

production of motor vehicles. In their Reports, the Board recommended such changes in the Automobile Tariff Schedule as would, in their opinion, lead to economies in manufacturing costs.

While seeking tariff changes that would lead to savings in production costs, another of the Board's objectives was to induce the manufacturer to increase the Canadian content of the cars produced in Canada, thus ensuring an increasing use of Canadian labour and materials. To this end, a specified list of motor parts was recommended for free importation to companies showing a certain Empire content on the finished vehicle. The proportion of Canadian content in the large volume of automobiles manufactured in Canada had a steady annual increase between 1936 and 1938.

In the year 1938, no Reports were submitted to the Minister of Finance. The Board continued to exercise its jurisdiction under Part II of The Tariff Board Act, which provided that the Board might deal with appeals from rulings made by the Department of National Revenue in respect of valuations, rates of duty, *et cetera*, made by the Customs Division, and rulings by the Inland Revenue Division of the Department in respect of sales tax and other taxes levied under The Special War Revenue Act. In all, the Board dealt with twenty-two appeals during the years 1937 and 1938.

### **\*Dominion Trade and Industry Commission, 1937 and 1938**

This body was established under The Dominion Trade and Industry Commission Act, 1935, Chapter 59, 25-26 George V. The members of The Tariff Board "constitute the officials of the Dominion Trade and Industry Commission and the staff of the Tariff Board acts in a like capacity for the Dominion Trade and Industry Commission."

Under Section 20 of the Act the duty of the Commission was to receive and investigate complaints respecting unfair trade practices. If of the opinion that the practice complained of constituted an offence against any Dominion law prohibiting unfair trade practices, the Commissioner might communicate the complaint and the supporting evidence to the Attorney-General of Canada with a recommendation that all persons who were parties or privies to such offence should be prosecuted for violation of the applicable Act.

The various statutes covering these practices are enumerated in Section 2(h) of the Act.

During the years 1937 and 1938, the Commission received and investigated 56 complaints under the headings enumerated as follows, and to the numbers listed:

Selling goods in any particular area at prices lower than those exacted by such seller elsewhere in Canada, presumably to eliminate competition, 6; selling goods either below cost or at such a small margin of profit that no business could be successfully conducted at such prices (commodities sold under such circumstances generally are referred to as "loss leaders"), 15; owners or lessees of special types of railway cars refusing to accept for shipment goods of other companies, 1; manufacturers refusing to sell their products to certain wholesalers or other manufacturers, 9; manufacturers and wholesalers refusing to sell to

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\*NOTE.—In *The Canadian Annual Review 1935 and 1936*, page 611, first paragraph, the statement is made that the Dominion Trade and Industry Commission under the 1935 Act would report to the Minister of Labour. This should have read "to the Minister of Trade and Commerce."



certain retailers, 2; selling goods under wrong designations (in such cases the complainants allege misrepresentation), 10; manufacturers or wholesalers refusing to sell to certain dealers because the latter were accused of selling below the retail prices set by the manufacturers or wholesalers, 1; complaints with respect to weights charged consumers of coal and other products, 1; unfair prices charged by companies holding a dominant position in the market, 2; improper grading or classification under which goods are purchased, 1; and unfair and misleading advertising, 8.

In no case of those heard did the Commission find it necessary to report to the Attorney-General recommending prosecution. In every case in which, on the evidence, the practice complained of appeared to be actionable, the party or parties complained against agreed to desist. There were many instances in which statutory violation was doubtful; others in which the practice was obviously unfair and unethical but not illegal. In most of these the difficulties were adjusted and straightened out by negotiation. A number of complaints were found on investigation to be quite unjustified and the practices complained of could not be considered unfair.

In 1937 the Combines Investigation Act, which was covered by Section 13 of The Dominion Trade and Industry Commission Act, was transferred to the jurisdiction of a Commissioner responsible to the Minister of Labour. Several cases which had been brought to the attention of the Commission, and which were in the preliminary stages of investigation, were turned over to the Commissioner administering the Combines Investigation Act.

In connection with Commodity Standards, the Commission was empowered to study, investigate, and report to the Minister as to the desirability of establishing standards and grades for any commodity. These powers were covered in Sections 15 to 18, inclusive, of the Act. Four applications for the establishing of standards were received and covered hosiery, paints, canned fruit and vegetable containers, and spectacle lenses. A Conference of the manufacturers interested in hosiery standards with a representative of the National Research Council was held in Toronto in November, 1938, and the matter was still under consideration at the end of the year 1938.

## **The Department of Trade and Commerce, 1936-37 and 1937-38**

The Reports of the Department of Trade and Commerce (Minister, the Hon. W. D. Euler, and Deputy Minister, Mr. J. G. Parmelee, o.B.E.) for the two fiscal years 1936-37 and 1937-38 covered Canada's trade situation for the period and the operations of the Department's numerous sub-divisions.

The Commercial Intelligence Service, during the two fiscal years, besides the headquarters at Ottawa, had thirty-four Trade Commissioner Offices abroad. During the year 1936-37 the offices at Batavia and Tientsin were closed, the work of the former being taken over by the Singapore office and the latter by the Shanghai office. A new office was opened in Australia at Sydney. Of the total number of offices, seventeen were within the Empire. As a result of requests from Boards of Trade in the Maritimes the Inspector of Trade Commissioner Offices visited Newfoundland during this year to investigate trade conditions and the opportunities for expanding Canadian export trade with that Dominion. In 1937-38 he visited and reported upon the offices at Panama City, Lima,

Mexico City and Havana. In accordance with their usual practice Trade Commissioners returned to Canada to renew contacts with exporters throughout the Dominion. In 1936-37 the following made their visits: V. E. Duclos, Hong Kong; L. M. Cosgrave, Melbourne; M. B. Palmer, Mexico City; Hercule Barre, Paris; G. B. Johnson, Glasgow; Frederick Palmer, Bristol; and R. P. Bower (Acting), Batavia. In 1938 those returning to Canada were: B. C. Butler, Singapore; James Cormack, Dublin; J. H. English, London; F. W. Fraser, Kingston, Jamaica; L. S. Glass, Rio de Janeiro; G. R. Heasman, Capetown; and M. J. Vechsler, Lima. During each of the two fiscal years the Trade Commissioners dealt with nearly ten thousand inquiries from Canadian exporters and foreign importers.

The Foreign Tariffs Division of the Department, during the two years under review, furnished, as usual, information on Customs duties and Governmental trade regulations throughout the world in response to continuous demands for advice on these subjects. Much work was involved in connection with the Trade Agreement between Canada and the United Kingdom, signed on Feb. 23, 1937, and approved by the Parliament of Canada on Mar. 31, 1937; it was implemented, with regard to the new preferences, by the United Kingdom Budget of Apr. 20, 1937.

Other Trade Agreements made by Canada during the two calendar years, 1937 and 1938 (See Department of External Affairs Reports), included the following: In 1937—Hayti, Apr. 23; Poland, May 26; Brazil, June 12; France, July 30; Uruguay, Aug. 12 and Nov. 12; New Zealand, September; Guatemala, Sept. 28; and Salvador, Nov. 2. In 1938—Uruguay, Apr. 21, Apr. 23, Oct. 28 and Nov. 12; New Zealand, Aug. 25; the United Kingdom (modification of Agreement of Feb. 23, 1937, by Exchange of Notes at Ottawa), Nov. 16; Union of South Africa, Nov. 16; and the United States, Nov. 17. The latter Agreement, when ratified, was to replace the Trade Agreement signed at Washington on Nov. 15, 1935; its main provisions were to enter into force provisionally on Jan. 1, 1939. The Agreement was to remain in force for a period of three years from date of its proclamation by the President of the United States and thereafter until the expiry of six months from the date on which a notice of termination was given.

### **The Dominion Bureau of Statistics**

The Bureau, with R. H. Coats, LL.D., F.R.S.C., F.S.S. (HON.) as Dominion Statistician, carried on its usual important and progressive operations during the two years under review. In the Annual Reports of the Department of Trade and Commerce for the two fiscal years 1936-37 and 1937-38, will be found summaries of the unique work of the following Main Branches of the Bureau: Administration; Census; Vital Statistics; Agricultural Statistics; Fisheries, Furs, Animal and Dairy Products; Mining, Metallurgical and Chemical; Forestry and Allied Industries; Construction; General Manufactures; External Trade (Imports and Exports); Internal Trade—Prices; Transportation; Financial Statistics; Criminal Statistics; Institutional Statistics; Educational Statistics; and General Statistics. A few of the outstanding services performed by the Bureau during the two fiscal years may be mentioned:

In 1936-37—A special study of occupational mortality during the years 1931 and 1932 was completed; the first routine report on deaths by locality of residence covering the year 1935 was completed and partially prepared for processing; the tables of deaths and mortality rates from

chief causes, which previously had been compiled and published for the years 1921-33 were extended to 1935 for publication in a special report; the printing of a handbook on Death Registration and Certification, in English and French, was completed and the handbook was distributed to physicians, medical schools, etc., throughout the country; a new Directory of Hospitals for Canada was compiled and published, as also annual reports on hospitals and mental institutions; the annual bulletins on branches of Canadian mining were enlarged to include a comprehensive survey of the more important producers; a special report on the Consumption of Supplies and Equipment by Canadian mining companies was published; a special analysis of wage payments in the primary textile industries was made for the Royal Commission on the Textile Industry; separate statements were prepared in connection with numerous inquiries made by governments, universities and boards of trade; important advances were made in the general investigation of the balance of international payments, capital movements, corporations records, branch plants, etc., by the Internal Trade Branch; valuable extension of trade records were completed by the External Trade Branch.

In 1937-38: Volume I (Summary), Volume V (Families, Dwellings and Earnings), Volume VII (Operations and Industries) and Volume VIII (Agriculture) of the Decennial Census were issued; Monographs on Illiteracy, Unemployment, Families, Fertility, Rural and Urban Distribution, and Dependency, as well as the first official Canadian Life Tables were issued; considerable information was compiled for the Penitentiary Investigation Commission; in addition to the Annual Survey of Education, seven valuable bulletins were published, namely, *Salaries and Qualifications of Canadian Teachers*, *Supply and Demand in the Professions in Canada*, *The Use of Films and Slides in Canadian Schools*, *The Use of Radios and Phonographs in Canadian Schools*, *The Extent of Language Study in High Schools*, *Directory of Private Schools*, *List of Public Secondary Schools*; materials were prepared for the International Organization for Intellectual Co-operation and for *The British Year Book of Education*; with the setting up of the Royal Commission on Dominion-Provincial Relations the Finance Statistics Branch responded to an unusually heavy demand for special statements for the use of financial corporations, local governing bodies and persons interested in financial activities of the Provinces; the *Monthly Review of Business Statistics* and other valuable periodicals continued to be published regularly by the General Statistics Branch (Sydney B. Smith, M.A., Business Statistician).

### **Motion Pictures, 1937 and 1938**

An extensive advertising campaign carried on by theatre owners early in 1938 was partly responsible for an increase of 2.7 per cent. in attendance over the 1937 figures and 3.5 per cent. increase in revenue during a period when expenditures for most goods and services were undergoing moderate curtailment, according to Reports prepared by the Dominion Bureau of Statistics. The receipts of 1,133 motion picture theatres in 1938 from 137,976,052 paid admissions amounted to \$33,635,052, exclusive of amusement taxes, as compared with 1,047, 134,374,061, and \$32,499,300 respectively, in 1937. The *per capita* expenditure in 1938 on motion pictures (exclusive of amusement taxes) was \$3.02, the highest since 1931, and in 1937 it was \$2.93. Salaries and wages paid to 7,248 employees amounted to \$5,666,049, as compared with 6,950 and \$5,627,300 in 1937. The upward trend in gross receipts continued, but at a diminished rate in 1938, with a slight decline of 1.2 per cent. and 2.4 per cent. in Prince



Edward Island and Saskatchewan, respectively; all the other Provinces showed increases.

There were 62 film exchanges in 1938 having total receipts of \$10,218,700, as compared with 63 and \$9,471,100 in 1937. Employees numbered 648 and were paid \$1,081,900 in 1938, and for 1937 the figures were 636 and \$1,062,900, respectively.

Receipts of picture theatres (exclusive of amusement taxes) by Provinces in 1938 and 1937, respectively, were, as follows: Prince Edward Island, \$108,946 and \$110,300; Nova Scotia, \$1,341,902 and \$1,298,600; New Brunswick, \$861,792 and \$821,300; Quebec, \$6,897,986 and \$6,749,700; Ontario, \$15,202,597 and \$14,457,000; Manitoba, \$2,278,996 and \$2,196,400; Saskatchewan, \$1,318,435 and \$1,351,000; Alberta, \$1,959,134 and \$1,880,000; and British Columbia (includes Yukon), \$3,665,264 and \$3,635,000.

### Tourist Trade, 1937 and 1938

The Annual Reports of the *Tourist Trade of Canada* for the two calendar years 1937 and 1938 (Dominion Bureau of Statistics) stated that Canada had a gross "invisible" export on tourist trade account of some \$273 million, an amount greater than the combined exports of wheat and newsprint in that year. In 1937 the estimated "invisible" export was, approximately, \$291 million. The estimated expenditures of tourists during 1938 as compared with 1937 were as follows: from overseas countries, \$14,683,000 and \$16,972,000; from the United States by automobile, \$180,258,000 and \$181,332,000; by rail, \$47,563,000 and \$49,223,000; by boat, \$10,927,000 and \$16,054,000; and by ferry, plane, bus, etc., \$20,000,000 and \$27,000,000.

The estimated expenditures of United States motorists on tourist permits entering Canada by ports in the various Provinces in 1938 as compared with 1937 were: Maritime Provinces, \$14,305,000 and \$12,390,000; Quebec, \$31,679,000 and \$36,033,000; Ontario, \$117,016,000 and \$117,029,000; Manitoba, \$2,796,000 and \$2,321,000; Saskatchewan, \$1,021,000 and \$946,000; Alberta, \$1,317,000 and \$1,115,000; and British Columbia, \$12,124,000 and \$11,498,000.

The estimated expenditures of Canadian travellers in foreign countries in 1938 as compared with 1937, were as follows: in overseas countries, \$19,957,000 and \$22,335,000; and in the United States—by automobile, \$49,362,000 and \$48,893,000; by rail and boat, \$29,594,000 and \$24,194,000; and by ferry, plane, bus, etc., \$25,000,000 and \$29,000,000. The estimated total expenditures of Canadian travellers in foreign countries was \$123,913,000 in 1938, as compared with \$124,422,000 in 1937.

The volume of tourist travel to Canada by automobile in 1938 was approximately 4 per cent. less than in 1937, but it was still at a higher level than in any of the five years prior to 1937. Automobiles entering Canada for not more than a 24-hour period totalled 3,081,559 in 1938 and 3,127,352 in 1937; and for tourist purposes (periods not exceeding 60 days and not exceeding 6 months), 1,265,086 in 1938 and 1,384,488 in 1937.

### The Canadian National Exhibition Association, 1937—1938

At the 59th Annual Meeting of the Association held in Toronto, Feb. 23, 1938, in the absence of the President, Mr. Alfred Rogers, Mr. George Brigen was appointed Chairman. The Report of the Association for the year 1937 stated that the attendance at the 1937 Exhibition had been 1,302,000; that the total revenue was \$765,182.45, the operating expenses,

\$636,609.15, and the sum paid to the City of Toronto on debt charges and water rates, \$160,162.71.

The Report for 1938 read at the 60th Annual Meeting held on Feb. 22, 1939, in Toronto with the President, Mr. George Brigden presiding, stated that the attendance at the 1938 Exhibition had been 1,656,000; that the total revenue was \$879,265.85, the operating expenses, \$590,224.21, and the sum paid to the City of Toronto on debt charges and water rates, \$160,280.00. The officers elected for the ensuing year were: President, George Brigden; First Vice-President, John Millar; and Second Vice-President, J. A. Scythes.

### **The Canadian Chamber of Commerce, 1938**

The 12th Annual Meeting of the Chamber was held in Quebec, Sept. 27-30, 1938. At the opening session an address by the President, Mr. George C. McDonald, Montreal, stressed that greater national outlook and less "sectional jealousy" should appear if the true concept of Confederation was to be realized. The problems that were discussed at the Convention were: management or employer relations; better conditions for agriculture; and a more efficient and effective Canadian partnership.

The Report of the previous year was presented to the meeting. It covered the activities of the Chamber in Legislative Affairs, including Federal Finance, Companies Creditors' Arrangement Act, and the question of disallowance of certain Alberta legislation. In the national field, special research had been conducted into various social and economic problems; and a Special Committee had been appointed to review the Canadian broadcasting situation. In International Affairs, the Chamber's outstanding programme had been the organization by the Foreign Trade Bureau of a Foreign Trade Conference in Hamilton in May. The Bureau had been represented at the National Foreign Trade Council of the United States at Cleveland, Ohio. A large group had represented the Canadian Chamber at the Annual Meeting of the Chamber of Commerce of the United States at Washington when Lieut-Col. J. H. Woods had delivered the Canadian address on the subject of "The Influence of the English-Speaking Nations in Assuring World Stability", to the 1,500 registered delegates. The Joint Committee, United States and Canadian Chambers, had held two meetings. A goodwill mission to the West Indies had been undertaken by Mr. K. J. McArdle, Assistant to the Secretary.

The principal officers elected for 1938-39 were: President, J. S. McLean, Toronto; Chairman of the Executive, R. P. Jellett, Montreal; and Honorary Treasurer, W. Frank Prendergast, Toronto. The Chamber's membership had 135 affiliated Boards of Trade and Chambers of Commerce, with 414 individual companies subscribing to the Chamber's work in 1938. Under the auspices of the Canadian Chamber of Commerce an Industrial-Agricultural-Scientific Conference was held in Toronto in November, 1938. As a result, the National Chemurgic Committee was organized, dedicated to the creation of new sources of wealth and opportunity. It was the intention of the Committee to make a complete survey of the research facilities existing in Canada and of the opportunities already existing elsewhere in the field of new uses for farm products. Following the completion of this survey, the Committee intended to operate with the full support, but independently of the auspices, of the Canadian Chamber. They undertook to work towards (1) the

expansion of possibilities in Canada for relevant research and the increase of the farmer's income, thus adding to the national wealth; (2) the establishment of a clearing-house for all chemurgic information; (3) the focusing of attention on the part of private and industrial laboratories to chemurgic projects and the creation of popular support for research in public laboratories and educational institutions; (4) the encouragement of the commercial application of chemurgic research accomplishments whenever ready for profitable use; (5) the discouragement of unsound promotion; and (6) the promotion of assistance to and co-operation with other agencies engaged in allied efforts.

### **The Maritime Board of Trade, 1937 and 1938**

The Thirty-Ninth Annual General Meeting of the Maritime Board of Trade, was held in Moncton, New Brunswick, Oct. 12-13, 1937, with 113 delegates in attendance and with Mr. Stephen G. Mooney of Andover, New Brunswick, President, presiding. The Hon. C. D. Howe discussed the work on the Trans-Canada Airways and the radio situation in his address to the members of the Board. Mr. D. Leo Dolan, Director of the Canadian Travel Bureau, describing the work of the Bureau, stated that the volume of tourist trade in 1937 equalled that of the peak year in 1929. The Hon. A. P. Paterson spoke on the railway situation.

The Fortieth Annual General Meeting of the Board was held at Sydney, Cape Breton, Oct. 11-12, 1938, when 178 delegates represented 18 Boards. Lieut.-Col. J. A. Macdonald, President, presided. Among the many speakers were: the Hon. Michael Dwyer whose address was on local, national and international questions; and Mr. H. J. Kelley who spoke on the economic significance of the two fundamental industries—coal and steel. A resolution passed by the Board inaugurated an aggressive campaign to disseminate information as to resources and industrial possibilities of the Maritimes. The officers elected for 1939 were: President, Mr. R. E. Mutch, Charlottetown; Vice-Presidents—for Prince Edward Island: Mr. George J. Tweedie, Charlottetown; for Nova Scotia: Mr. H. A. Rice, Canso; and for New Brunswick: Mr. J. A. Morris, Moncton.



## FINANCE AND INSURANCE

The years 1937 and 1938 were marked by economic fluctuations of considerable moment throughout Canada. The accelerated recovery which developed after the great depression persisted throughout 1937. The records of that year in exports and industrial activity were remarkable in face of one of the worst crop failures the Prairie Provinces had ever known, coming on top of a long series of drought years. Characteristic of the period was the high record of dividend payments by Canadian corporations. The distribution of profits in 1937 exceeded \$313,000,000 as compared with \$207,815,000 in 1929, the final year of the post-War boom. Enterprise in 1937 was still garnering the fruits of the unprecedented constructive developments which distinguished the Canadian "Twenties", the immense progress that was being achieved in the gold mining and base metals industries, and the Empire Trade Treaties.

The following table presents the situation:

**Trends in Business and Credit Issue, 1929 to 1938**

	Index Physical Volume of Business (1926=100)	National Income Produced (a)	Total Chartered Bank Loans In Canada (a)	Dom.-Prov. Investments Chartered Banks In Canada (a)	Total Chartered Bank Deposits In Canada (a)	Circulation In Hands of Public (a)	Total Bank Debits (a)	Velocity of Money
1929	125.5	\$5,867	\$1,772	\$ 342	\$2,396	\$208.3	\$46,670	18.20
1932	78.7	3,379	1,314	490	2,037	160.6	25,844	11.80
1935	102.4	3,787	1,045	861	2,169	172.9	31,546	12.50
1936	112.2	4,133	913	1,075	2,322	186.4	35,928	13.53
1937	122.7	4,576	956	1,119	2,472	205.1	35,166	12.45
1938	112.9	4,400(b)	982	1,143	2,543	209.6	30,924	10.60

(a) In millions of dollars.

(b) Preliminary estimate made by Financial Post.

### Foreign Exchange Canadian Balance of International Payments, 1937-38

The average rate of the Canadian dollar in New York in 1937 was at par, and at a moderate discount during 1938. The pound sterling was at a premium in both Canadian exchange markets and New York. Relative stability characterized both periods, close to parity, in contrast with previous years. In both years, the balance of international payments was in Canada's favour, while the tri-partite agreement between the United States, the United Kingdom and France operated successfully in eliminating artificial disturbances. The purpose of the agreement was not to fix rates of exchange; allowance was made for natural influences. The expediency of devaluing the franc, for instance, was recognized by the two other parties

The main influences that play upon exchange rates are the ratio of currency issue to reserves and the balance of international payments. Under the latter category come both visible transactions—goods—and invisible transactions—gold, tourist trade, interest and dividends, freight, securities, etc. The policy of Canadian authorities continued to be not to link the Canadian dollar to either British or United States currencies. Most of Canada's visible and invisible transactions were carried on with the United Kingdom and the United States, total exchanges with each being very heavy. In the following table are given average exchange rates of the three currencies over a term of years (Bank of Canada Statistical summary)

## Exchange Rates

Cents per Unit Average of Business Days	Sterling in Canada	% Premium or Discount	U.S. Dollar in Canada	% Premium or Discount
1932.....	398.02	-18.21	113.52	+13.52
1933.....	460.73	- 5.33	108.74	+ 8.74
1934.....	498.91	+ 2.52	99.00	- 1.00
1935.....	492.68	+ 1.24	100.51	+ .51
1936.....	497.45	+ 2.22	100.06	+ .06
1937.....	494.37	+ 1.59	99.99	- .01
1938.....	491.62	+ 1.02	100.56	+ .56

Cents per Unit Average of Business Days	Canadian Dollar in New York	% Premium or Discount	Sterling in New York	% Premium or Discount
1932.....	88.09	-11.91	350.61	-27.96
1933.....	91.96	- 8.04	423.68	-12.94
1934.....	101.01	+ 1.01	503.93	+ 3.55
1935.....	99.49	- .51	490.18	+ .72
1936.....	99.91	- .09	497.09	+ 2.14
1937.....	100.00	.....	494.40	+ 1.59
1938.....	99.42	- .58	488.94	+ .47

The Capital Account of Canada in 1938 revealed a contraction in the net outflow of capital. Outstanding among the changes was the reduced outflow for redemption of Canadian securities, the changes in direction in the international trade in securities and the apparent increased proportions of other capital movements. Net retirements were lower, as the number of issues maturing in 1938 was less than in recently previous years, and, conditions being less favourable for refinancing than in earlier years, there was also a drop in the number of issues owned abroad that were called for redemption. The international trade in securities, which gave rise to a net inflow of capital in 1938, was in contrast to a small net outflow in 1937. Contributing mainly to the debit balance in freight were sums owed to United States railways and British shipping interests.

Two Dominion Government issues constituted the largest part of the total credits of \$89.9 million in 1938 entered in the item of new issues in the Capital Account. One was a £10,000,000 London loan bearing 3¼ per cent. interest, due 1958-63 and the other, a £40 million 3 per cent. of 1968, sold in New York. Due to costs, discounts, etc., credits were less than face value. Remaining credits were made up of new issues of stock of Canadian companies sold in England and the United States. Net retirements of \$60.1 million in 1938 compared with \$88.4 million in 1937, with \$163.9 million in 1936 and \$154.4 million in 1935. Sales and purchases of outstanding securities showed credits of \$367.0 million and debits of \$340.0 million, making the net credit \$27.0 million, while other capital movements (net) amounted to \$127.0 million against Canada.

## Canadian Balance of International Payments, 1934-1938

Net Receipts or Credits (+); Net Payments or Debits (-)  
(Revised Estimates for 1937 and Preliminary Estimates for 1938 of Dominion Bureau of Statistics)

	1934	1935	1936	1937	1938
	(MILLIONS OF DOLLARS)				
CURRENT ACCOUNT:					
Merchandise .....	+148.1	+192.7	+322.2	+213.3	+180.5
Gold .....	+109.6	+116.7	+131.0	+145.0	+156.5
Tourist Trade .....	+ 82.4	+119.2	+140.9	+170.3	+145.0
Interest and Dividends .....	-211.6	-208.6	-233.8	-246.2	-242.0
Freight .....	- 27.9	- 14.1	- 17.8	- 25.5	- 20.0
Miscellaneous Services .....	- 25.8	- 29.0	- 34.0	- 38.7	- 35.2
Balance on Current Account .....	+ 74.9	+176.9	+308.5	+218.2	+184.9

	1934	1935	1936	1937	1938
CAPITAL ACCOUNT:					
(MILLIONS OF DOLLARS)					
New issues and retirement of Canadian Securities .....	— 58.0	—154.4	—163.9	— 88.4	— 60.1
Other security transactions .....	+ 8.9	+ 51.0	+ 7.8	— 4.8	+ 27.0
Other Capital Movements .....	— 66.7	— 70.1	— 97.6	—105.6	—127.0
Net Outward Capital Movement .....	—115.8	—173.5	—253.7	—198.8	—160.1
Residual Item(a) .....	41.0	3.4	54.8	19.4	24.7

(a) This balancing item measures unavoidable errors and omissions in current and capital accounts.

The total direct investment in Canadian industry from all external sources at Dec. 31, 1937, was \$2,279.5 million, this investment establishing control over corporations and branches in Canada with a total valuation of, approximately \$2,808.0 million. Of the direct investment, no less than \$1,868.9 million or, approximately, 82 per cent. originated in the United States. This amount was five times as large as the \$367.2 million which represented British direct investment at the same date and which was 16.1 per cent. of the total. All other countries abroad supplied only \$43.5 million or 1.9 per cent. of the total. Capital invested in manufacturing represented 48.1 per cent. of the total; mining, 10.6 per cent.; utility, 18.1 per cent.; merchandising, 7.6 per cent.; financial, 13.7 per cent.; and miscellaneous, 1.9 per cent. The number of externally-controlled companies was 2,440 and of these 1,952 were United States-controlled, 402, British-controlled and 86, controlled elsewhere.

Of an estimated total Funded Debt in Canada at the beginning of 1937, amounting to \$10,163.1 million, the bulk, or \$6,689.3 million, was held in Canada, \$1,399.2 million in Great Britain, \$2,057.4 million in the United States and \$17.2 million in other countries. Distribution of ownership, according to figures compiled by the Dominion Bureau of Statistics was as follows:

	Total	Canada	Great Britain	United States	Other Countries
(MILLIONS OF DOLLARS)					
Dominion, Direct .....	3,371.0	2,594.2	318.8	468.9	...
Dominion, Guaranteed (exclusive of Railways) .....	31.0	12.4	...	18.6	...
Railways (Guaranteed and unguaranteed) .....	1,840.5	672.7	740.5	427.3	...
Provinces, Direct .....	1,698.4	1,195.9	65.4	433.9	3.2
Provinces, Guaranteed (exclusive of Railways) .....	147.6	131.4	2.4	13.8	...
Municipalities .....	1,466.4	1,102.7	137.6	226.1	...
Corporations .....	1,597.3	980.0	134.5	468.8	14.0
TOTAL .....	10,163.1	6,689.3	1,399.2	2,057.4	17.2

Canadians had invested in other countries in 1937 a total of \$1,758 million, of which \$1,098 million was invested in the United States, \$41 million in Great Britain and \$619 million in all other countries. In addition, the Canadian Government had advanced credits to Roumania of \$23,969,720 and to Greece of \$6,525,000, which were outstanding as at Mar. 31, 1937. Canadian holdings of earmarked gold for account of other countries increased 580,000 fine ounces in 1937, as compared with 1,352,000 in 1936.

Figures gleaned from elaborate tables supplied by the Dominion Bureau of Statistics, show that between 1930, the peak year, and 1937, inclusive, British and foreign investments in Canada declined \$430.9 million, from \$7,195.9 million to \$6,765.0 million. British investments in Canada decreased \$81.2 million. Movements in rates of currencies of seven leading countries are indicated in the appended table. Reluctance of the French Government to devalue the franc finally gave way to force of



circumstance. All other nations had effected devaluation previously. The following figures—value of currencies as percentages of their gold parity in 1929 of seven leading currencies—are taken from the League of Nations Bulletin:

	Canada	United Kingdom	United States	France	Germany	Italy	Japan
Parity 1929 .....	\$1.00	\$4.8666	\$1.00	\$0.03918	\$0.2382	\$0.5263	\$0.4985
1934 .....	60.2	61.8	59.6	100.0	98.6	97.0	35.6
1935 .....	59.1	59.8	59.4	100.0	100.3	93.0	34.2
1936 .....	59.1	60.5	59.2	92.4	100.1	82.0	34.5
1937 .....	59.1	60.0	59.1	61.0	99.7	59.0	33.7
1938 .....	43.4	59.3	59.1	43.4	99.6	59.0	33.7

## The Bank of Canada, 1937 and 1938

Legislation of 1938 brought the Bank of Canada under complete Government ownership. The Bank of Canada Act was further amended whereby the capital of the Bank was reduced from \$10,100,000 to \$5,000,000, divided into 100,000 shares of the par value of \$50 each. These shares were exchanged for the Class "B" shares held by the Minister of Finance and the latter cancelled by the Bank of Canada. All "A" shares held by the public were purchased for the sum of \$59.20 each, plus accrued dividends, and these certificates were also cancelled. Due to changes in constitution and ownership, adjustments in the method of appointing directors, as well as in other directions, were made. The Bank was authorized to pay cumulative dividends of 4½ per cent. per annum from its profits, after making such provision as the Board thought proper for bad and doubtful debts, depreciation of assets, pension, etc., the remainder of the profits to be paid to the Consolidated Reserve Fund of Canada and to the Rest Fund of the Bank until such fund was equal to the paid-up capital.

The assets of the Bank of Canada consisted, principally, of reserves and securities. Reserves consisted of gold, silver and foreign currencies and securities were made up of Dominion and Provincial Government obligations. Liabilities consisted of chartered bank cash, made up of notes in tills and deposits placed with the Bank of Canada; Government and other deposits; active Bank of Canada note circulation and other accounts. Having acquired, by purchase, the gold formerly held by the Dominion Government and that held by chartered banks, except a relatively small amount required by the latter to cover their foreign cash obligations, the Central Bank was in a position to regulate credit and currency in the best interests of the economic life of the nation and, so far as possible, control and protect the external value of the monetary unit of the country, which were its chief functions.

The average monthly holdings of foreign exchange in 1938 by the Bank of Canada was \$28.7 million. The central bank's gold holdings in 1938 were substantially higher than in 1935 and 1936, and total reserve in 1938 was \$210.6 million, as compared with \$192.9 million in 1937. The Bank of Canada was in a position to increase greatly its issue of cash, if as and when the nation's business expands.

Chartered bank figures covering cash are indicated herewith, showing a consistent increase in 1938 over 1937, although a decrease, as compared with 1936. The average ratio of cash to deposits of the chartered banks was higher in 1938 than 1937, being 9.8 against 8.8, while the total active note circulation suffered a rather sharp shrinkage in 1938 from 1937, reflecting the slowing down of business.

	Bank of Canada (Average Month-end Figures)				Chartered Banks (Daily Average Data)		Total Active Note Circulation
	Gold	Silver	Total Reserve Reserve Ratio		Cash in Canada	Ratio Cash To Deposits	
			Reserve	Ratio			
(IN MILLIONS OF DOLLARS)							
1935.....	154.6	1.4	166.2	57.87%	192	9.8	195
1936.....	179.7	1.8	192.9	61.69	191	8.3	205
1937.....	182.0	2.5	204.8	57.11	172	8.8	158
1938.....	181.0	.9	210.6	54.50	189	9.8	157

On Mar. 31, 1935, the active note circulation of the Bank of Canada was \$45 million. At Dec. 31, 1938, the active circulation was \$118 million, an increase of \$73 million. Had the chartered banks been forced to supply this additional \$73 million of notes to the public by drawing to that extent on cash reserves which they held at Mar. 31, 1935, their cash reserves would have been reduced to \$127 million. Such an amount would have provided a 10 per cent. cash ratio against only \$1,270 million deposits, whereas \$2,489 million were actually in existence at Dec. 31, 1938; but the Bank of Canada added to its assets in the form of gold, foreign currencies and securities. During 1938 a total of 4,300,000 coupons were paid, 330,000 interest cheques of \$235,000,000 exclusive of Treasury bills, were redeemed or converted, and bonds transferred and exchanged to the value of \$105,000,000. Purchases and sales of bonds in the market amounted to about \$200,000,000.

The revenue of the Bank of Canada in 1938 was \$4,356,446 and after all charges and expenses, the balance available for depreciation in assets, reserves, dividends and payments to the Government was \$2,709,874. Operations as shown by the liabilities and assets statement as at Mar. 13, 1935, and Dec. 31, 1936-38, are presented in the following table:

**Liabilities and Assets of the Bank of Canada, March 13, 1935, and Dec. 31, 1936-38\***

Item	Mar. 31, 1935	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938
<b>LIABILITIES</b>				
Capital paid up .....	\$ 5,000,000	\$ 10,100,000	\$ 10,100,000	\$ 5,000,000
Rest fund .....	173,092	743,716	1,348,414	1,903,515
Notes in circulation .....	99,677,229	135,735,458	165,330,405	175,259,573
Deposits:				
Dominion Government .....	18,262,844	19,917,329	12,292,382	17,783,300
Chartered banks .....	181,636,034	186,973,785	196,039,737	200,645,826
Other .....	766,255	2,059,627	3,456,935	3,086,373
Totals, Deposits .....	200,665,133	208,950,741	211,789,054	221,515,499
Dividends declared .....	113,000	182,793	228,260	85,000
Other liabilities .....	2,026,698	1,273,197	1,634,083	1,172,015
Totals, Liabilities .....	\$307,655,152	\$356,985,905	\$390,430,216	\$404,935,602
<b>ASSETS</b>				
Reserves (at Market Values):				
Gold coin and bullion .....	\$180,509,343	\$179,376,816	\$179,763,762	\$185,912,017
Silver bullion .....	1,638,366	2,257,032	2,992,623	Nil
Sterling and U.S.A. dollars .....	4,223,101	9,125,401	14,884,810	28,354,420
Other currencies, of countries on a gold standard .....	9,215	Nil	382	2,005
Totals, Reserves .....	\$186,380,025	\$190,759,248	\$197,641,578	\$214,268,442
Subsidiary coin .....	128,778	143,116	42,989	220,152
Advances to Dominion Government .....	3,465,813	Nil	Nil	Nil
Investments (at Not Exceeding Market Values):				
Dominion and Provincial Govern- ment short-term securities .....	30,873,169	61,299,024	82,343,729	144,620,866
Other Dominion and Provincial Gov- ernment securities .....	83,409,675	99,016,390	91,564,710	40,894,976
Other securities .....	Nil	Nil	12,212,437	Nil
Totals, Investments .....	114,282,844	160,315,414	186,120,876	185,515,842
Bank premises .....	111,911	350,719	1,167,563	1,647,580
All other assets .....	3,285,780	5,417,408	5,457,210	3,283,586
Totals, Assets .....	\$307,655,152	\$356,985,905	\$390,430,216	\$404,935,602

\* From the Bank's Annual Statement.

## Interest Rates and the Banking System, 1937-1938

Banking operations in 1938 were a continuance of the tendency in evidence during preceding years. The official rate of discount remained at 2½ per cent. and the chartered banks, far from having to borrow from the central bank, increased their deposits with that institution. The demand for current loans showed improvement during 1938. The average gain amounted to 7.4 per cent. The sum of notice and demand deposits continued to increase in 1938, rising by about \$56 million to \$2,321 million, which had the effect of augmenting the ratio of current loans to notice deposits from 43.6 per cent. to 48.2 per cent. (*Business Conditions in Canada*, Dominion Bureau of Statistics).

One of the most important services performed by the Bank of Canada, during the period of its operation, 1935-38, was the financing of the Dominion Government's current requirements by issue and sale of Treasury bills. Such sales became regular fortnightly procedure although for some time practically all these operations had been for refunding purposes, each succeeding offering maturing in approximately three months. As the average yield on these Treasury bills ran well below one per cent., the economic benefits of this system of short-term financing to the Government was obvious. Short-term financing, maturing in one year or less, totalled \$620 million in 1938, of which \$465 million matured during that year, leaving \$155 million outstanding. In 1937 sales totalled \$585 million, of which \$435 million matured that year, leaving \$150 million outstanding. These figures compared with \$510 million issued in 1936, of which \$360 million matured within the year, leaving \$150 million outstanding. The average yield on these short-terms sold in 1938 was 0.590 per cent. and in 1937 the average yield was 0.719 per cent.

Notwithstanding substantial short-term financing, both the Bank of Canada and the chartered banks were called upon to purchase in both 1937 and 1938 Dominion and Provincial long-term securities; these purchases were, however, for a much smaller amount than in recently previous years. This change for the better from the standpoint of the governments and the taxpayer was attributable to a reduction in the deficits of the governments. Improved general economic conditions in Canada, which enabled such reductions, also paved the way for increases in commercial loans, thus strengthening the operating condition of the chartered banks.

In the following table, chartered bank's investments in Government securities, their loans in Canada, their total investments in Canada, and their total deposits in Canada, together with deficits of the Dominion Government, are assembled for the purpose of indicating the relationships of these several phases of the nation's financing. It will be seen that investments of the Bank of Canada and the chartered banks in Dominion and Provincial Government securities increased \$801 million between 1929 and 1938, but that the increase in 1937 over 1936 was only \$83 million and that in 1938 over 1937 only \$44 million. At the same time, chartered bank loans, which fell \$809 million between 1929 and 1936, increased \$43 million in 1937 over 1936 and \$26 million in 1938 over 1937. The deficit shown by the Dominion Government (excess of expenditures over receipts) which was \$134 million in the year ended Mar. 31, 1934, totalled \$116 million in 1935, \$159 million in 1936, \$78 million in 1937 and \$18 million in 1938. The records are as follows:



**Dominion and Provincial Securities of Chartered Banks and the  
Bank of Canada**

(Average of Month-end Figures)

	1938	1937	1936	1935	1934	1929
	(MILLIONS OF DOLLARS)					
Chartered Banks .....	1,143	1,119	1,075	861	684	342
Bank of Canada .....	182	162	123	119	...	...
<b>TOTAL</b> .....	<b>1,325</b>	<b>1,281</b>	<b>1,198</b>	<b>980</b>	<b>684</b>	<b>342</b>
<b>Chartered Banks:</b>						
Total Investments in Canada .....	1,440	1,426	1,331	1,044	867	499
Loans in Canada .....	982	956	913	1,045	1,116	1,722
Deposits in Canada .....	2,412	2,357	2,213	2,108	1,966	2,293
Cash in Canada .....	254	240	225	213	201	191
Ratio of Cash to Deposits .....	10.5%	10.2%	10.6%	10.1%	10.2%	8.3%

Revenues of the Dominion Government had increased each year since 1934, but a deficit had been shown each year on current and capital accounts combined. The excess of expenditures over receipts, however, has diminished from \$159 million in the year ended Mar. 31, 1936, to \$18 million in the 1937-38 year, when receipts aggregated \$516 million and expenditures \$534 million. Following is the record for the five years (ended Mar. 31) 1933-34—1937-38 according to the Dominion Bureau of Statistics:

**Revenues and Expenditures of the Dominion Government**

	1933-34	1934-35	1935-36	1936-37	1937-38
	(MILLIONS OF DOLLARS)				
Total Receipts and Credits .....	324	361	373	454	516
Total Expenditures .....	458	478	532	532	534
<b>Total Deficit</b> .....	<b>134</b>	<b>116</b>	<b>159</b>	<b>78</b>	<b>18</b>

The year 1937 saw a decline in prices of high-grade bonds as compared with the improvement of prices in the preceding, less prosperous year, with a recession in business prices remounted in 1938 accompanied by declining yields. In the following table changes in average prices and yields of two respective government bonds for the three years are indicated, not only in Canada, but in the United Kingdom and the United States as well. Trends in Treasury bill yields for the three countries are also given. These figures, supplied by the Bank of Canada, are not intended to be used as comparison rates and prices in the various countries inasmuch as different conditions attach to them:

	Government Bonds Middle Prices and Yields						Treasury Bills Three Months— Average Yields		
	Canada		U.K.		U.S.A.		Canada	U.K.	U.S.A.
	Price	Yield	Price	Yield	Price	Yield			
1936.....	105.67	3.18	106.48	3.06	103.45	2.67	0.843	0.595	0.131
1937.....	103.37	3.34	101.15	3.42	102.61	2.74	0.719	0.547	0.509
1938.....	105.53	3.10	100.84	3.42	104.70	2.54	0.590	0.614	0.055

Changes in business conditions in Canada while they continued to influence securities' markets and returns on investments, were less powerful in their effect during 1937 and 1938 than in preceding years, owing to the control exerted by the central bank. Financing through Treasury bills, administration of foreign exchange transactions, and control of currency issue all tended to stabilize money rates. Flotations of Dominion bond issues no longer were effected by calls for tenders; conferences were held between the Finance Department, the Bank of Canada, investment dealers and lending institutions.

Appreciable variations in the earning power of Canadian chartered banks are indicated in the appended table, where net profits for 1937 and

1938 are compared with those of 1929. Long-term earnings of the Canadian banks did not fluctuate nearly so severely in 1937 and 1938 as those of business generally, owing to the fact that governments had to undertake more borrowing for emergency spending. Meeting this alternative requirement, the banks found employment for their credit facilities, although at a lower return than on commercial loans, in government bonds.

#### Net Profits of Chartered Banks in 1938, 1937 and 1929

	Net Profit 1938	Net Profit 1937	Net Profit 1929	Net per share on Stock 1938	Net per share on Stock 1937	Net per share on Stock 1929	Net per cent. on Capital Rest and Surplus 1938	Net per cent. on Capital Rest and Surplus 1937	Curr. Divid.
	\$	\$	\$	\$	\$	\$	%	%	
(000 omitted)									
Canadian Bank of Commerce ..	2,411	2,673	4,101	8.04	8.91	15.22	4.46	4.48	8
Bank of Montréal .....	3,398	3,408	6,635	9.44	9.47	19.93	3.81	3.95	8
Bank of Nova Scotia .....	1,795	1,802	2,551	14.96	15.02	25.51	4.85	4.89	12
Bank of Toronto .....	1,163	1,156	1,235	19.40	19.27	20.78	6.84	6.95	10
Dominion Bank .....	885	901	1,287	12.64	12.88	18.95	5.98	6.10	10
Imperial Bank of Canada .....	961	967	1,359	13.73	13.83	19.41	6.14	6.18	10
Banque Canadienne Nationale ..	780	774	908	11.15	11.06	14.51	6.37	6.33	8
Royal Bank of Canada .....	3,396	3,411	6,335	9.70	9.75	18.89	5.71	5.95	8
Provincial Bank of Canada ....	348	341	483	8.70	8.52	12.09	6.70	6.56	6
TOTALS .....	15,137	15,433	24,894	11.97	12.08	18.37	5.65	5.71	

Consistent increases in Canadian deposits of the chartered banks occurred during 1933-38, while deposits abroad showed a similar trend. Aggregate deposits at the end of 1938 were higher than those at the end of 1929. Reflecting changes in the state of business, loans outstanding started a descent in 1930 which persisted through to 1936. The decline from the peak in 1929 of \$2,271 million to 1936 of \$1,191 million was \$1,080. Improvement in economic conditions set in in 1933, but business loans continued to decline, because old loan obligations were being repaid. Only in 1936 was the progress in recovery sufficient to make fresh borrowings expedient. Governments required financing, however, to take care of extraordinary expenditures resulting from the depression and between 1929 and 1938 total investments of the chartered banks increased by \$941 million—from \$499 million to \$1,440 million.

#### Bank Assets and Liabilities

	Average Month-End Figures				
	1938	1937	1936	1935	1929
(MILLIONS OF DOLLARS)					
<b>Liability Items:</b>					
Notes .....	\$ 100	\$ 110	\$ 119	\$ 126	\$ 178
Demand Deposits .....	690	691	618	569	696
Time Deposits .....	1,630	1,574	1,518	1,445	1,480
Dominion and Provincial Deposits .....	94	90	77	65	102
Canadian Deposits (1) .....	2,449	2,382	2,245	2,104	2,293
Foreign Deposits .....	408	421	401	348	418
Total Deposits (2) .....	2,892	2,840	2,668	2,476	2,837
<b>Asset Items:</b>					
Cash in Canada (3) .....	252	240	225	216	212
Dominion-Provincial Securities, short-term ..	447	445	447	407	684
Dominion-Provincial Securities, long-term ..	696	674	628	454	
Other Securities .....	297	307	256	183	157
Total Securities .....	1,440	1,426	1,331	1,044	499
Call loans in Canada .....	67	107	93	82	267
Current public loans in Canada .....	786	732	699	829	1,343
Current other loans in Canada .....	129	117	121	134	112
Call loans abroad .....	51	68	64	72	301
Current loans abroad .....	158	165	150	146	248
Total Assets .....	3,349	3,317	3,145	2,957	3,528

(1) Estimated month-end deposits payable in Canadian currency.

(2) Includes inter-bank deposits.

(3) Until March, 1935; gold and coin in Canada, Dominion notes and "free" Central Gold Reserve deposits; after that date: Bank of Canada notes and deposits.

### Chartered Bank Branches

The net change in the number of branches of Canadian chartered banks in Canada in 1938 as compared with 1937 was small, the total, including sub-agencies, being 3,332 as compared with 3,336, or a decrease of 4. The decrease in 1937 from 1936 was 62 and that in 1936 from 1935 was 33. The drop from 1920 to 1938 was 1,344. Unprofitable branches and the elimination of unnecessary competition by mutual arrangement in small centres of population, were the reasons for the reductions. Numbers of branches by Provinces as at Dec. 31, 1920, 1935, 1936, 1937 and 1938 were as follows:

Bank Branches					
Province	1920(1)	1935(1)	1936(1)	1937(1)	1938(1)
Prince Edward Island .....	41	27	27	27	27
Nova Scotia .....	169	134	135	134	134
New Brunswick .....	121	97	98	97	98
Quebec .....	1,150	1,073	1,069	1,074	1,078
Ontario .....	1,586	1,223	1,224	1,209	1,210
Manitoba .....	349	184	175	169	164
Saskatchewan .....	591	290	279	248	246
Alberta .....	424	209	200	186	180
British Columbia .....	242	190	187	188	190
Yukon .....	3	4	4	4	4
TOTALS .....	4,676	3,431	3,398	3,336	3,332(2)

(1) Includes sub-agencies.

(2) Includes one in N.W.T.

### The Canadian Bankers' Association

The Canadian Bankers' Association at the Annual Meeting held Nov. 18, 1937, in Toronto elected the following officers: President, Mr. S. G. Dobson; Vice-Presidents, Messrs. H. B. Henwood, H. F. Patterson, Charles St. Pierre and Jackson Dodds; Executive Council, in addition to the officers named above, Messrs. J. U. Boyer, Robert Rae, A. E. Arscott, H. T. Jaffray and H. A. Stevenson; Secretary-Treasurer, A. W. Rogers, K.C.

At the 1938 meeting, held at Montreal on Nov. 10, Mr. S. G. Dobson was re-elected President. The only change in Vice-Presidents was the election of Mr. F. H. Marsh to succeed Mr. H. B. Henwood who died Sept. 11, 1938. No change otherwise was made in the Executive Council.

### The Canadian Bond Market, 1937 and 1938

The firmness of the bond market during the year 1938 resulted from a combination of a growing demand and the relative lightness of new borrowings. The year's aggregate in Dominion, Provincial and Municipal financing was around one billion. Of this amount about \$830 million was for refunding purposes, and of the extremely light corporation total of some \$79.5 million, only \$36.3 million represented new money. General public demand and increasing purchases from Great Britain and continental Europe continued to maintain the market when the banks were less active on the buying side. Several company operations involving new money for expansion purposes were effected in the latter part of the year. General market tendencies were very similar to those of 1936 and 1937 with domestic issues predominating, persistence of low interest rates, continued wide differential in yield between short and long term bonds and emphasis upon shorter term financing. Differing from the immediately preceding years, new money formed a larger portion of the total money borrowed. (*Business Conditions in Canada*, Dominion Bureau of Statistics.)

In both 1937 and 1938 refunding operations predominated, these being heavier in 1937 than in 1938, a greater amount of outstanding bonds having



become due in the former year. Financing in 1938 fell short of that of 1937 by \$75 million, while the total for 1937 was \$67 million greater than in 1936. A break-down of financing shows that Dominion Government direct and guaranteed bond issues in 1938 were \$56 million less than in 1937; Treasury bills were \$25 million higher; Provincial direct and guaranteed dropped \$29 million; and Municipal issues decreased \$25 million in 1938 from 1937. Of aggregate financing in 1938, no less than 91.7 per cent. was done in Canada, as compared with 92.1 per cent. in 1937. Following the 1929 economic collapse an increasing proportion of interest charges on the National Debt have been paid within Canada owing to a preponderance of domestic financing. Increasing amounts of maturing bonds payable outside Canada, when redeemed, were being replaced by bonds payable in Canada. This had had a favourable influence on the rate of exchange of the Canadian dollar in foreign markets at a time when export markets for goods were very restricted by nationalistic tendencies in various foreign countries, as well as the growing international political tension in Europe and Asia.

### New Canadian Bond Financing

(Compiled by Wood, Gundy and Company Limited)

(IN MILLIONS OF DOLLARS)

Government and Municipal to Dec. 31:	1934	1935	1936	1937	1938
Dom. Gov. Dir. & Guar. ....	420.5	414.4	402.7	334.0	278.5
Dom. Gov. Treas. Bills ....	50.0	283.3	510.0	585.0	620.0
Prov. Dir. & Guar. ....	137.5	142.9	119.4	159.8	130.6
Ontario Municipal ....	10.7	7.8	12.9	30.9	8.6
Quebec & Mari. Munic. ....	14.5	31.5	21.0	22.1	19.2
Western Municipal ....	.2	1.3	.7	1.9	1.9
<b>TOTALS</b> .....	<b>633.5</b>	<b>881.4</b>	<b>1,066.9</b>	<b>1,133.9</b>	<b>1,058.9</b>
Sold in Canada .....	527.4	785.3	978.9	1,045.6	970.2
Sold in U.S.A. ....	50.0	96.0	88.0	88.2	40.0
Sold in Great Britain .....	56.0	...	...	...	48.6
<b>TOTALS</b> .....	<b>633.5</b>	<b>881.4</b>	<b>1,066.9</b>	<b>1,133.9</b>	<b>1,058.9</b>
<b>Corporation to Dec. 31:</b>	<b>1934</b>	<b>1935</b>	<b>1936</b>	<b>1937</b>	<b>1938</b>
Public Utility .....	34.9	11.1	82.1	30.9	22.6
Railway .....	12.0	.2	53.0	30.3	19.4
Indus. and Miscell. ....	2.3	30.4	103.9	65.2	28.6
<b>TOTALS</b> .....	<b>49.1</b>	<b>41.7</b>	<b>239.0</b>	<b>126.5</b>	<b>70.7</b>

Improved economic conditions in the year 1937 facilitated refunding operations of Canadian corporations at appreciably lower coupon rates. Numerous companies that were sound financially took advantage of prevailing low money rates, with the result that refunding totalled \$78,385,000, as compared with \$48,176,900 new money, while in 1938 refunding amounted to only \$32,186,100 as against \$38,518,400 new money.

### Distribution of New Canadian Bond Financing

Government and Municipal to Dec. 31:	1937		1938	
	Refunding	New Money	Refunding	New Money
Dom. Gov. Dir. & Guar. ....	\$ 334,000,000	.....	\$219,491,666	\$ 59,000,000
Dom. Gov. Treas. Bills ....	570,000,000	\$ 15,000,000	610,000,000	10,000,000
Prov. Dir. & Guar. ....	116,370,950	43,460,050	57,732,000	72,935,000
Ontario Municipal ....	22,732,317	8,222,390	694,800	7,901,633
Quebec & Mari. Munic. ....	9,934,900	12,236,045	3,832,479	15,355,621
Western Municipal .....	1,580,000	394,000	250,000	1,722,491
<b>TOTALS</b> .....	<b>\$1,054,618,167</b>	<b>\$ 79,312,465</b>	<b>\$892,000,945</b>	<b>\$166,914,745</b>
Sold in Canada .....	\$ 969,618,167	\$ 76,062,485	\$803,334,279	\$166,914,745
Sold in U.S.A. ....	85,000,000	3,250,000	40,000,000	.....
Sold in Great Britain .....	.....	.....	48,666,666	.....
<b>Corporation to Dec. 31:</b>				
Public Utility .....	29,466,700	1,451,800	19,120,000	3,500,000
Railway .....	.....	30,380,000	.....	19,480,000
Indus. & Miscell. ....	48,919,100	16,345,100	13,066,100	15,538,400
<b>* TOTALS</b> .....	<b>\$ 78,385,800</b>	<b>\$ 48,176,900</b>	<b>\$ 32,186,100</b>	<b>\$ 38,518,400</b>

### Canada's Funded Debt, 1937 and 1938

The aggregate Funded Debt of Canada, including the Dominion and all the Provinces and Municipalities at the end of December, 1938, was \$7,449,221,213, as compared with \$7,267,290,242 in 1937; \$7,249,088,062 in 1936 and \$6,954,259,007 in 1935. The direct Debt of the Dominion of Canada was \$3,177,031,960, excluding \$155,000,000 Treasury bills, while the guaranteed Debt was \$1,034,616,574. The direct Debt of the Provinces totalled \$1,563,952,688 and the indirect Debt \$266,702,378. The Debts of Municipalities aggregated \$1,406,917,713. At the end of 1937, the direct Dominion Debt was \$3,130,874,546 and the guaranteed Debt was \$1,002,373,384. The direct Debt of the Provinces amounted to \$1,437,121,374 and guaranteed \$260,258,976. The total Debt of Municipalities at the end of 1937 was \$1,429,032,762.

The decrease in the amount of bonds payable outside Canada at the end of 1938, as compared with the amount at the end of 1937, was marked. Payables in London only were down \$11 million; in New York only, unchanged; payable in Canada and London, down \$2.5 million; in Canada and United States, down \$10 million; payable in Canada only, up \$212 million. For the four-year period ended Dec. 31, 1938, London pay only bonds outstanding were down \$25 million; United States pay only, increased \$61 million; Canada and London pay bonds declined \$79 million; Canada and United States pay, down \$106 million; Canada, United States and London pay were up \$17 million. Bonds outstanding payable in Canada only increased \$569 million.

Total maturing principal and interest payments of Canadian bonds for the calendar year 1938 aggregated \$570,137,657, of which \$270,215,447 represented principal and \$299,922,210 interest.

The Net Funded Debt of the Dominion Government in the fiscal year ended Mar. 31, 1938, showed a decrease of \$32.4 million, the first reduction in five years. The record of the previous four years, however, had been favourable. The increase in 1934-35 was \$220.0 million; in 1935-36 it was \$199.6 million; in 1936-37 it was \$73.7 million. While the Net Funded Debt of the Dominion and the Provinces combined showed an unbroken increase since 1933-34, from that year on increases grew smaller. The addition in 1934-35 was \$314.6 million; in 1935-36 it was \$270.5 million; in 1936-37 it was \$88.0 million; and in 1937-38 it was only \$37.4 million.

The Net Funded Debt and current accounts of the Dominion and Provinces for a period of years is indicated as follows:

#### Net Funded Debt—Dominion-Provincial (Compiled by A. E. Ames and Company, Limited)

Year	Dominion and Provinces	Inc. or Dec. Over Prev. Year	Dominion of Canada	All the Provinces
<b>Net Funded Debt</b>				
1938.....	\$4,889,335,011	\$ 37,390,265	\$3,252,377,884	\$1,636,757,127
1937.....	4,851,944,746	88,013,783	3,285,066,671	1,566,878,075
1936.....	4,763,930,963	270,542,314	3,211,347,008	1,552,583,955
1935.....	4,493,388,649	314,656,571	3,011,713,862	1,481,674,787
1934.....	4,178,732,078	238,967,540	2,791,706,560	1,387,025,518
1933.....	3,939,764,538	.....	2,651,898,934	1,287,865,604
<b>Current Account Revenue</b>				
1938.....	763,209,428	90,037,808	510,297,581	252,911,847
1937.....	673,171,620	104,592,795	445,028,955	228,142,665
1936.....	568,578,825	72,032,253	372,222,206	196,356,619
1935.....	496,546,572	15,690,169	358,474,760	138,071,812
1934.....	480,856,403	15,138,006	324,062,000	156,794,403
1933.....	465,718,397	.....	306,636,990	159,081,407

## Net Funded Debt—Dominion-Provincial—Continued

Year	Dominion and Provinces	Inc. or Dec. Over Prev. Year	Dominion of Canada	All the Provinces
<b>Current Account Expenditure</b>				
1938.....	653,618,520	53,536,086	414,891,410	238,727,110
1937.....	600,082,434	15,782,982	387,112,072	212,970,362
1936.....	584,299,452	71,761,335	372,539,149	211,760,303
1935.....	512,538,117	33,058,035	354,368,220	158,169,897
1934.....	545,596,152	12,381,220	346,648,546	198,947,606
1933.....	533,214,932	.....	358,528,270	174,686,662

## Changes in Sources of Financing

For many years up to 1914, London was Canada's financier. The figures in the appended table, which go back to 1910, show that between that year and 1914 Great Britain absorbed from 81.50 per cent. to 68.14 per cent. of Canada's total annual sales of bonds. During the 1914-18 war, sales of Canadian bonds in Great Britain dwindled to a mere trickle and New York became, to an increasing extent, Canada's financier, absorbing 64.89 per cent. of the country's aggregate bond financing in the year 1916. Before the war was over, however, the Canadian public were introduced in a big way to the art of investing, and by 1918 no less than 94.87 per cent. of all Canadian financing was disposed of in the domestic market. During the "Twenties" seldom did the British market take more than 3 per cent. of the Canadian offerings, distribution being fairly evenly divided between the United States and the domestic markets. Another change took place during the "Thirties". The great depression shook the foundations of the United States investment market, investors of that country withdrawing abruptly from foreign fields, and Canada, left to its own resources, between 1931 and 1938, absorbed annually from 74.87 per cent. to as much as 92.36 per cent. of total offerings. The "Twenties" and "Thirties" unprecedented expansion in Canada's industries and accumulated wealth facilitated the transformation. High record sales of Canadian bonds, exclusive of Treasury bills, came in 1931 with a total of \$1,250 million, when heavy Dominion Government maturities occurred. Aggregate sales in 1938 were less than one-half that amount. Financing by the Provincial Governments attained a peak of \$158 million and reached a minimum for the decade in 1933 at \$42 million. Financing by Municipalities, which climbed to a high record in 1929 at \$198 million, dwindled by forced economies to a low level of \$24 million in 1934. Corporation and miscellaneous financing, which had mounted to over \$300 million from 1926 to 1929, the peak having been reached in 1927 with a total of \$387 million, dwindled, during the depression to as low as \$11 million in 1933. Refunding operations at lower coupon rates served to lift the total rapidly after that, the aggregate for 1936 being \$358 million.

Percentages of Bonds Sold in Canada, United States and Great Britain  
Between 1910 and 1938 Inclusive

Years	Percentage Placed in Canada	Percentage Placed in U.S.A.	Percentage Placed in Gr. Br.	Years	Percentage Placed in Canada	Percentage Placed in U.S.A.	Percentage Placed in Gr. Br.
1938.....	82.87	7.75	9.38	1929.....	52.42	43.18	4.40
1937.....	92.36	7.64	..	1928.....	48.50	47.96	3.54
1936.....	90.63	9.22	.15	1927.....	49.18	49.06	1.76
1935.....	82.40	17.60	..	1926.....	50.20	47.95	1.85
1934.....	90.63	Nil	9.37	1925.....	56.76	42.24	1.00
1933.....	74.87	11.34	13.79	1924.....	64.58	34.32	1.10
1932.....	79.55	17.35	3.10	1923.....	82.21	17.16	.63
1931.....	85.78	13.62	.60	1922.....	46.04	53.52	.44
1930.....	51.82	46.51	1.67	1921.....	50.36	45.49	4.15



**Percentages of Bonds Sold in Canada, United States and Great Britain  
Between 1910 and 1938 Inclusive—Continued**

Years	Percentage Placed in Canada	Percentage Placed in U.S.A.	Percentage Placed in Gr. Br.	Years	Percentage Placed in Canada	Percentage Placed in U.S.A.	Percentage Placed in Gr. Br.
1920.....	32.82	67.18		1911.....	12.09	19.77	68.14
1919.....	76.89	22.54	.57	1913.....	12.20	13.56	74.24
1918.....	94.87	4.70	.43	1912.....	13.82	11.35	74.83
1917.....	74.63	24.71	.66	1911.....	16.86	6.58	76.56
1916.....	33.56	64.89	1.55	1910.....	17.00	1.50	81.50
1915.....	43.71	42.11	14.18				

**Sales of Canadian Bonds, 1926 to 1938 (inclusive)**

(Compiled by Dominion Securities Corporation Ltd.)

Year	Dominion	Provincial	Municipal	Railways	Public Service Corp.	Industrial & Misc.	Totals
(THOUSANDS OF DOLLARS)							
1938.....	228,492	106,267	29,465	69,480	55,155	29,808	518,667
1937.....	298,500	143,362	51,961	65,880	49,919	61,605	671,226
1936.....	282,336	93,985	34,341	133,000	113,025	112,600	769,286
1935.....	386,000	123,407	44,324	48,400	15,388	41,393	658,912
1934.....	348,667	128,312	24,197	32,500	44,427	6,132	584,235
1933.....	408,000	67,874	42,495	1,000	7,125	2,725	529,219
1932.....	226,250	136,440	84,420	12,500	6,245	1,840	467,695
1931.....	864,308	123,157	86,770	121,750	45,300	8,972	1,250,257
1930.....	100,000	158,082	113,212	138,487	143,121	52,190	705,091
1929.....		115,311	99,579	198,000	83,100	132,027	628,016
1928.....		78,876	29,910	43,396	58,260	213,183	423,625
1927.....		149,946	70,762	80,000	96,225	211,212	608,144
1926.....		117,732	65,452	34,500	126,750	155,482	559,916

Private enterprise required little new money in the years 1937 and 1938, as in immediately preceding years and, as taxing bodies were economizing wherever possible, channels for investment remained restricted. Easy money conditions prevailed in Canada as they did abroad. Buying was better than selling, for while prices of high-grade government securities mounted steadily and consequent yields were pared, corporate and private investment interests found few alternatives to Dominion and Eastern Provincial government listings. Continued depression in Western Canada augmented the financial difficulties of Manitoba, Saskatchewan and Alberta. While Alberta alone refused to meet full services on its bonds, prices of the Prairie Provinces' bonds tended to decline. During 1937 and 1938 little inducement appeared to purchase these issues. The course of prices and yields in the four years ended Dec. 31, 1938, of representative bonds is indicated by the following quotations:

**Bond Quotations 1935-38**

Bid Prices—Dec. 31		1935	Yield %	1936	Yield %	1937	Yield %	1938	Yield %
Dominion of Canada	4½s 1949-59	107.75	3.69	113.00	3.22	111.20	3.31	112.25	3.12
Dominion of Canada	4s 1947-52	105.00	3.39	109.00	2.98	106.85	3.12	108.12	2.90
Dominion of Canada	3½s 1944-49	102.50	3.04	105.65	2.64	102.35	3.03	103.87	2.71
Dominion of Canada	5s 1943	111.50	3.18	114.65	2.56	112.00	2.66	113.00	2.12
C.N.R., Dominion	5s 1954	113.50	3.89	118.75	3.48	117.25	3.53	118.75	3.35
C.N.R., Dominion	3s 1962	98.00	3.06	100.75	2.90	95.50	3.21	98.25	3.04
Ontario	5s 1960	113.75	4.03	121.50	3.56	118.50	3.70	122.00	3.46
Québec	4½s 1963	110.25	3.81	113.75	3.63	110.50	3.79	111.50	3.69
Alberta	4s 1957	85.00	4.95	68.00	f				
Alberta	5s 1959	94.50	5.30	72.50	f	52.00	f	61.25	f
Alberta	6s 1947	94.50	6.44	73.50	f	58.00	f	65.50	f
British Columbia	4s 1957	91.00	4.43	93.00	4.40	89.00	4.70	91.00	4.58
British Columbia	5½s 1945	100.00	5.36	101.00	5.11	100.00	5.25	102.00	4.85
Manitoba	4s 1957	98.00	4.07	90.00	4.60	73.00	6.09	85.50	5.05
Manitoba	5½s 1955	103.50	5.06	97.50	5.62	84.00	6.87	98.00	5.57
Saskatchewan	4½s 1951	95.00	4.86	89.00	5.43	72.50	7.53	79.00	6.71
Saskatchewan	5s 1958	99.00	5.00	88.50	5.81	66.00	8.10	80.50	6.58

f—traded flat.

### New Bond Issues of 1937 and 1938

While the Dominion Government continued to do a large volume of financing through the Bank of Canada in the form of Treasury bills during the years 1937 and 1938, three major pieces of longer-term financing were undertaken in 1938, including \$48,666,666 refunding 3¼ per cent., due July 1, 1963; \$90,625,000 at 2 per cent., due June 1, 1944, and \$49,200,000 at 3 per cent., due June 1, 1958, of which \$129,825,000 was refunding.

Among the Provinces, Ontario flotations totalled \$41,500,000, of which \$10,000,000 comprised 2-year Treasury bills, \$15,000,000 at 3 per cent., due 1950 and \$16,500,000 were 3 per cent., due 1949. Quebec offerings aggregated \$50,000,000, made up of \$10,000,000 at 3¼ per cent., due 1948; \$10,000,000 at 3¼ per cent., due 1943; \$5,000,000 at 2 per cent., due 1941; \$5,000,000 at 2½ per cent., due 1943 and \$20,000,000 at 3 per cent., due 1947. New Brunswick sold \$8,000,000, made up of \$4,000,000 at 3¼ per cent., due 1948; \$3,000,000 at 3½ per cent., due 1946 and \$1,528,000 at 2½ per cent., due 1941; \$2,549,000 at 3½ per cent., due 1946; \$5,135,000 at 3½ per cent., due 1949. New Brunswick sold \$9,750,000, made up of \$3,250,000 at 3¼ per cent., due 1942; \$2,000,000 at 3 per cent., due 1940; \$4,500,000 at 3 per cent., due 1947. British Columbia sold \$3,000,000 at 3 per cent., due 1940; Prince Edward Island floated \$400,000 at 3½ per cent., due 1947.

Two blocks of railway financing were carried out, \$49,800,000 C.N.R., Dominion guaranteed, of which \$35,500,000 was for refunding, while C.P.R. sold \$16,080,000 at 2½ and 3 per cent. equipment trust certificates, within Canada. This type of financing in the domestic market was new in 1937.

Dominion of Canada flotations during 1937, \$70 million larger than in 1938, were all refunding issues. They comprised \$30,000,000 at 2¼ per cent. bonds, due 1944; \$55,000,000 at 3 per cent., due 1967, the only block sold outside Canada and distributed in the United States; \$20,000,000 at 1 per cent., due 1939; \$60,000,000 at 2 per cent., due 1942; \$33,500,000 at 3¼ per cent., due 1949; \$20,000,000 at 1 per cent., due 1939; \$20,000,000 at 2½ per cent., due 1944; and \$60,000,000 at 3¼ per cent., due 1951.

Sales of Provincial bonds in 1937 were \$37,000,000 greater than in 1938, and all issues but \$28,602,000 were for refunding. The Province of Ontario led the list with \$60,000,000, comprising \$5,000,000 at 2½ per cent., due 1947; \$15,000,000 at 3 per cent., due 1948-63; \$10,000,000 at 2 per cent., due 1940; \$10,000,000 at 2½ per cent., due 1944; \$8,000,000 at 2 per cent., due 1940; \$5,000,000 at 2½ per cent., due 1947; and \$12,000,000 at 3¼ per cent., due 1951. Quebec sold \$56,000,000, made up of \$10,000,000 at 2 per cent., due 1941; \$10,000,000 at 2 per cent., due 1942; \$11,000,000 at 3¼ per cent., due 1949; and \$10,000,000 at 2 per cent., due 1940; \$15,000,000 at 3¼ per cent., due 1952. Nova Scotia disposed of \$9,212,000, including \$1,000,000 at 3 per cent., due 1941. Nova Scotia disposed of \$4,567,000 at 3 per cent., due 1950. Saskatchewan sold \$1,175,000 at 4s., due 1940, while Prince Edward Island sold \$725,000, made up of 3½s., due 1949 and 3s., due 1950. Of Ontario's total, \$26,500,000 represented refunding; of Quebec's total, \$20,057,000 was refunding. Saskatchewan financing was all refunding.

Canadian National Railways sold \$50,000,000 bonds and \$7,000,000 equipment trust certificates, the bonds being all refunding. Canadian Pacific Railway sold \$11,880,000 equipment trust certificates. Public utilities carried out a considerable volume of financing. Out of a total of \$55,155,000, no less than \$43,120,000 was refunding.

### **The Investment Dealers' Association of Canada**

At the Twenty-first Annual Convention of The Investment Dealers' Association of Canada, held at the Seignior Club, Montebello, Quebec, in June, 1937, Mr. K. M. Pringle, Toronto, was elected President, and the following were elected Vice-Presidents: Mr. D. K. Baldwin, Montreal; Mr. J. P. Crysedale, Toronto; Mr. F. M. Cornell, Halifax; Mr. J. Lyall Fraser, Vancouver; and Mr. W. M. Houston, Regina.

At the Twenty-second Annual Convention at the Manoir Richelieu, Murray Bay, Quebec, in June, 1938, Mr. D. K. Baldwin, Montreal, was elected President and the following as Vice-Presidents: Mr. T. M. Bell, Saint John; Mr. E. C. Cumberland, Montreal; Mr. W. P. Scott, Toronto; Mr. D. Bruce Shaw, Winnipeg; and Mr. Graham MacDonald, Vancouver.

### **Record of the Stock Markets, 1937 and 1938**

Industrial share prices in Canadian stock markets advanced 40.2 per cent. from the 1936 low to the 1937 high, according to investors' index numbers furnished by the Dominion Bureau of Statistics. The record included bank stocks. The increase in the mining stock index amounted to 44.6 per cent. The year 1937 started auspiciously but the advance was checked effectively in April when the inflation bubble burst in the United States. The major movement of shares was downward for a little more than a year. There were rallies during 1938 but the net result for that year was that no important development, either in an upward or downward direction occurred.

Both business and securities in Canada resisted the succeeding recession much more effectively than did similar fields in the United States. Nevertheless, the influence exerted by the changed conditions in the United States was pronounced. The decline in industrial stocks from the 1937 high to the 1938 low was 57.1 per cent. After the recession had run its swift but relatively brief course, the United States Government reversed their policies, loosening financial restrictions and inaugurating another pump-priming programme. The effect was immediate, and its repercussions were felt again in Canada. From the low level of 1938 to the average weekly index of December, 1938, an advance occurred in industrial stocks of 14.3 per cent. Mining stocks followed a somewhat similar course, the decline from the 1937 high to the 1938 low being 54.9 per cent., while the advance from the 1938 low to the final month of 1938 was 33.9 per cent.

One of the most important group movements of 1937 was in the newsprint and associated issues. Recovery in this long-sick industry was pronounced, increased purchases by United States publishers being the main influence. By the Spring of 1937, the advance in newsprint shares, which had set-in in 1936, had lifted prices to double or treble former levels. The announcement early in the year 1937 that the price of newsprint would be raised from \$42.50 per ton to \$50.00, effective Jan. 1, 1938, resulted in heavy accumulation by publishers previous to the time the advance became effective. Operations of Canadian mills rose practically to capacity. Accumulation of newsprint, added to the progress of the recession of 1938, served to reduce production and sales of the commodity drastically and earnings declined despite the \$50.00 price, and the adverse effect on prices of newsprint shares was decisive. Pulp, and paper shares, which had risen from a low of 2.8 index number in 1932 to a 1937 high of 50.2, fell to a 1937 low of 13.2, but by December, 1938, had recovered to 19.3.



The United States Government had intervened at the beginning of 1934 in an attempt to check the depression by devaluing the dollar by 40.943 per cent., by having 1/35 of an ounce of gold in each dollar instead of 1/20.67 of an ounce. When the inflation period of 1936-37 set in and the United States Government was placing checks on it, general fear was entertained that the value of the dollar would be raised again, involving a decrease in the price of gold. Dehoarding of gold was accompanied by a slump in prices of gold shares. The index number for Canadian gold stocks fell from a peak of 140.1 in 1934 to a low of 99.7 in 1937, representing a decline of 40.4 per cent. Holders of gold and gold shares forgot that as \$35.00 per ounce had been paid by governments for billions of dollars worth of gold and that a reduction in price would have upset the entire world economic structure; it was only after repeated official denials that the price would be changed, that confidence in the future of the gold market was restored. From the low of 1937 to the high of 1938 the recovery in the gold share price index was 25.8 points.

The following tables indicate the various fluctuations of common stocks as registered by the Dominion Bureau of Statistics (1926—100). The Investors' Index measures the trend of values for the investor who buys a fixed list of stocks and holds them over a long period.

Number of Securities	Machinery and Pulp and Paper				Industrials			Bever-ages	Build- ing Mater-ials	In- dus- trial Mines
	Total Equip. 68	8	7	Mill- ing 3	Oils 4	Textiles and Cloth- ing 10	Food and Allied Prod. 12			
1926 = (100) . . . . .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
*1929 High . . . . .	317.6	432.5	113.4	273.4	423.5	113.5	197.8	204.6	281.1	591.3
1932 Low . . . . .	49.3	39.8	2.8	38.5	83.6	28.0	72.1	28.5	36.5	37.9
*1934 High . . . . .	133.4	126.5	13.9	79.0	184.1	79.1	136.8	165.8	104.1	242.2
Low . . . . .	111.8	78.2	7.8	64.3	141.6	60.6	117.0	80.5	79.5	187.0
*1935 High . . . . .	180.5	130.7	17.3	78.6	231.8	76.6	149.5	165.4	118.0	377.9
Low . . . . .	123.7	109.1	10.3	54.0	173.1	60.1	123.5	97.1	102.6	193.3
*1936 High . . . . .	226.1	142.7	31.9	115.4	254.5	76.5	182.9	152.6	192.2	557.3
Low . . . . .	180.2	102.0	16.5	79.5	216.5	65.6	145.2	122.8	123.6	371.2
*1937 High . . . . .	245.4	170.2	50.2	128.3	249.7	81.8	191.9	144.2	216.2	631.8
Low . . . . .	159.7	98.5	16.9	66.4	184.1	64.0	149.6	102.1	124.0	336.2
*1938 High . . . . .	187.3	145.0	23.4	90.5	202.1	66.0	171.3	145.2	145.8	485.7
Low . . . . .	151.3	93.3	13.2	69.7	160.7	52.1	147.3	95.6	109.1	354.8
December 1938 . . . . .	179.4	135.5	19.3	78.8	176.9	56.9	170.1	135.9	140.2	459.3
Decline from 1929 High to 1932 Low.	268.3	392.7	110.6	234.9	339.9	85.5	125.7	176.1		
Advance from 1936 Low to 1937 High.	65.2	68.2	33.7	48.8	33.2	16.2	46.7	21.4	92.6	26.6
Decline from 1937 High to 1938 Low.	91.1	76.9	37.0	58.6	89.0	29.7	44.6	48.6	107.1	277.0
Advance from 1938 Low to Dec., 1938.	28.1	42.2	6.1	19.1	16.2	4.8	22.8	40.3	31.1	105.1

\* Weekly figures.

	Utilities					Grand Total 95
	Total 19	Trans- portation 2	Telep. Teleg. 2	Power Traction 15	Banks 8	
1926 . . . . .	100.0	100.0	100.0	100.0	100.0	100.0
*1929 High . . . . .	166.0	164.1	129.6	197.6	131.7	198.3
*1932 Low . . . . .	33.1	22.7	58.0	41.1	40.9	59.8
*1934 High . . . . .	59.8	44.5	98.8	71.8	75.2	83.1
Low . . . . .	45.4	28.1	85.0	56.3	64.4	69.5
*1935 High . . . . .	52.4	33.4	109.4	67.6	79.8	98.8
Low . . . . .	43.5	23.3	92.9	53.2	75.3	75.7
*1936 High . . . . .	64.7	37.6	121.7	84.5	89.5	135.5
Low . . . . .	50.6	28.1	108.8	63.2	74.5	109.4
*1937 High . . . . .	74.5	42.5	129.0	99.9	97.3	149.6
Low . . . . .	47.7	18.9	120.0	63.8	78.3	99.0
*1938 High . . . . .	48.9	19.8	127.7	66.7	86.2	111.9
Low . . . . .	40.8	13.3	115.3	55.1	79.5	92.5
*Dec., 1938 . . . . .	44.0	14.3	127.3	59.4	83.9	106.8

\* Weekly figures.

		Utilities—Continued					Grand
		Total	Trans- portation	Telep. Teleg.	Power Traction	Banks	Total
		19	2	2	15	8	95
Decline from 1929 High to 1932 Low	.....	132.9	141.4	71.6	15.65	90.8	138.5
Advance from 1936 Low to 1937 High	.....	23.9	14.4	20.2	36.7	22.8	40.2
Decline from 1937 High to 1938 Low	.....	33.7	29.2	13.7	44.8	17.8	57.1
Advance from 1938 Low to Dec., 1938	.....	3.2	1.0	12.0	4.3	4.4	14.3

### Index Numbers of Twenty-five Mining Stocks

(1926 = 100)

Number of Stocks	Gold 22a	Base Metals 3	Total Index 35a
*1929 High	89.7	318.0	127.9
*1932 High	63.1	82.3	64.8
Low	48.5	42.5	46.8
*1933 High	111.9	144.1	116.7
Low	64.9	68.2	65.1
*1934 High	140.1	167.6	143.3
Low	103.1	125.0	107.3
*1935 High	131.2	211.7	136.7
Low	104.7	128.6	114.9
*1936 High	136.2	322.1	170.3
Low	118.3	205.5	135.4
*1937 High	141.3	356.5	180.0
Low	99.7	183.1	115.8
*1938 High	125.5	322.5	160.9
Low	105.1	206.8	125.1
December, 1938	121.6	313.0	159.0
Decline from 1929 High to 1932 Low	41.2	275.5	81.1
Advance from 1936 Low to 1937 High	23.0	151.0	44.6
Decline from 1937 High to 1938 Low	36.2	149.7	54.9
Advance from 1938 Low to Dec., 1938	16.5	106.2	33.9

a Lamaque Gold Mines added to the mining stock list.

\* Weekly figures.

Government regulation of private enterprise had its influence on the volume of trading. Formerly accepted measures by which market movements were forecast and judged proved of little avail and speculative market interests were wary throughout 1937 and 1938. Their attitude was reflected in a decrease in volume of trading on both Toronto and Montreal Exchanges combined in 1937, as compared with 1936 and in 1938, as compared with 1937, reduction being especially noticeable in mining stocks. In Toronto industrial groupings, the decline in 1937 from 1936 was 9.5 per cent., and in 1938, as compared with 1937, it was 40 per cent. The decline in mining shares in 1938 was 22.7 per cent. from 1937, and 1937 showed a drop of 40.4 per cent. from 1936. The total volume in industrials in Montreal in 1937 increased 6.9 per cent. over 1936, attributed in part to the activity in newsprint shares, but the decline in 1938 from 1937 was heavy, being 45.7 per cent.

Total shares traded in Toronto and Montreal in the years 1938, 1937 and 1936:

		Industrials	Decrease P.C.	Mining	Decrease P.C.	Total	Decrease P.C.
Toronto,	1938	6,903,711	40.0	205,283,038	22.7	212,186,809	23.6
	1937	11,414,062	9.5	265,114,565	40.4	276,528,718	38.7
	1936	12,691,606		438,091,718		450,783,324	
Montreal,	1938	8,208,972	45.7	24,022,933	47.0	32,231,905	47.0
	1937	15,636,467	6.9i	45,090,962	36.6	60,727,429	27.9
	1936	14,654,249		69,429,845		84,084,094	

i Increase.

Notwithstanding shrinkage in volume of sales on the Toronto and Montreal Stock Exchanges in 1938, as compared with 1937, the total

value of share listings in both centres showed an appreciable increase at the end of 1938 over the close of 1937. More pronounced had been the decline in total value in 1937 from 1936, confidence in the recovery movement that persisted through 1936 having been badly shaken in 1937, when the United States Government placed effective checks on the inflationary tendency. The psychology of traders was indicated by shrinkage in collateral borrowings of member firms of stock exchanges, the bulk of transactions being on a cash basis. Speculation was largely dormant pretty well throughout 1937 and 1938. Records of Toronto Exchange member borrowings show a reduction from 0.74 per cent. of the total value of listings in 1936 to 0.60 per cent. in 1937 and to 0.46 per cent. during 1938. Shrinkage in the ratio in Montreal was even more severe, the decline from 1936 to 1937 being from 0.58 per cent. of the total value of listings to 0.36 per cent., and to 0.29 per cent. in 1938. The ratio in New York ranged not far off from that in Toronto during the two years. The value of share listings, member borrowings and the ratios of borrowings to the value of listings on the Toronto Stock Exchange and on the Montreal Stock Exchange and the Montreal Curb Market combined at the close of 1937 and 1938 are indicated in the following table. Trading on the Montreal Curb Market included listings of stocks that did not measure up to the requirements of regular exchanges. The figures are as follows:

	Value of Listings	Increase %	Member Borrowings	Ratio of Borrowings to Listings
Toronto Stock Exchange:				
1938.....	\$5,044,323,086	8.9	\$23,260,216	0.46%
1937.....	4,634,900,000	21.7d	27,815,233	0.60%
1936.....	5,911,700,000		43,777,718	0.74%
Montreal Stock Exchange and Montreal Curb Market:				
1938.....	5,322,257,580	8.2	15,518,000	0.29%
1937.....	4,882,661,864	20.7d	17,524,000	0.36%
1936.....	6,157,408,938		35,659,000	0.58%

d Decline.

### Mining Stocks

Sufficient data is provided in the following table to indicate the relative stability of output and profits of gold mining companies following the fixing of the price of the metal at the relatively high level of \$35.00 per ounce, at Washington. This was attributable in part to the fact that mining companies were able to recover large volumes of ore that previously had been unprofitable, thus limiting the increase in average values recovered. In addition to the influence on stock markets of rumours regarding the future price of gold, increased taxation and more severe regulations covering trading in stock markets were factors tending to temper speculative enthusiasm. Constructive factors appeared, however, including favourable mining developments in many fields and the constant demand for the metal by governments in order that the standing of their respective currencies in foreign exchange markets might be maintained.

#### Production and Profits of Some Leading Gold Mines

Company		1932	1934	1936	1937	1938
Hollinger:	Output	\$11,723,074	\$15,080,450	\$14,530,414	\$14,877,898	\$15,496,804
	Profits	3,962,885	6,505,363	5,798,744	5,283,310	5,652,932
Dome:	Output	4,040,318	7,177,086	7,315,168	7,484,436	7,293,280
	Profits	853,671	3,882,423	4,144,062	4,116,802	4,055,153
		<b>1932-33</b>	<b>1934-35</b>	<b>1936-37</b>	<b>1937-38</b>	
McIntyre:	Output	5,981,967	8,430,670	8,201,417	7,963,886	
	Profits	2,242,794	3,579,374	3,214,645	3,425,333	
Lake Shore:	Output	13,277,686	14,578,936	15,692,653	15,030,273	
	Profits	7,215,193	8,237,891	8,384,792	7,732,417	



### Base Metals

The break in the price index for base metal mining stocks from the high of 1937 to the low of 1938 was almost as great as the advance had been from the low of 1936 to the high of 1937. The advance from the 1936 low to the 1937 high was 151.0 points at 356.5, while the decline from the 1937 high to the 1938 low was 149.7 at 206.8. The rally late in 1938 was pronounced, the December average being 313.0.

Responsible in the main for the severity of the recession was the decline in prices of copper, lead and zinc. The London price for copper rose to above £80 per ton early in 1937, slumped to £43 10 0 late in 1937, and by December, 1938, had recovered to £50. The price of lead opened in 1937 at £27 2 6 and sold as low as £15 2 6 in 1938, while zinc opened in 1937 at £19 18 9 and fell to £14 0 0 at the end of 1938. Decrease in the production was not severe, but the lower selling prices cut sharply into profits.

Profits of International Nickel Company of Canada fell 36 per cent. in 1938, as compared with 1937, because of its large copper output. Profits of Consolidated Mining and Smelting Company of Canada dropped 60 per cent., its main products being lead and zinc. Profits of Noranda actually increased 3.3 per cent., well-maintained output, combined with the high gold content of its ores, offsetting fully the decline in the price received for copper. Earnings records for the three years 1938, 1937 and 1936, were as follows:

		1938	1937	1936
International Nickel:	Gross....	\$107,194,723	\$134,461,254	
	Net Profit....	32,399,470	50,299,623	\$ 36,865,526
Consolidated Mining & Smelting Co.:	Gross....	26,658,281	38,372,382	25,564,768
	Net Profit....	6,213,726	14,669,663	6,953,159
Noranda Mines:	Gross....	22,560,924	19,881,751	18,664,688
	Net Profit....	9,585,843	9,274,636	9,268,037

### Heavy Industries

With a few outstanding exceptions, heavy industries in Canada secured less business in 1938 than in 1937 and as a result profits were reduced moderately. Business interests and manufacturers who bought freely and well in advance of requirements late in 1936 and early in 1937, withdrew from the market when they witnessed descending commodity prices, while the recession in stock markets was itself an adverse influence. The severity of the recession in the United States put a curb on purchases of primary products from Canada, while deficit spending was resumed by the United States Government on a grand scale and private capital withdrew from the market once more. European capital, frightened by political turmoil and the implementing by Nazi Germany of its philosophy of force and aggression, fled overseas for safety, further weakening the economic structure, especially of France. The Munich agreement in September, 1938, brought respite, and the forward march of business was resumed with renewed hope, markets ending the year 1938 on a firm note.

The effect of the 1938 recession on earnings of most heavy industries was marked. Net profits of Steel Company of Canada were \$3,053,726, as compared with \$4,180,097 in 1937; Dominion Steel and Coal Corporation profits were \$1,239,177, as against \$1,310,829; Dominion Bridge Company profits were \$532,014, as against \$660,661; Canada Wire and Cable Company, \$462,655, as against \$794,253; Page-Hersey Tubes Limited, \$736,952, as against \$1,033,280; Ford Company of Canada, \$3,253,176, as compared with \$3,773,043; Canadian General Electric Company, \$1,883,581, as against \$2,431,211. Improvement was shown by leading equipment companies, National

Steel Car Corporation's net profits being \$1,206,124 in 1938 as compared with \$160,983 in 1937, while net profits of Dominion Foundries and Steel Limited were \$1,179,023, as against \$737,991; Algoma Steel Corporation, \$641,255, as compared with \$189,922; and Massey-Harris, \$1,065,639, as against \$1,043,728.

### Utilities and Transportation

Canadian telephone and telegraph companies felt the impetus of demand for services in 1937, and the stock market was quick to reflect the improvement, the index going to a high of 129.0 from the 1936 low of 108.8. During the 1938 recession a low was reached of 115.3, but by the final month of 1938 stocks had recovered to 127.3. Bell Telephone Company profits in 1937 were \$6,112,939 and \$6,449,380 in 1938. Power and traction stocks were carried from a low of 63.2 in 1936 to a high of 99.9 in 1937, lost heavily in 1938 to a low of 55.1 and recovered mildly at 59.4 by December, 1938. A factor in these fluctuations was the downpull exerted by cancellation by the Ontario Government of contracts with several Quebec Power Companies, which contracts, however, were reinstated under terms a little less favourable to companies than the old ones during 1937. Maclaren-Quebec Power Company, one of the contracting companies, suffered a deficit of \$621,810 in 1938 and of \$548,100 in 1937. Shawinigan Water and Power Company earned net profits of \$2,926,526 in 1937 and \$2,648,492 in 1938; Montreal Light, Heat and Power, \$8,575,717 in 1937 and \$8,700,336 in 1938; Gatineau Power Company, \$1,641,767 in 1937 and \$1,949,602 in 1938. This Company had made an early settlement of the dispute with the Ontario Government over power contracts with the Ontario Hydro-Electric Power Commission, while the other contracting companies came to a settlement later. Consumers' Gas Company of Toronto earned net profits in 1937 of \$2,045,968 and \$2,320,022 in 1938. The heaviest weight that dragged the index for the grouping downward was transportations which felt the adverse influences of poor crops in Western Canada in 1938. The index for transportation shares dipped from a high of 37.6 in 1936 to a low of 18.9 in 1937 and a low of 13.3 in 1938, when disappointing crops combined with a slowdown in general business reduced traffic. A slight recovery to 14.3 occurred up to December, 1938. Canadian Pacific Railway Company's net profits in 1937 were \$9,462,284 and in 1938, they were \$1,262,382.

### Food Companies

Flour milling companies usually suffer a decline in earnings in fiscal periods immediately following a poor crop year, and the 1937 wheat crop was lean, while world prices were rising. Conditions impaired the ability of mills to compete in world markets where a heavy proportion of their output must be sold. Profits of Ogilvie Flour Mills dropped 25.4 per cent. in 1938, as compared with 1937, International Milling Company's profits dipped 46.3 per cent. and Lake of the Woods Milling profits declined 10 per cent. Large stores of Canadian wheat, accumulated in previous years, moved abroad in 1937-38 resulting in an appreciable increase in profits of most elevator concerns. Baking companies benefited from the gradual increase in the purchasing power of the public that had been taking place. The majority of chain food stores experienced difficulties in a declining commodity market, while the 1937 drought in western Canada hurt the live stock industry, and meat packers were adversely affected. Many industries and trades suffered inventory losses which had to be written off profit and loss accounts.

### Other Industries

Larger markets for newsprint in 1937 served to lift sales and earnings of this industry sharply in that year, but a severe reaction set in in 1938. The effect of heavy accumulation by publishers in 1937, before the advance in price of \$7.50 per ton on Jan. 1, 1938, and the general recession in business were predominant influences. Abitibi Power and Paper Company, which earned \$4,838,965 available for depreciation and interest in 1937 netted only \$2,983,256 in 1938, while operating profits of Consolidated Paper Company were \$4,727,153 and \$3,890,325, respectively; Fraser Companies, \$3,051,796 and \$1,986,528; Price Bros. and Company, \$1,805,862 and \$2,884,013; Great Lakes Paper Company, \$915,946 and \$805,946; Minnesota and Ontario Paper Company, \$319,044 and \$154,752. Textile companies felt the adverse influence of slumping prices, which induced the trade to make purchases on a hand-to-mouth basis.

### The Toronto Stock Exchange

Transactions on the Toronto Stock Exchange in 1938 amounted to 212,186,809 shares, with a total value of \$444,406,572. Both volume and value were much lower than in 1937, when 276,528,718 shares were traded with a total value of \$650,980,963. Volume of trading by months in mining shares, industrial shares and total shares, is given in the following table:

Month	Mining Shares		Industrial Shares		Total Shares	
	1937	1938	1937	1938	1937	1938
December ...	14,188,585	14,008,080	498,302	432,243	14,686,887	14,440,323
November ...	13,077,713	11,900,322	735,957	684,697	13,813,670	12,585,019
October .....	15,052,745	18,247,443	1,214,467	806,691	16,267,212	19,054,134
September ...	14,242,106	17,944,711	1,002,305	762,022	15,244,411	18,706,733
August .....	11,849,763	14,925,668	463,819	408,850	12,313,582	15,334,518
July .....	9,482,495	20,711,253	564,361	740,695	10,046,856	21,451,948
June .....	12,007,654	15,407,757	475,868	544,672	12,483,522	15,952,429
May .....	12,534,593	12,286,622	580,797	388,555	13,115,390	12,675,177
April .....	32,357,717	14,629,988	1,266,044	580,917	33,623,761	15,210,905
March .....	27,042,030	25,711,086	1,384,018	644,348	28,426,048	26,355,434
February .....	47,702,671	20,436,246	1,320,856	377,450	49,023,527	20,813,696
January .....	55,576,584	19,073,862	1,907,268	532,631	57,483,852	19,606,493
TOTAL ...	265,114,656	205,283,038	11,414,062	6,903,771	276,528,718	212,186,809
	1937		1938			
Total Sales	Total Values		Total Sales		Total Values	
276,528,718.....	\$650,980,963		212,186,809.....		\$444,406,572	

The leader in activity in 1937, among the higher ranking stocks on the Toronto Stock Exchange, was International Nickel, total trading in which was 1,202,706 shares. The influence of the slump in business in the United States, where the bulk of sales of nickel is made, was shown in a decline for the year of \$19½ at \$44. Second in activity was Brazilian Traction, Light and Power, the turnover in which was 978,943 shares and the net less incurred \$5.75, the closing price being \$12.25. Third in the list was Dominion Steel and Coal "B" shares, transactions aggregating 728,757 shares and the net advance, \$1.75 to close the year at \$14.25. Next came Imperial Oil, with 640,444 shares and a closing price \$17¾, for a net loss of \$3.25.

International Nickel was leader in 1938 trading, with 942,133 shares the price ending that year \$12.50 higher at \$56.50. Imperial Oil, with 375,317 shares, ended a half dollar lower at \$16¾, while 326,646 shares of Canadian Pacific Railway were traded for a loss of \$1½ at \$6.25. International Petroleum, the fourth most active of the senior issues, turned over to the extent of 302,899 shares and lost three-quarters of a dollar at \$27.75.

Most active in senior mine listings on the Toronto board in 1937 included Wright-Hargreaves, 936,372 shares; Teck-Hughes, 616,700 shares;



Noranda, 369,846 shares; Lake Shore, 328,455 shares; Dome Mines, 312,805 shares; Hollinger, 280,201 shares; McIntyre, 182,957 shares.

Leaders in activity in lower priced mining shares in 1938 included Astoria Rouyn, 8,205,085 shares; Stadacona Rouyn, 6,234,462 shares; Kirkland Lake Gold, 5,976,655 shares; Paymaster Consolidated, 5,208,345 shares. Leader in volume in 1937 was Naybob Gold Mines, with 7,593,889 shares; Gillies Lake Porcupine, 7,017,950 shares; Preston East Dome, 6,542,212 shares; and Hard Rock Gold Mines, 6,202,429 shares.

### Montreal Stock Exchange and Montreal Curb Market

The total volume of trading on the Montreal Stock Exchange and the Montreal Curb Market in 1938 amounted to 32,231,905 shares, little more than one-half 60,727,429 shares in the year 1937. The sharp decline in volume after April, 1937, and continued low volume pretty well throughout 1938 are indicated by the following monthly figures on industrials and mines of both the Montreal exchanges combined:

	1938		1937	
	Industrials Shares	Mines	Industrials Shares	Mines
January .....	603,634	2,589,079	2,806,173	7,164,965
February .....	420,807	2,386,908	1,594,448	9,103,402
March .....	725,814	3,451,148	2,211,910	5,744,964
April .....	532,028	2,169,216	2,128,241	6,812,977
May .....	411,392	1,493,263	812,582	1,997,448
June .....	704,892	1,170,436	521,523	2,066,568
July .....	1,106,682	1,695,607	638,762	1,035,208
August .....	553,423	1,463,229	669,500	1,588,861
September .....	945,233	1,599,361	1,429,523	2,648,632
October .....	969,744	2,434,874	1,464,628	2,252,034
November .....	690,168	1,727,615	781,057	2,447,274
December .....	545,155	1,842,197	578,120	2,228,629
	8,208,972	24,022,933	15,636,467	45,090,962

Outstanding performers on the Montreal boards, among senior securities in 1937, included Consolidated Paper as leader in volume with 1,394,126 shares, the stock ending the year at \$5 for a net loss, as compared with the year previous of \$5½. Abitibi Power and Paper ranked second with 1,264,126 shares and an on-end loss of \$5.40, closing the year at \$1.60. Dominion Steel and Coal "B" shares totalled 983,894 and the price gained \$1½ at \$14%, while transactions in Brazilian Traction, Light and Power Company totalled 874,332 shares and the price declined \$5¾ at \$12½.

Shrinkage in volume in 1938 is indicated by the turnover of 686,497 shares in Consolidated Paper common, the price gaining \$2½ net at \$7%. Sales of Abitibi totalled 503,704 shares and the price advanced \$1.15 at \$2.75. Third in activity, Dominion Steel and Coal "B", was traded in to the extent of 467,138 shares and the price declined \$2.25 at \$12½. Next came International Nickel with a turnover of 408,327 and a price gain of \$12.50 at \$56.50.

### Commercial Failures in Canada During 1937-1938

Commercial failures in Canada during the two years 1937 and 1938 reached the lowest levels in any year since 1922 when the first records were published. Business casualties in 1922 were high at 3,925, a figure that has not been approached since that date. The number dropped to a low for the "Twenties" in 1926 with a total of 1,773 and then rose steadily to 2,402 in 1930. Failures were highest for the present decade in 1932 when they dropped steadily to 1,314 in 1935. 1,198 in 1936, 1,126 in 1937 and 1,217 in 1938. The amount defaulted showed a corresponding decline from \$63,692,219 in 1922, to \$30,634,469 in 1927, rising to \$52,552,900

in 1931 and then shrinking steadily to \$14,303,362 in 1937 and \$14,017,061 in 1938.

Failures in the Maritime Provinces in 1938 totalled 70, as compared with 46 in 1937 and 50 in 1936. Liabilities in 1938 were \$1,127,000, as against \$337,000 in 1937 and \$352,000 in 1936. Total commercial failures in the Province of Quebec in 1938 numbered 587, as compared with 623 in 1937 and 589 in 1936. Liabilities amounted to \$6,804,000 and \$7,008,000 and \$6,952,000, respectively. Ontario's record was 390 in 1938, 335 in 1937 and 384 in 1936 while liabilities were \$4,404,000, \$5,126,000 and \$6,244,000, respectively. In the Prairie Provinces, the failures in 1938 totalled 143, against 82 in 1937 and 138 in 1936 while liabilities for these years were \$1,272,000 and \$1,018,000 and \$1,126,000. British Columbia recorded 27 failures in 1938, 40 in 1937 and 37 in 1936, while liabilities were \$410,000 and \$815,000 and \$471,000, respectively. Commercial failures in Canada by Provinces, together with the total number for Canada and total liabilities for Canada from 1922 to 1938 were as follows:

	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total	Liabilities
1922.....	15	121	131	1,589	1,058	284	272	299	156	3,925	\$63,692,219
1923.....	16	155	67	1,181	970	258	280	323	158	3,408	61,617,527
1924.....	3	69	67	907	835	100	131	150	57	2,319	48,105,397
1925.....	4	71	67	758	721	85	77	139	74	1,996	32,153,697
1926.....	4	63	74	654	655	84	68	113	58	1,773	32,291,125
1927.....	4	66	74	658	681	97	54	135	72	1,841	30,634,469
1928.....	4	90	56	767	758	103	63	126	70	2,037	32,455,437
1929.....	1	71	61	927	762	91	84	101	69	2,167	38,747,638
1930.....	3	61	45	1,011	776	113	146	152	95	2,402	48,164,065
1931.....	7	51	74	795	793	109	152	131	104	2,216	52,552,900
1932.....	9	62	80	968	889	86	91	131	104	2,420	51,629,303
1933.....	10	55	42	935	730	67	59	88	58	2,044	32,953,858
1934.....	8	42	38	779	474	56	36	42	57	1,532	23,598,260
1935.....	4	28	37	632	390	46	66	83	28	1,314	17,567,002
1936.....	6	29	15	589	384	33	57	48	37	1,198	15,144,945
1937.....	..	23	23	623	335	23	34	25	40	1,126	14,303,362
1938.....	4	35	31	587	390	67	56	20	27	1,217	14,017,061

### Life Assurance in Canada, 1937 and 1938

The net amount of new life assurance written in Canada, which resumed its upward course in 1934 out of the depth of the depression, recorded consistent annual gains through 1937, but felt the adverse influence of the 1938 recession. From the low point of \$578,585,659 in 1933 new assurances rose to \$671,957,904 in 1937, representing an increase of 16.1 per cent. The shrinkage in 1938 was quite sharp, to a total of \$627,260,916. Lapsed and surrendered policies, which had bulked largely in the worst of the depression, and which diminished with progress of recovery, were more closely normal in 1937 and 1938, with the result that total assurance in force can be said to have mounted steadily since 1934. The gain in the amount in force was \$231,000,000, the total at the end of 1938 being \$6,630,531,401, as compared with \$6,451,625,046 in 1937 and \$6,220,725,929 in 1934. The gain in 1938 over 1937 was \$179,000,000, compared with a gain of \$48,000,000 in 1937 over 1936, a gain of \$144,000,000 in 1936 over 1935 and a gain of \$79,000,000 in 1935 over 1934. Premiums and annuity considerations in 1938 totalled \$212,421,772, as against \$211,222,561 in 1937 and \$209,675,958 in 1936, while death claims increased to \$45,827,593 in 1938 as compared with \$44,478,633 in 1937 and \$43,395,325 in 1936.

No better barometer of the improvement in the economic status of the people can be given than the decrease in the ratio of policies surrendered and lapsed between 1933 and 1937, inclusive. In the first year named surrendered and lapsed policies aggregated \$785,733,939, or

120.4 per cent. of gross new business written. The total in 1934 was \$635,310,202, or 92.83 per cent. of new business, while the total in 1935 at \$535,496,736 was 81.42 per cent. of new business for that year. In 1936 the aggregate was \$478,147,985 or 71.18 per cent.; in 1937 the total was \$399,974,464, or 53.26 per cent., while in 1938, lapsed and surrendered policies, at \$411,057,707 represented 60 per cent. of gross new business of that year.

### Life Assurance in Canada from 1927 to 1938

Year	New Assurances Paid For	Assurance In Force	Premium Income*	Death Claims
1938.....	\$627,260,916	\$6,630,531,401	\$212,421,772	\$45,827,593
1937.....	671,957,904	6,451,625,046	211,222,561	44,478,633
1936.....	618,264,819	6,403,037,477	209,675,958	43,395,325
1935.....	588,353,277	6,259,158,404	208,140,141	41,070,312
1934.....	595,194,820	6,220,725,929	213,335,091	41,774,003
1933.....	578,585,659	6,247,625,974	214,780,332	43,735,584
1932.....	653,249,366	6,471,608,546	219,159,475	45,394,243
1931.....	782,716,064	6,622,267,793	228,504,912	43,082,004
1930.....	884,749,748	6,492,286,194	222,689,286	42,147,970
1929.....	978,141,485	6,157,626,207	212,898,456	39,797,697
1928.....	918,742,064	5,607,645,623	194,943,745	35,029,860
1927.....	838,475,057	5,044,408,834	174,731,364	28,150,247

\* Life assurance premiums and annuity considerations.

### Canadian, British and Foreign Companies

Net premium income of Canadian life companies aggregated \$212,421,772 in 1938, of this total the amount paid by Canadian policyholders aggregated \$137,480,847, including annuity consideration. In 1937, out of \$211,222,561 a total of \$136,116,755 was paid by Canadian policyholders. These figures compare with a total of \$209,675,958 in 1936, and an amount paid by Canadian policyholders of \$136,367,232. British companies received \$4,798,744 in 1938, \$4,617,536 in 1937 and \$4,391,956 in 1936, while foreign companies received \$70,142,181 and \$70,488,260 and \$68,916,770, respectively.

New assurances written in Canada by Canadian companies in 1937 continued the upward trend that set in after 1933, the total being \$418,796,689, as compared with \$389,909,385 in 1936. The recession from 1937 to 1938 was mild, the total for the latter year being \$409,251,858. New business effected by British companies in 1938 was \$15,645,335, as against \$18,609,592 in 1937 and \$18,623,741 in 1936, while new business of foreign companies was \$202,363,723 and \$234,551,625 and \$209,731,693, respectively. The percentage of total new assurances written in Canada sold by Canadian companies gained in 1938 over 1937. The percentage of the total written in 1938 was 65.25 per cent.; in 1937 it was 62.33 per cent.; in 1936 the percentage was 63.07 per cent., and in 1933 60.09 per cent.

Canadian companies in 1938 continued to hold a larger proportion of all assurances in force in Canada, their percentage of the total being 65.51 per cent. This was slightly less than 66.72 per cent. held in 1937, 66.53 per cent. held in 1936 and 66.72 per cent. held in 1934. Of a total \$6,630,531,401 Canadian policies held by all companies, \$4,363,764,786 was held by Canadian companies, and \$2,266,766,615 by outside companies. The net amount of assurances in force in Canada in 1938 increased \$179 million over 1937, while the increase in 1937 over 1936 was \$48 million and in 1936 over 1935 the gain was \$144 million.

Premium income and annuity consideration, net amounts of life insurance effected and net amounts of life insurance in force, of Canadian, British and foreign companies, in all cases including ordinary, industrial and group insurance, 1929 to 1938 were as follows:



	Premium Income	New Assurances	Assurance In Force
<b>Canadian Companies:</b>			
1938.....	\$ 137,480,847	\$ 409,251,858	\$4,363,764,786
1937.....	136,116,755	418,796,689	4,304,631,608
1936.....	136,367,232	389,909,385	4,260,278,614
1935.....	135,188,302	365,542,246	4,165,489,026
1934.....	140,831,670	366,634,749	4,139,297,799
1933.....	140,420,102	353,725,137	4,160,271,570
1932.....	141,060,274	399,498,023	4,311,747,692
1931.....	148,813,957	491,340,864	4,409,707,938
1930.....	143,813,408	594,704,790	4,319,373,209
1929.....	139,088,228	645,201,646	4,051,612,499
<b>British Companies:</b>			
1938.....	4,798,744	15,645,335	140,839,075
1937.....	4,617,536	18,609,592	137,862,702
1936.....	4,391,956	18,623,741	129,940,311
1935.....	4,969,453	17,961,436	123,148,855
1934.....	3,832,787	17,131,400	116,745,642
1933.....	3,801,909	13,930,045	113,807,916
1932.....	3,852,907	13,045,139	115,831,319
1931.....	4,045,106	13,735,682	119,262,511
1930.....	4,932,837	10,769,103	117,410,860
1929.....	4,000,064	11,138,775	116,545,637
<b>Foreign Companies:</b>			
1938.....	70,142,181	202,363,723	2,125,927,540
1937.....	70,488,260	234,551,625	2,099,130,736
1936.....	68,916,770	209,731,693	2,016,247,016
1935.....	67,982,386	204,849,595	1,971,094,545
1934.....	68,690,634	211,428,671	1,964,184,199
1933.....	70,558,321	210,930,477	1,973,466,488
1932.....	74,246,294	240,697,204	2,044,029,535
1931.....	75,645,849	277,651,018	2,093,588,564
1930.....	73,943,041	279,275,855	2,055,502,125
1929.....	69,800,164	321,801,064	1,989,104,071

### Canadian Life Companies, 1937 and 1938

Six Canadian life companies sold new insurance in excess of \$40 million in 1938 and all of these held insurance in force at the end of 1938 of more than \$500 million. Sun Life Assurance of Canada led on both counts in 1938, as in previous years, with total new assurances of \$193 million and a total in force of \$2,870.2 million. Second in the list of new assurances in 1938 was London Life Insurance Company, with \$92.4 million: this company ranked third in respect of total in force with \$607.6 million. Canada Life Assurance Company enjoyed the third largest new assurances written, at \$53.5 million and this company stood second in total in force with \$713.8 million. Manufacturers Life Insurance Company occupied fourth place in new assurances sold, recording a total of \$54.6 million and was sixth in amount in force, with \$532.6 million. Great West Life Assurance Company, with new assurances of \$46.5 million and \$570.3 million in force, ranked fifth and fourth, respectively, while next in order in point of new business was Mutual Life Assurance Company of Canada with \$41.5 million, while this company ranked fifth in amount in force with \$534.9 million. Confederation Life Association was seventh in new assurances with \$39.1 million and also seventh in total in force with \$369.9 million.

### Records of Individual Life Insurance Companies

#### New Assurance Paid For

	1938	1937	1936
Canada Life .....	\$ 53,525,212	\$ 55,005,070	\$ 41,163,591
Commercial .....	1,124,616	1,188,379	1,242,569
Confederation .....	39,170,437	39,449,101	37,589,482
Continental .....	5,313,273	5,912,648	4,986,072
Crown .....	30,417,979	28,838,138	26,179,509
Dominion .....	14,234,330	14,556,611	19,041,121
Dominion of Canada .....	2,060,108	2,353,947	1,577,367
Eaton .....	2,743,047	2,913,810	2,500,752

## New Assurance Paid For—Continued

	1938	1937	1936
Equitable .....	2,420,358	3,473,325	2,311,377
Excelsior .....	15,098,338	17,810,336	14,478,859
Great West .....	46,578,592	44,999,017	37,575,040
Imperial .....	21,434,233	23,803,026	18,062,998
London .....	92,431,506	88,837,751	84,312,396
Manufacturers .....	54,641,168	57,528,048	49,811,954
Maritime .....	2,375,689	2,210,052	1,685,728
Monarch .....	7,042,832	8,375,621	6,971,963
Montreal .....	6,080,304	6,365,826	4,894,187
Mutual .....	41,568,286	41,107,937	40,377,215
National .....	6,256,292	6,810,659	6,869,114
North American .....	23,182,253	22,584,524	20,041,683
Northern .....	5,369,990	5,431,320	4,994,585
Royal Guardian .....	934,102	709,782	697,528
Saskatchewan .....	1,767,799	1,507,294	1,758,195
Sauvegarde .....	7,709,154	9,789,011	9,304,580
Sovereign .....	4,866,450	6,112,763	5,212,451
Sun Life .....	193,029,887	249,849,759	203,542,272
Western .....	1,878,148	1,458,290	1,608,827

## Total Insurance in Force

	1938	1937	1936
Canada Life .....	\$713,836,747	\$812,607,218	\$705,259,073
Commercial .....	9,887,771	10,016,720	10,002,843
Confederation .....	369,898,397	386,990,278	369,090,349
Continental .....	38,003,541	38,880,060	36,357,192
Crown .....	178,897,110	177,573,993	159,004,936
Dominion .....	138,370,335	146,639,112	150,835,675
Dominion of Canada .....	10,802,914	12,006,951	8,987,112
Eaton .....	26,824,653	29,849,638	25,799,095
Equitable .....	37,243,074	41,249,616	36,930,087
Excelsior .....	98,498,920	102,166,644	91,462,998
Great West .....	570,349,356	567,149,708	547,157,728
Imperial .....	257,355,136	272,609,437	261,864,368
London .....	607,621,294	583,338,337	531,417,397
Manufacturers .....	532,649,848	535,451,371	516,341,745
Maritime .....	13,436,199	14,900,170	11,776,403
Monarch .....	55,124,748	55,632,072	53,992,136
Montreal .....	37,849,786	41,141,844	36,393,167
Mutual .....	534,920,003	550,578,406	513,579,893
National .....	52,921,250	56,742,988	51,891,103
North American .....	200,321,854	202,649,839	183,101,532
Northern .....	44,470,027	44,871,657	41,745,411
Royal Guardian .....	3,808,452	3,636,233	3,434,014
Saskatchewan .....	8,814,913	8,693,068	8,537,354
Sauvegarde .....	39,437,946	39,684,887	31,970,548
Sovereign .....	25,416,270	14,900,570	27,785,579
Sun Life .....	2,870,207,942	2,890,834,701	2,737,741,643
Western .....	5,591,081	5,571,236	7,146,171

## "Outside" Canadian Business, 1937 and 1938

Increasingly important in the operations of Canadian life companies is business written outside the country, the total new written in 1937 having been \$311,029,424, as compared with \$260,590,060 in 1936. The decrease in 1938, as compared with 1937, was sharp, the total written being \$256,433,803, political, economic and exchange disturbances acting as a severe deterrent. The proportion of the total written in 1937 that was sold outside Canada was 42.61 per cent., as compared with 40.07 per cent. in 1936, while the proportion in 1938 was 38.52 per cent. The excess of policies of Canadian companies in force in Canada over those outside in 1938 was \$1,237 million, the total in Canada being \$4,363 million and outside, \$3,126 million. Aggregate in force outside Canada and in Canada at the end of 1938 was \$7,490 million, as compared with \$7,347 million in 1937, \$7,172 million in 1936 and \$6,991 million in 1935. Premium income outside Canada in 1938 was \$119,220,120, as against \$125,847,219 in Canada. Rates on policies outside Canada, generally speaking, were higher than those in Canada.

In the following table, ordinary, industrial and group premium income, new insurance policies effected and insurance policies in force of Canadian life assurance companies outside Canada and inside Canada in 1938, 1937, 1936 and 1935 are indicated:

### Canadian Life Assurance Companies

	1938	1937	1936	1935
<b>Premium Income:</b>				
Outside Canada .....	\$ 119,220,120	\$ 116,460,154	\$ 112,374,185	\$ 113,474,329
In Canada .....	125,847,219	125,954,212	129,258,259	128,714,106
Total Business .....	\$ 245,067,339	\$ 242,414,366	\$ 241,632,444	\$ 242,188,435
<b>New Assurance (Net):</b>				
Outside Canada .....	\$ 256,433,803	\$ 311,029,424	\$ 260,590,060	\$ 275,308,027
In Canada .....	409,251,858	418,796,687	389,909,385	365,542,246
Total Business .....	\$ 665,685,661	\$ 729,826,111	\$ 650,499,445	\$ 640,850,273
<b>Assurance in Force:</b>				
Outside Canada .....	\$3,126,293,488	\$3,043,105,341	\$2,915,593,936	\$2,826,740,803
In Canada .....	4,363,764,786	4,304,631,608	4,265,850,150	4,164,893,298
Total Business .....	\$7,490,058,274	\$7,347,736,949	\$7,172,444,086	\$6,991,634,101

### Fire Insurance in Canada, 1937 and 1938

The influence of economic recovery in Canada on fire insurance in force and premiums paid continued in 1937 and 1938. The greater value of property requiring protection lifted the gross amount of risk \$1,098 million from the depression low of 1934 to the end of 1938, from \$9,506 million to \$10,604 million.

The gain in 1938 over 1937 was \$129 million and, in 1937, over 1936 it was \$812 million. The increase in net losses in 1938 over 1937 was sharp, at \$17,357,156 as against \$14,811,055, the ratios of losses to premiums paid being 40.90 per cent. and 34.61 per cent., respectively. At the depth of the depression in 1932 the loss ratio was 64.09 per cent., total losses being \$29,938,409 in that year. In 1938, 1937 and 1936, the ratio of losses of Canadian companies was much smaller than the ratios of British and foreign companies. Reflecting growth in policies written net premiums mounted in 1937 over 1936, and showed little change in 1938, as compared with 1937. As the following table shows, business done by Canadian fire companies was substantially below that of British and foreign companies

### Fire Insurance in Canada

Year 1938	Net Premiums	Gross Amount at Risk	Net Losses	Loss Ratio %
Canadian Companies .....	\$ 9,450,956	\$ 2,120,613,400	\$ 3,358,044	35.53
British Companies .....	16,184,405	4,624,538,774	6,745,108	41.64
Foreign Companies .....	16,811,110	3,859,474,891	7,254,004	43.18
<b>Year 1937</b>				
Canadian Companies .....	9,222,592	2,038,723,751	2,937,510	31.85
British Companies .....	16,705,441	4,648,645,220	5,545,300	33.20
Foreign Companies .....	16,547,571	3,728,072,971	6,328,239	38.35
<b>Year 1936</b>				
Canadian Companies .....	7,925,621	1,793,393,973	2,602,600	32.83
British Companies .....	16,495,141	4,317,997,708	5,839,749	35.40
Foreign Companies .....	15,797,020	3,552,045,405	5,629,769	36.27
<b>All Companies</b>				
1938 .....	\$42,446,471	\$10,604,627,071	\$17,357,156	40.90
1937 .....	42,475,604	10,415,441,962	14,811,055	34.61
1936 .....	40,217,782	9,663,437,086	14,072,118	34.99
1935 .....	40,884,876	9,641,773,674	14,821,465	36.25
1934 .....	41,468,119	9,506,703,020	16,968,030	40.92
1933 .....	41,573,986	10,644,787,101	21,655,460	52.10
1932 .....	46,911,929	10,339,649,769	30,068,923	64.09
1931 .....	51,701,259	10,789,737,477	29,938,409	57.93
1930 .....	52,646,520	10,311,193,608	30,427,968	55.74
1929 .....	56,112,457	10,791,096,165	30,299,839	53.69



### Casualty Insurance, 1937—1938

Casualty insurance premiums written in Canada in the year 1938 totalled \$37,552,257, as compared with \$34,585,727 in 1937, while losses incurred in 1938 totalled \$18,511,013, as against \$16,881,736 in the preceding year. Approximately one-half of the total written and losses incurred were in the automobile department. Aviation premiums written in 1938 were about double those in 1937, reflecting growth in this form of transportation. It is noteworthy that losses incurred in 1938 increased only slightly, despite the big increase in the amount written. The ratio of total losses to total premiums written in 1938 was 50 per cent. The accident ratio was 40 per cent.; accident and sickness combined, 53.27 per cent.; automobile, 52.8 per cent.; aviation, 47.3 per cent.; and burglary, 45.7 per cent. Records for 1938 and 1937 were as follows:

	Total	Accident	Combination Accident and			
			Sickness	Automobiles	Aviation	Burglary
<b>Premiums Written:</b>						
1938.....	\$37,552,257	\$6,126,331	\$2,696,848	\$18,015,202	\$177,078	\$1,515,603
1937.....	34,585,727	5,720,644	2,319,214	16,800,056	82,828	1,532,799
<b>Losses Incurred:</b>						
1938.....	\$18,511,013	\$2,542,167	\$1,533,905	\$9,889,035	\$83,750	\$693,630
1937.....	16,881,736	2,145,853	1,293,069	9,603,380	72,607	586,549

### Fraternal Insurance, 1937—1938

The total amount of new certificates effected in Canada in the mortuary department by Canadian fraternal societies during the year 1938 was \$14,464,447, as compared with \$10,858,832 in 1937, representing an increase of 33.4 per cent. The amount effected by foreign fraternal societies was \$6,567,445, as compared with \$5,943,093 in 1937. The total amount of insurance in force in the mortuary department at the end of the year 1938 was, for Canadian societies, \$112,129,308; and for foreign societies, \$66,892,644; or a total of \$179,021,952. These figures compared with totals, respectively, in 1937 of \$108,776,766, \$65,607,329 and \$174,384,095.

Premiums paid during 1938 in the mortuary department amounted to \$1,858,518 for Canadian societies and \$1,481,395 for foreign societies, as compared with \$1,774,014 and \$1,446,716, respectively, in 1937.

In the sickness department, the premiums received by Canadian societies amounted to \$258,536, as compared with \$272,598 in 1937, and by foreign societies, \$152,628, against \$142,998, making a total of \$411,164, as compared with \$415,596 for the preceding year.

Claims paid to members in Canada by Canadian societies amounted to \$2,651,061 in the mortuary department in 1938 and to \$285,478 in the sickness department, and for foreign societies to \$1,087,389 in the mortuary department and \$144,901 in the sickness department, making a total payment in Canada for Canadian societies of \$2,936,539 and for foreign societies, \$1,232,290—and a grand total for all societies of \$4,168,829.

Claims paid to members in Canada by Canadian societies amounted to \$2,497,722 in the mortuary department in 1937 and \$289,386 in the sickness department, and for foreign societies, to \$1,112,877 in the mortuary department and \$147,499 in the sickness department, making a total payment in Canada for Canadian societies of \$2,787,108 and for foreign societies, \$1,260,376, the grand total for all societies amounting to \$4,047,484.

## LABOUR AND UNEMPLOYMENT RELIEF

### The Department of Labour During 1937 and 1938

The Reports of the Department of Labour for the two fiscal years ended Mar. 31, 1937, and Mar. 31, 1938, summarized the yearly operations of the Statutes administered under the authority of the Minister of Labour; these were: Labour Department Act; Conciliation and Labour Act; Industrial Disputes Investigation Act; Government Annuities Act; Employment Offices Co-ordination Act; Technical Education Act; Combines Investigation Act; The National Employment Commission Act, 1936; and The Unemployment and Agricultural Assistance Act, 1937. The Department also continued to administer the Fair Wages Policy of the Government of Canada, as set forth in Orders in Council passed in 1922, 1924 and 1934, and in The Fair Wages and Hours of Labour Act, 1935, and to carry on the work arising out of Canada's relations with the International Labour Organization.

The Unemployment and Agricultural Assistance Act which received the Royal Assent in April, 1937, was in full operation. Under its provisions the Dominion Government was enabled to co-operate more effectively in relief work in the Provinces. The National Employment Commission made its Final Report and was dissolved early in 1938. Attention was called to the efforts of the Federal Government to have the Provincial Governments agree to a policy of unemployment insurance. (Other legislation pertaining to Labour for the years 1937 and 1938 will be found under the several Provinces and under the Parliamentary Sessions of 1937 and 1938).

Industrial employment in Canada during 1937 and 1938 reflected a marked business improvement throughout 1937 followed by a slackening of industrial activity during the latter part of 1938. The volume of employment in 1937 reached a particularly high level exceeded only by that of the boom year 1929: even in 1938 employment was maintained at a level higher than that of 1936 and previous years of record except 1929 and 1930. Surveys by the Dominion Bureau of Statistics compiled according to Reports received from leading employers of labour show that based on the 1926 average as 100, the 1938 index averaged 111.8, as compared with 114.1 in 1937, and 103.7 in 1936.

The Report on the administration of the Employment offices for the fiscal year ended Mar. 31, 1938, showed a total of 736,142 applications handled, as against 680,183 in 1936-37, and 677,408 in 1935-36. Placements in regular employment during 1935-36, 1936-37 and 1937-38 were as follows: men—172,504, 171,008, and 216,473, respectively; women—52,576, 55,510, and 56,669. Placements in casual employment for the three years were: men—89,710, 65,096, and 68,247; women—37,096, 40,581, and 47,007. The total placements for both sexes were 351,886 in 1935-36; 332,195 in 1936-37; and 388,396 in 1937-38. (See Tables and Charts in Section: "Statistical Survey, 1937 and 1938").

In 1937 as in the depression years various governmental projects were undertaken primarily for the relief of unemployment, but the general improvement in the industrial situation rendered work of that character

less important. The Social Analysis Branch reported 2,303,000 wage earners in employment during eleven months of 1938, as compared with 2,369,000 in 1937, and 2,225,000 in 1936. From the same source we learn that the percentage of unemployed wage earners in 1938 was 14.8, as against 12.5 in 1937, and 16.7 in 1936. The estimated number of unemployed in 1937 was the lowest since 1929 although it considerably exceeded the estimates of any earlier year on record.

### **Wages 1937 and 1938**

The recovery in wages, which first appeared in logging and sawmilling and in common factory labour in 1934 and extended to all groups in 1935 and 1936, continued during 1937 and 1938.

Common factory labour showed a slightly further increase during the two years under review. The index number shown in the Department's Report rose from 179.7 in 1936 to 195.5 in 1937 and 199.7 in 1938. During 1937 logging and sawmilling showed the highest average increase of 13 per cent.; the increase in 1938 averaged 4 per cent., as did those in metal mining and on steam railways.

In manufacturing industries during 1937 the most important increases were in:— automobiles and automobile parts, 15 per cent.; cotton, 11 per cent.; meat packing, 19 per cent.; pulp and paper, 12 per cent.; crude, rolled and forged iron and steel products, 14 per cent.: while in 1938 manufacturing industries showed the greatest increases with silk factories ahead at 10 per cent. Increases for 1937 in manufacturing industries were, on a whole, much greater in comparison with those of 1938.

The slight improvement evidenced during 1934 and 1935, in the depressed level of wages prevailing in Canadian coal mines after the severe reductions of 1933, despite the standstill of 1936, continued in 1937 and 1938. In 1937 datal rates in several of the principal mines in Nova Scotia were increased by nearly 10 per cent. In 1938 the rates were increased 5 to 10 per cent. in the various districts in Alberta and in the Crow's Nest Pass district in British Columbia. In the principal mines in Vancouver Island average increases of 7 per cent. were made. (See Tables and Charts in Section: "Statistical Survey, 1937 and 1938").

### **Cost of Living and Wholesale Prices**

In 1937 and 1938 the trend of the cost of living showed broad fluctuations in Canada as in other countries. In the first half of 1937 there was a general advance in the wholesale prices index numbers, this being a movement which commenced about the middle of 1936. In the latter half of 1937 the cost of living recorded declines led by price changes in grains, non-ferrous metals and other raw materials. The downward tendency of the latter half of 1937 extended into 1938 in keeping with a heavy increase in world stocks of primary commodities. Retail prices kept pace with wholesale prices in both years. (See Section: "Statistical Survey, 1937 and 1938").

The index numbers of wholesale prices reflected in corresponding percentages the upward and downward movement in 1937 and 1938 of leading primary products. (See Section: "Statistical Survey, 1937 and 1938," in this Volume).

### **Labour Organization in Canada**

During 1937 and 1938 memberships in trade unions continued to increase. According to statistics contained in the Department's Report on



Labour Organization, the total membership of all classes of trade unions in the Dominion in 1938 was 385,039, an increase of 420 over 1937, comprised in 3,318 locals, a gain of 60, as compared with 1937. The international union group, consisting of the Canadian members of 98 organizations, 2 more than recorded in 1937, had 2,086 branches in the Dominion, an increase of 38, with a combined membership of 230,547, a gain of 13,082. The group of Canadian central organizations, which numbered 30, one less than in 1937, had 878 branches, a gain of 23, with a combined membership of 91,764, a decrease of 6,869. The National Catholic group consisted of 292 syndicates and study circles, an increase of 7. The membership of the Confederation of Catholic Workers of Canada, as reported by the general secretary, was 49,401, comprised in 258 local syndicates. There were 34 National Catholic syndicates not connected with the Confederation, five of which reported a combined membership of 787. The independent units numbered 62, a decrease of 10, the membership reported by 58 units being 12,540, a loss of 3,981, as compared with the 16,521 reported by 67 units in 1937.

A computation of these figures indicates that there were in Canada at the close of 1938 a total of 3,318 trade union branches, a gain of 60, with a combined membership of 385,039, an increase, as previously stated, of 420. According to the latest estimate of population (June 1, 1938), trade unionists in 1938 represented about 3.44 per cent. of the total population of Canada; adding 136,120, the number of members in the non-trade union associations, the organized wage-earners in the Dominion at the close of 1938 represented 4.65 per cent. of the population.

Union representation in Canada continued to spread over practically all industries according to the Department's Report which gave information as follows: membership in the trades and general labour group was shown as 17.9 per cent. of the total; public employees, personal service and amusement, 10.5 per cent.; railroad employees, 21.0 per cent.; other transportation and navigation, 9.1 per cent.; clothing, boots and shoes, 9.4 per cent.; printing and paper making, 6.6 per cent.; metal, 9.3 per cent.; building, 8.1 per cent.; and mining and quarrying, 8.1 per cent.

### Strikes and Lockouts, 1937 and 1938

According to statistics of strikes and lockouts, contained in *The Labour Gazette*, the total time lost by such occurrences in 1938 was 148,678 man-working days, as compared with 886,393 man-working days in 1937, 276,997 in 1936, and 91,797 in 1930. The numbers of workers involved were 20,395 in 1938, 71,905 in 1937, and 34,812 in 1936. Only nine disputes involved more than 500 workers in 1938, and only 32 in 1937.

The most important strike of 1937 was that of cotton factory workers in Montreal and other localities in the Province of Quebec, for union recognition and increases in wages. Other important disputes were those involving cotton mills at Cornwall and Welland, Ont.; woollen mills at Peterborough, Ont.; women's dress factories at Montreal; coal mines at Minto, N.B.; automobile factory workers at Oshawa, Ont.; foundry and ship repair workers at Sorel, Que.; loggers at Flanders, Ont.; coal miners at Stellarton, N.S.; meat packers at Vancouver; and lumber mill workers in New Brunswick.

The strike of the cotton factory workers in Quebec involved 9,000 employees throughout August, causing time loss of 200,000 days. A compromise on union recognition and wage increases was reached. An important strike in the Montreal clothing industry, involving dress fac-

tory workers and causing 55,000 days' time loss, was followed by a union agreement giving reduced hours and wage increases.

The strike of automobile plant employees at Oshawa in April, 1937, caused 250,000 days' time loss and involved more than 4,000 workers for a period of 12 days. A compromise on union recognition and wage increases was reached. The strike of gold miners in the Cariboo District in British Columbia from May to August, 1937, caused 18,000 days' time loss and the demand for union recognition and wage increases was unsuccessful, whereas a strike of asbestos miners in Quebec, involving 1,150 workers for a period of six days, and based on like demands, proved successful.

Disputes involving longshoremen at Toronto, Hamilton, and Point Edward, Ont., resulted in union agreements with partial increases in wages. Vancouver longshoremen participated in a strike which commenced in November, 1936, for recognition of the international union; this resulted in the replacement of the strikers soon after its commencement but led to brief interruptions of traffic from time to time until the Spring of 1937. During June and July Toronto witnessed a tannery strike causing 10,000 days' time loss, but which proved unsuccessful in securing the dismissal of a worker expelled from the union. "Sit-down" or "stay-in" tactics were adopted in a small number of disputes, but in all cases except two, the workers on strike vacated the premises on being notified to do so or shortly afterwards. In a strike of foundry workers at Point Edward, Ont., Mar. 1 to 3 (1937), one hundred workers were driven from the plant by other workers and turned over to the police. One was fined and fifty-five were given suspended sentences on charges of trespassing. In a strike of meat packers at Calgary, on Feb. 4 (1937), about one hundred workers remained in the plant for seven days, when they were arrested and charged with "forcible detention of property." Later it was reported that the charges were dropped.

During 1938 the most important disputes involved sawmill workers at Fort Frances, Ont.; fishermen at Lunenburg, N.S.; lime plant workers at Blubber Bay, B.C.; cotton factory workers at Cornwall, Ont.; restaurant workers and taxicab drivers at Toronto, Ont.; automobile parts factory workers at Windsor, Ont.; and coal miners at Minto, N.B.

The strike of sawmill workers at Fort Frances lasted from April to June, 1938. The strikers obtained a renewal of the union agreement and there was a compromise on wage reduction. Disputes involving fishermen at Lunenburg and North Sydney, N.S., and Johnstone Strait, B.C., all with reference to prices of fish, except that the one at Lunenburg and one at Vancouver, B.C. also involved union recognition. These strikes resulted in much time loss. The lime plant workers at Blubber Bay, B.C. participated in two strikes during the year, the first in March and the second in June. The second was in connection with the recommendations of a Board under the British Columbia Industrial Conciliation and Arbitration Act for the settlement of the first strike, which was with respect to union recognition and discharge of union workers. Recommendations of the Board included the setting up of union and non-union committees. Despite disturbances caused by picketing, which resulted in disorders and the arrest and conviction of pickets and others on charges of assault, etc., the plant continued in operation, the strikers being replaced to a great extent.

The textile and clothing industries were affected by 18 disputes involving 3,461 workers with time loss of 25,474 days during 1938. The strike

involved cotton factory workers at Cornwall, Ont., for a few days in March, regarding the application of a Provincial Minimum Wage Scale for the industry which followed the strikes in textile factories in Ontario in 1937. This strike resulted in an agreement providing for recognition of the union in dealing with wages and working conditions.

Toronto was the scene, during April, 1938, of an important dispute of taxicab drivers demanding wage increases, union recognition, and reduced hours. After a period of nearly three weeks a union agreement was signed with compromises on wages and hours. A strike in the same city of restaurant workers against the discharge of union workers proved unsuccessful, but some of the strikers were re-engaged in a settlement reached after five months.

Of the strikes in metal manufacturing, the most important occurred in four automobile or automobile parts plants at Windsor, Ont., and one at Oshawa, Ont. All were settled by the Ontario Department of Labour with an arrangement that any matters in dispute not settled by negotiations would be arbitrated by a departmental conciliation officer. A dispute at a Windsor establishment making glass for automobiles was similarly settled.

The most important dispute in the mining industry was one concerning coal miners at Minto, N.B. This strike lasted from October, 1937, to January, 1938, when the dispute as to union recognition and wage rates was referred to a Board of Conciliation under the Industrial Disputes Investigation Act. The Board investigated the relations of the miners and the employers, prices of coal, market conditions, working and living conditions and recommended some improvements.

"Sit-down" or "stay-in" strikes were of no importance in 1938, being confined to a few instances where workers in lumber or mining camps remained in the bunk houses for a short time, but in one coal mine a small number of workers remained underground for some hours.

### **Industrial Disputes Investigation Act**

Twenty-one applications for the establishment of Boards of Conciliation and Investigation under the Industrial Disputes Investigation Act were made to the Minister of Labour during the fiscal year ended Mar. 31, 1937. Three applications had been carried over from the previous year. Twelve boards were established, one of which dealt with two applications. Unanimous findings were received from seven of the nine boards which reported during the year. In two cases in which the board members were unable to agree, Governmental mediation was able to bring about working agreements. In the fiscal year 1937-38 the Minister received twenty-nine applications and there were five carry-overs from the previous year. Twenty-eight of the thirty-four applications dealt with related to disputes arising out of employees' requests for increased wages. In fourteen of these cases the workers also asked for changes in working conditions and in five cases union recognition was demanded.

### **Combines Investigation Act**

A further Amendment to the Combines Investigation Act (1923) was given the Royal Assent on Apr. 10, 1937. This Amendment placed the Combines Investigation Act under the Minister of Labour, and provided for administration of its investigatory provisions by a Commissioner.

Another 1937 Amendment deleted a clause, (which had been added to the Act in 1935 at the instance of the Senate), which prevented documents submitted by a witness from being used against him in any subsequent



prosecution (except for perjury). A further Amendment deleted from the Act certain qualified rights of exemption from prosecutions for alleged offences against the Combines Investigation Act and against related sections of the Criminal Code. These exemptions had been declared invalid by the Supreme Court of Canada in June, 1936.

On Feb. 4, 1937, a Report was made public concerning the findings of the Royal Commission on Anthracite Coal (see *The Canadian Annual Review, 1935 and 1936*). Other less extensive investigations made during the year 1937 were conducted on a relatively restricted scale because of certain court proceedings and legislative developments. These investigations included questions of alleged price agreements among manufacturers or distributors, exclusive dealing arrangements, resale price maintenance, price discrimination, the withholding of supplies for various reasons and other trade practices alleged in particular instances to be unfair to certain classes of persons and to be injurious to the general public.

Investigations made during the fiscal year 1937-38 related to a wide variety of trade practices and dealt with complaints in connection with the production and wholesale and retail distribution of a number of classes of commodities. Steps were taken to deter and prevent unreasonable practices for the restriction or elimination of competitors, undue price enhancements by combinations or monopolies, and other detrimental restraints of trade. Submissions for criminal prosecutions had not been found necessary up to the end of the fiscal year in the cases thus dealt with. Decisions in this respect had not been reached in several inquiries in progress at the end of the year.

At the outset of the year an investigation was made pursuant to an application with regard to an alleged combine in the manufacture and distribution of one class of building materials. A Report was made subsequently to the effect that no unlawful combination or monopoly had been disclosed by the Inquiry. Preliminary inquiries in connection with complaints in relation to two other classes of building materials did not indicate violations of the Act.

Inquiries were made in a Western Province into an alleged combine of wholesale fruit and vegetable companies, stated to have been limiting supplies of produce and maintaining prices by agreement against the public interest. Examinations found market conditions to be freely competitive, within the limits of Provincial legislation, and joint operations for group buying on a limited basis among some firms not likely to be extended to any monopoly control of supplies or prices.

Complaints respecting several classes of household equipment were studied in relation to combinations of manufacturers and of distributors. Preliminary inquiries carried on were considered to have had the effect of protecting the public from the establishment of combines. Involved in one of these cases was the alleged misuse of patents to establish a price fixing combination.

The regulation of prices of milk under Provincial legislation was related to complaints received regarding milk prices. The matter was referred to the Province involved, in view of the legislation existing. Legislation passed during the year in another Province, provided for the enforcement of such common retail selling prices as might be fixed by individual manufacturers or wholesalers on brands of products they supplied, gave rise to some consideration and concern as constituting a possible avenue for attempts to restrict competition and enhance prices against

the interest of the public, in violation of the Combines Investigation Act. A limited campaign to promote this type of price maintenance legislation was reported to have been in progress and to have been carried into several Provinces by interests desiring its extension. The question of the constitutional validity of such legislation for enforcement of private price fixing did not receive the attention of the courts.

An application for an investigation with respect to the distribution of tobacco products was received and an inquiry instituted. Hearings were held in the city of Edmonton in March, 1938. Competition, it was alleged, had been restricted to the detriment of the public through private control of prices and methods of distribution by a combination or monopoly. Persons who failed to conform with rules of the alleged combine or held by it to be otherwise unacceptable were stated to have been prevented from carrying on normal businesses as wholesalers or retailers of tobacco products in the areas affected.

A second principal investigation in progress at the end of 1937-38 was directed to the examination of practices put into force by manufacturers of paperboard shipping containers. Preliminary consideration was given to somewhat similar practices which appeared to be in course of establishment with respect to two other classes of paper products.

Other less extensive inquiries were made throughout the year in connection with complaints alleging injurious restraints of trade to exist in particular trades and industries, similar to those already indicated.

### Fatal Accidents in Industry

According to Governments Reports the upward trend in the death toll of industrial accidents evident in Canada during 1934, 1935 and 1936, persisted during 1937 with a total of \*1,247, but declined slightly in 1938 with a total of 1,114.

During 1938 the classification of accidents according to Provinces shows that the largest number (as in previous years), 412, occurred in Ontario. There were 256 in Quebec; 189 in British Columbia; 77 in Nova Scotia; 66 in Alberta; 48 in Manitoba; 42 in Saskatchewan; 16 in New Brunswick; 3 in Prince Edward Island; and 5 in the Yukon and North-west Territories.

### Government Annuities

During the fiscal year ended Mar. 31, 1938, the Annuities Branch of the Department of Labour contracted for 1,590 immediate annuities and 4,134 deferred annuities, making a total of 5,724. These totals marked a sharp decrease in comparison with the fiscal year 1937, when 7,806 annuities were contracted for, comprising 2,794 immediate, and 5,012 deferred annuities. The average amount of the immediate annuities in 1938 was \$318, as compared with \$400 in 1937. The average amount of 39,015 immediate and deferred annuities in force at Mar. 31, 1938 was \$414. Under the Government Annuities Act the minimum amount of annuity obtainable on the life of one person or on the lives of two persons jointly is \$10 a year. The maximum amount of annuity payable to any annuitant or to joint annuitants is \$1,200 a year. Disbursements for the fiscal year ended Mar. 31, 1938, totalled \$6,492,702 and Receipts which included \$8,941,196 transferred from Consolidated Revenue Fund to maintain reserves, were \$26,151,966. Including the credit balance carried forward, the balance at

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NOTE.—Revised figures for 1937.

the credit of the fund at Mar. 31, 1938 was \$107,644,200. The total amount of annuity purchase money received since the inception of the Annuities Branch in September, 1908, was \$115,109,178.

## Unemployment and Relief During 1937 and 1938

The Reports of the Dominion Commissioner of Unemployment Relief for the fiscal years ended Mar. 31, 1937, and Mar. 31, 1938, revealed the Government in close grips with the heavy problem of unemployment relief. Under the provisions of The Unemployment Relief and Assistance Act of 1936, the Dominion continued to make grants-in-aid to the Provinces, and to assist them in discharging their responsibilities toward necessitous persons within their borders on the understanding that the Provinces were to assist the Municipalities within their borders. Roadway and other relief works were thus financed and marked progress was made in the rendering of assistance in the drought areas of the Prairie Provinces. All the Provinces co-operated in constructive relief projects. This work was undertaken on the advice of The National Employment Commission. On the recommendation of the Commission, \$1,000,000 was voted for youth training, the Provinces agreeing to put up dollar for dollar. On Sept. 1, 1937, the Department of Agriculture took over from the Department of Labour the administration of the moneys provided for material aid in the drought areas in Saskatchewan and Alberta. Under the agreements with these Provinces the Dominion continued to assume 100 per cent. of the cost of material aid (food, fuel, clothing, and shelter).

### Land Settlement

In the Report of the Department of Labour for 1936-37 it is recorded that under the provisions of the Unemployment Relief and Assistance Act, 1936, land settlement agreements were entered into between the Dominion, Quebec, Manitoba, and Alberta Governments. Under these agreements provision was made for the placement of additional families on the land and for a non-recoverable expenditure of one-third of an amount, not to exceed \$1,000 per family, for a period of four years. The Act provided for additional assistance to families previously settled on the land. (For previous concessions to settlers see *The Canadian Annual Review 1935 and 1936*, p. 501). This work was carried on under the head of Relief. The following table published by the Department of Labour gives the number of settlers on the land and the amount of the Dominion Government's contribution as of Mar. 31, 1938:

Province	Dominion Contribution	Number of Settler Families	Number of Individuals
Nova Scotia .....	\$ 53,983.24	202	1,254
Quebec .....	226,596.97	1,681	10,520
Ontario .....	104,843.24	431	2,148
Manitoba .....	216,006.72	864	4,305
Saskatchewan .....	152,145.97	761	3,735
Alberta .....	134,273.63	453	2,186
British Columbia .....	10,109.16	33	183
	*\$897,958.93	4,425	24,331

\* Not including expenditures which may have been made prior to March 31, 1938, for which accounts have not been received or if received have not been passed for payment at the date of this report.

### Loans to Western Provinces

Under authority of The Unemployment and Agricultural Assistance Act, 1937, the Dominion continued to make loans, where necessary, to the



four Western Provinces for unemployment relief purposes. The total amount loaned applicable to the fiscal year 1937-38 was \$15,382,418. As security for repayment the Dominion accepted Provincial Treasury bills bearing interest at the rate of 3 per cent. per annum, payable half-yearly. In addition, the Dominion accepted Saskatchewan Treasury bills to the amount of \$954,728 in respect of certain interest accruals on relief loans and \$371,672 in respect of over-payments of relief expenditures.

The following statement shows, by Provinces, the amounts loaned during the fiscal year 1937-38; the net loans outstanding, Mar. 31, 1937; repayments during the year, and the net loans outstanding as at the close of the fiscal year ending Mar. 31, 1938:

<i>Province of Manitoba—Loans made, 1937-38:</i>	
For direct relief and farm placement .....	\$ 1,749,000.00
For public works, including the Greater Winnipeg Sewage Disposal Scheme.....	1,233,000.00
	<hr/>
	\$ 2,982,000.00
Less repayments during the year.....	22,811.74
	<hr/>
	\$ 2,959,188.26
Net loans outstanding, March 31, 1937.....	20,130,855.23
	<hr/>
	\$ 23,090,043.49
Less amount written off pursuant to Vote 392 of the Further Supplementary Estimates, 1936-37.....	804,897.02
	<hr/>
Net loans outstanding at close of fiscal year ending March 31, 1938.....	\$ 22,285,146.47
	<hr/> <hr/>
<i>Province of Saskatchewan—Loans made, 1937-38:</i>	
For direct relief, farm placement, etc.....	\$ 8,450,042.97
For public works .....	508,374.40
For feed and fodder—provincial area.....	1,242,000.00
Acceptance of treasury bills in respect to certain interest accruals.....	1,032,697.29
Acceptance of treasury bill in respect to overpayments relief expenditures..	371,671.82
	<hr/>
	\$ 11,604,786.48
Net loans outstanding, March 31, 1937.....	54,427,508.59
	<hr/>
	\$ 66,032,295.07
Less amount written down to non-active assets pursuant to Vote 393 of the Further Supplementary Estimates, 1936-37.....	17,682,157.61
	<hr/>
Net active loans outstanding at close of fiscal year ending March 31, 1938.....	\$ 48,350,137.46
	<hr/> <hr/>
<i>Province of Alberta—Loans made, 1937-38:</i>	
For unemployment relief purposes.....	\$ 200,000.00
Less repayments during the year.....	7,000.00
	<hr/>
	\$ 193,000.00
Net loans outstanding, March 31, 1937.....	25,886,198.00
	<hr/>
Net loans outstanding at close of fiscal year ending March 31, 1938.....	\$ 26,079,198.00
	<hr/> <hr/>
<i>Province of British Columbia—Loans made, 1937-38:</i>	
For direct relief .....	\$ 1,000,000.00
For public works .....	1,000,000.00
	<hr/>
	\$ 2,000,000.00
Less repayments during the year.....	458,363.23
	<hr/>
	\$ 1,541,636.77
Net loans outstanding, March 31, 1937.....	31,545,079.72
	<hr/>
Net loans outstanding at close of fiscal year ending March 31, 1938.....	\$ 33,086,716.49
Grand total of loans outstanding at close of fiscal year ending March 31, 1938 .....	\$129,801,198.42
	<hr/> <hr/>

### Disbursements for Relief, 1937-38

The following table is a Recapitulation of Dominion Disbursements under Relief Legislation—Act, 1935, Act, 1936, and Act, 1937, to the end of the fiscal year 1937-38.

Province, etc.	1935 Act	1936 Act	1937 Act
Prince Edward Island.....	\$ 286,925.00	\$ 291,415.89	\$ 117,091.47
Nova Scotia .....	1,295,367.51	1,110,450.00	590,947.58
New Brunswick .....	1,059,703.21	910,451.93	454,511.20
Quebec .....	7,502,517.00	10,814,623.62	6,364,937.70
Ontario .....	16,208,301.92	13,981,870.98	6,827,365.88
Manitoba .....	3,563,138.71	4,414,575.94	2,777,846.99
Saskatchewan .....	7,096,162.41	9,244,735.77	5,390,017.04
Alberta .....	1,780,686.67	2,611,443.16	1,979,613.45
British Columbia .....	2,282,530.71	3,496,186.24	2,194,447.69
Yukon and N.W.T. ....	10,452.78	.....	.....
Dept. Public Works .....	16,811.94	.....	.....
Dept. National Defence .....	8,029,022.10	22,733.38	74,945.25
Dept. Mines and Resources .....	187,767.44	27,845.70	37,244.85
Dept. Transport .....	.....	.....	.....
Dept. Justice .....	.....	.....	.....
Dept. Agriculture .....	.....	.....	.....
Dept. Trade and Commerce .....	18,900.00	.....	.....
Dept. of Finance .....	.....	.....	29,224.18
Nat. Battlefields Comm. ....	.....	.....	.....
Board Railway Commissioners .....	.....	.....	.....
Canadian Pacific Railway .....	.....	.....	.....
Canadian National Railway .....	.....	.....	.....
Transportation of Unemployed .....	.....	.....	.....
Agr. Stabilization Fund .....	.....	.....	.....
National Harbours Board .....	.....	49,834.81	24,996.74
Dept. Labour .....	.....	.....	.....
Frontier College .....	.....	7,500.00	7,500.00
Miscellaneous .....	21,048.62	1,417.35	685.15
Administration .....	140,067.67	179,031.80	225,488.43
Sub-total .....	\$49,499,403.69	\$47,164,116.57	\$27,096,863.60
Dept. Agriculture .....	.....	.....	17,241,326.71
Grand Total .....	\$49,499,403.69	\$47,164,116.57	\$44,338,190.31

### The National Employment Commission, 1936-38

The Final Report of the National Employment Commission under the chairmanship of Mr. Arthur B. Purvis of Montreal, President of Canadian Industries Limited and Director of several large industrial and financial companies, was completed in January, 1938, and tabled in the House of Commons on Apr. 1. The Commission, whose Chairman had given his services *gratis*, had presented an Interim Report in 1937, dealing with measures for meeting the emergency situation. Some of the recommendations were implemented in that year. (See this Volume under "1937 Unemployment Relief"; also *The Canadian Annual Review 1935 and 1936*, pp. 1, 74, 109, 114-15, 500). With the completion of the Final Report, the activities of the Commission, which had been appointed in June, 1936, were concluded.

In its *résumé* of the causes of unemployment the 1938 Report of the Commission stated that as a debtor or export nation Canada had had the world depression of the early 30's thrust upon it through its export trade. The downward swing of export prices had been followed by unemployment in approximately six months. The Report explained that the index of export quotations had dropped from 101.9 in July, 1929, to 73.1 in July, 1930; that the employment index in manufacturing had dropped from 120.2 in October, 1929, to 93.7 in January, 1931; and that export prices, (on which Canada's great primary industries depended) being uncontrollable, it had been necessary to adjust costs to prices rather than prices to costs as in the domestic trade. An accompanying depression factor, the Report continued, had been the decline in capital investment and demand, the wearing out of capital goods faster than their replacement; in the construction industry, typical of the capital goods industry, 2.9 per cent. of the workers had been unemployed in 1929 and 65.8 per cent. in 1933. While revival of investment was seen as a proper object of recovery plans the Report

warned that it was impossible without assurance of profit margins in export and domestic trade. Lack of efficient credit machinery, it stated, such as that later provided by the Bank of Canada had made the Canadian dollar vulnerable long before the depression: there had been no attempt to curb government expenditure and reduce debt in times of buoyant revenue, a necessary preparation if dangerous debt increase was to be avoided during depressions. Labour saving machinery, it was found, not only did not contribute to unemployment but was a necessary corollary of recovery and prosperity, particularly in the export field. It was recognized, however, that increase of such machinery necessitated adjustment and temporary unemployment which should be taken care of through a national unemployment insurance plan. Unemployment insurance, it was made clear, was not advocated as even a palliative in depressions. Unemployment aid would be necessary and in this regard the Commission concluded that "effective handling of the problem . . . requires that the Dominion should give more than money; that money will be wasted unless accompanied by administrative control."

The Report suggested that Dominion aid should be given only to those who had been self-supporting; and that properly planned public works should be provided in aid of unemployment—with the municipalities and the provinces bearing the cost of materials. Such a plan was dependent, the Report stated, on a nationally controlled and financed unemployment insurance, unemployment aid and employment services. All works, it was stressed, should be planned in advance and be of definite value in promoting the competitive strength of Canadian industry.

To carry out its long range recommendations the Commission suggested its own replacement by an administrative body handling employment registration and service, current rehabilitation projects, etc., and entrusted with the duties of (a) studying economic changes likely to affect employment and (b) providing analyses on which the Government could base decisions to expand or contract expenditure.



## TRANSPORTATION AND COMMUNICATION

### The Railway Situation, 1937 and 1938

Tentative plans for solving the problems confronting the two great railway companies of Canada and the taxpayers were proposed during 1937 and 1938. The Senate Investigating Committee, sitting late into June, 1938, was instrumental in bringing to light much useful information but the views expressed by witnesses were widely divergent. Railway unification, without change in ownership, was the plan strongly urged by Sir Edward Beatty, President of the Canadian Pacific Railway Company, who maintained that economies of \$75,000,000 a year could be achieved by such a course. While emphasizing the need for unification, Sir Edward pointed out, where and why co-operation, in his opinion, had failed to achieve the results expected by the Duff Commission. He stated that in his plan of unification no transfer of property was contemplated and no new capital set-up was involved. No guarantee of interest on Canadian Pacific issues was suggested or was it deemed necessary. In his final appearance before the Senate Committee, Sir Edward urged independent examination of the facts relating to railway unification by engineers qualified to perform that task with a view to correlating all the elements entering into it. Such engineering firms were available and had already done work of that nature for United States Railways.

Mr. S. J. Hungerford, President of the Canadian National Railways, before the Senate Committee, advocated compulsory co-operation as a remedy. He contended that the unification plan "has neither the merits of public or private ownership and, in my opinion, is impractical and would conceivably lead to a serious involvement of the state." He argued that the economies predicted by Sir Edward Beatty were largely unrealizable. He saw no hope in the plan of abandoning lines and unifying management of the two railways. Enforced co-operation, not unification, was the railway policy he favoured for Canada. He declared that since 1923 the Canadian National had never failed to earn its operating costs and that during the years of prosperity, they had earned the interest charges due the public as well. The deficits did not arise from the operation of the property but from interest charges," Mr. Hungerford said. "The wisdom of the formation of the Canadian National Railways can not be judged solely from its financial results. There is a sounder justification for the operation of the property than railway profits. That justification is found in public service. I am firmly of the opinion that, judged from that point of view, the Canadian National Railways, far from being a danger to the national existence, has aided in a large degree, and is continuing to aid, in the development of the country. Among the things that have emerged from your Committee's Inquiry, it appears to be clear that the abandonment of 5,000 miles of railway in this country is not feasible having regard to the public interest." "The President of the Canadian Pacific Railway has stated the C.P.R., even under depressed conditions can carry on and meet its fixed charges," continued Mr. Hungerford. "For the Canadian National Railways that is impossible. The property can, however, pay all operating expenses out of revenues, notwithstanding the disabilities in the way of rendering pioneering and

public services, to which I have previously alluded, and the Canadian National is in a position to show, quickly, substantially increased net earnings with increases in the general level of business activity in this country."

In a radio discussion, under the title "Whither Democracy", sponsored by the Canadian Broadcasting Corporation on Mar. 20, 1938, Sir Edward Beatty and Mr. R. J. Deachman, M.P. (North Huron), discussed from different angles the proposed unification of the Canadian Pacific Railway and the Canadian National Railways. In his address Sir Edward said, in part: "I have suggested to the Government that the situation should be dealt with by something which has come to be called 'unification'. I should like to take this opportunity to say what unification is, and, particularly, what it is not. It is not an attempt of the Canadian Pacific Railway, as some put it, to take over the people's railway and leave the people the railway debt. Whether unification is adopted or not, the people of Canada have to pay interest on three billion dollars of railway debt on railway account. Unification is proposed as a method of saving money to both the Canadian National and the Canadian Pacific, and it is my suggestion the money so saved should be divided fairly between the owners of the two railways, therefore—and I should like you to note this fact particularly—it will provide out of earnings more money to pay interest on the Government's obligations, instead of out of taxes. The owners of the Canadian National—the Government of Canada—would receive in this way all that they are now getting, plus their full share of unification savings. I admit it would not be enough—initially—to pay the interest on the railway debt of the Government, but I have never been able to see why it is not a good thing to save enough money to pay a part of the interest.

"Unification," he continued, "proposes that a joint management should operate the two systems and that the savings should be divided between the owners. Unification is not a plan for tearing up railway lines without regard to public convenience, and leaving communities without railway service. It is possible to abandon a large mileage without leaving any community in Canada without railway service. It is true there are areas in Canada where railway lines will have to be abandoned sooner or later. That has nothing to do with unification, however. That is the result of the public's indifference to railway service and preference for highways. Those abandonments are now being made both by the Canadian National and the Canadian Pacific Railways and they will continue, whether the railways are unified or not. In fact, as they are made as a result of the financial stresses on the railways and due to lack of traffic on such lines, they are more likely to be made without unification than with unification. Under unification no line is contemplated to be abandoned unless it is duplicated by another line serving the same territory—and then only if traffic conditions warrant. Nor is it true that unification is a plan for discharging a large number of railway workers. Frankly, the savings to be made by unification must largely be made by saving labour. The turnover of railway labour, resulting from death, retirement and other causes, is five per cent. each year. Since five years would be required for unification to be accomplished it would mean the two roads could be unified without the necessity of doing more than cease to employ new workers. In addition, since it must be clear the conscience of the country would not permit men to be thrown on the street, it is a necessary part of unification that, where every other resource has been tried and

it became necessary to discharge some, they would be compensated. There is no ground for fear of a monopoly. Monopoly is traditionally a word that implies sinister significance, something of size and strength which may be exerted against the public interest; something free from control and therefore free to indulge in possible abuses. Unification of the two roads would be subject to a maximum of public control through an independent tribunal created by the Government, to be called let us say—the Canadian Transport Board—which would have authority over such matters as rates, services, construction of new lines, and abandonment of obsolete or unnecessary lines, indeed every phase of railway operation where the public interest and convenience are concerned. In 1932 a Royal Commission asked me to prepare an estimate of what could be saved by operating the two roads jointly. I made an estimate of \$75,000,000 a year—assuming that business were to be about what it was in 1930. The late Sir Henry Thornton made an estimate of \$60,000,000. Another Canadian National officer suggested \$56,000,000.”

Mr. R. J. Deachman said: “I oppose joint operation because I feel it will fail to produce the desired results. Besides, gild it as we may, the proposal brought forward by Sir Edward Beatty involves the acceptance of the principle of monopoly in railway transportation and this nation will hesitate to accept a proposal which it has long and vigorously opposed. Sir Edward stresses the savings to be effected in the interest on the public debt. There is no call for panic in this regard. In 1920 interest on our National Debt cost us \$15.88 *per capita*. In 1926 it amounted to \$13.85. In 1936 it was down to \$12.20. That does not sound as if the nation was sinking—drawn down by the C.N.R. Meanwhile, what has been happening to our Public Debt? The average interest rate on all bonds, debentures and Treasury bills in 1920 was 5.121 per cent. In 1926 it was still over 5 per cent.—5.035 to be exact. In 1937 the average interest rate had fallen to 3.748 per cent. There is in this no indication of national bankruptcy. Our debt is big but 75 per cent. of these obligations are held in Canada.” Mr. Deachman contended that the proposals of Sir Edward were strangely vague. The operating ratio suggested by Sir Edward would be difficult of attainment and Mr. Deachman doubted the accuracy of the estimate of \$75,000,000 savings under unification.

In an address to the Rotary Club, of Gananoque, Mr. Elmer Davis, a former President of the Canadian Manufacturers' Association and of the Associated Boards of Trade of Canada, declared that unification or amalgamation of Canada's two railroad systems would preclude any possibility of Canada becoming the keystone of the British Empire. Co-operation between the two systems during the previous five years had not been a failure, he said, as the co-operative measures had saved more than two million dollars and further co-operation had been consistently blocked by the Canadian Pacific Railway he contended. “I am opposed,” he said, “to amalgamation because the principle of amalgamation is wrong.”

Prof. W. T. Jackman, of the University of Toronto, in an address before the Canadian Club of Montreal, Mar. 22, 1938, said: “Such chicanery is unworthy of any Government”, referring to legislation of the Canadian Parliament whereby the entire system of Canadian National Railways accounting was changed through writing off the books, \$905,000,000 of Government loans and unpaid interest (thus eliminating the last trace of accumulated deficits), and transferring \$675,000,000 of Government capital expenditures from liabilities bearing fixed interest rates to a new account called “Proprietors Equity” on which no interest was to be charged. Con-



tinuing the speaker said: "If the Government borrow money on which they must pay a final fixed rate of interest and make a loan of this money to the Canadian National Railways should not the Railway System pay the stipulated rate of interest on the loan. If no return is paid on the loan, the latter is an outright gift and not a loan. Are the people of this country ready to pour out such enormous gifts on a business venture which is showing increasing losses? Moreover, the financial manipulation carried through by the Government provided for a balance sheet which will not show the year's deficits; in other words, some of the railways financial results will appear in its Annual Reports, while the remainder will have to be sought amid the obscurity of the Public Accounts." Prof. Jackman contended that the whole railway situation could only be solved by the process of unification of the two systems. He stated that the debt of the Canadian National Railways to the public and to the Government was more than \$3,132,000,000 and that the annual loss in interest due to the public and to the Government was more than \$88,000,000. He declared, in passing, that unification of 120 railway systems in Great Britain had been achieved with great success; also in France and in the United States there had been a strong move towards consolidation.

Hon. Dr. R. J. Manion, Leader of the Opposition, in an address at Lindsay stated that public opinion did not want any re-arrangement of Railways. He advocated a policy of enforced co-operation as a means of limiting duplication and competition.

### **Steam Railways in Canada during 1937 and 1938**

Steam Railways in Canada reported gross earnings in 1938 of \$336,833,400, as compared with \$355,103,271 in 1937. This decline of \$18,269,871 in 1938 came after the Steam Railways had showed increases for four consecutive years according to the Reports on Steam Railways of Canada issued by the Dominion Bureau of Statistics. Operating expenses were reduced by \$4,946,910 or from \$300,652,548 in 1937 to \$295,705,658 in 1938. Maintenance of way and structures and maintenance of equipment were reduced in 1938 by \$3,091,798 and \$3,933,346, respectively, but transportation expenses were increased by \$1,239,135 despite a reduction in revenue train miles of 1.5 per cent., in revenue ton miles and in passenger miles. This was due largely to restoration of reductions of basic wage rates. These restorations were made as follows: two per cent., Apr. 1, 1937; one per cent., June 1, 1937; one per cent., Aug. 1, 1937; one per cent., Dec. 1, 1937; three per cent., Feb. 1, 1938; and two per cent., Apr. 1, 1938. This completed the reduction of ten per cent. which had been in effect for several years. In 1938 the net operating revenues amounted to \$41,127,762 and the net corporate income transferred to Profit and Loss Account was a debit of \$55,025,359. The large debit in this item was \$54,470,997 for the Canadian National System which was computed on the same basis as in 1937. Railway taxes showed a reduction of \$309,117 or from \$10,045,533 in 1937 to \$9,736,416 in 1938. Interest charges increased from \$77,819,294 in 1937 to \$79,215,333 in 1938. In 1937 the net operating revenues had increased from \$51,422,589 in 1936 to \$54,450,723 and the net corporate income transferred to the profit and loss account had been a debit of \$31,222,713, as against a debit of \$71,675,697 in 1936. Much of this apparent improvement had been due to the elimination from the Canadian National Railways' accounts of the interest on Government loans which amounted to \$36,428,873 in 1936. This had been effected under the Capital

Revision Act 1937 and by the same Act the cash deficits of the Canadian National system were to be paid by the Dominion Government so that no profit and loss debit balance should accumulate for the railway. This explanation also accounted for the greater part of the reduction in the interest on funded and unfunded debt which dropped from \$112,204,371 in 1936 to \$77,819,294 in 1937, and \$79,215,333 in 1938. Railway taxes showed a reduction of \$309,117 in 1938 or from \$10,045,533 in 1937 to \$9,736,416 in 1938.

Total loadings for 51 weeks in 1938 amounted to 2,397,454 cars which was 193,875 cars, or 7.5 per cent. below the 1937 total loadings. Grain and grain products were lighter than in 1937 for the first four months. The heavy Western harvest caused a sharp increase at the end of August and created new highs for the past eight years. Loadings were above the 1937 total in the Western division by 39 per cent., in the Eastern division by 12 per cent., and in both divisions by 76,000 cars, or 29 per cent. Live stock loadings ran 26 per cent. below 1937 the total being 26,000 cars, this decrease being practically all in the Western division. Coal loadings were 20 per cent. below 1937 the total for 1938 being 62,400 cars. Coke loadings were down 14 per cent., as compared with 1937. Lumber loadings totalled 25,000 cars or 24 per cent. below 1937. Pulpwood loadings showed an increase of 4 per cent. Pulp and paper loadings totalled 43,000 cars or 33 per cent. below 1937. Other forest products were 11 per cent. below 1937 the total being 11,000 cars. Ore loadings showed a favourable increase for 1938 the total loadings being 132,000 cars which was 17,000 cars above 1937, the previous high year. Merchandise loadings and miscellaneous commodities all fell below the 1937 loadings.

Freight traffic amounted to 26,834,696,695 revenue ton miles in 1938 as against 26,926,054,021 in 1937. In 1938 revenue from freight totalled \$253,249,896, as compared with \$267,871,611 in 1937. Freight train miles in 1938 were 49,432,589, as compared with 52,502,308 in 1937 and passenger train miles were 36,274,204 in 1938, as against 34,543,063 in 1937. Tons of revenue freight carried declined from 82,220,374 in 1937 to 76,175,305 tons in 1938. Agricultural products showed an increase of 3,800,099 tons but other groups showed decreases, particularly manufactures and miscellaneous, which declined from 25,170,702 tons in 1937 to 19,788,746 tons in 1938. About half of this decrease was in foreign freight, including imports and in-transit freight. Because of the increase in the long-haul grain traffic the decrease in revenue ton miles was less than one per cent., despite the decrease in total tons carried of 7.3 per cent. The number of passengers carried decreased by 1,127,513 or 5.1 per cent. and passenger miles declined by 7.6 per cent. There were 1,783,177,557 passenger train miles in 1938, as compared with 1,929,442,930, in 1937. Passenger receipts were \$36,544,395 in 1938, as compared with \$38,419,476 in 1937. The mileage of railways in operation in 1938 was 42,742.32 as compared with 42,726.84 in 1937.

Of the 35 railways in operation 17 in 1938 and 15 in 1937 failed to earn operating expenses. In 1938 the railways gave employment to 127,824 individuals, as compared with 133,467 in 1937. Despite the decrease in the number of employees the pay roll for 1938 was increased by \$1,752,767 or from \$193,355,584 in 1937 to \$195,108,351 in 1938, by reason of restoration of pay cuts.

Four passengers, 45 employees and 235 other persons were killed in train accidents during 1938, compared with 4 passengers, 59 employees and 263 other persons killed in 1937.

## The Canadian National Railways, 1937 and 1938

During the calendar year 1938 the Canadian National Railways were directed by the following Board of Directors appointed by the Dominion Government: S. J. Hungerford, Chairman, Montreal; James Y. Murdoch, K.C., Toronto; Wilfrid Gagnon, Montreal; H. J. Symington, K.C., Montreal; B. L. Daly, Montreal; R. J. Moffat, Bradwell, Sask.; and C. H. Read, Amherst, N.S. D. H. McDougall, Montreal, had a place on the Board in 1937 but was replaced by Mr. Read in 1938. The Annual Reports of the Canadian National Railways System for the calendar year 1938 gave the working results of the System as follows: railway operating revenue, \$182,241,722; operating expenditure, \$176,175,311; and the net operating revenue, \$6,066,411. For 1937 the operating revenue was \$198,396,608, the operating expenses, \$180,788,858 and the net revenue, \$17,607,750, or \$11,541,339 in excess of 1938. The cash deficit in 1938 was \$54,314,196, as compared with \$42,345,868 in 1937. Taxes in 1938 amounted to \$6,946,873, as compared with \$6,697,242 in 1937. These figures are exclusive of Sales tax added to the cost of materials, which amounted to \$3,150,000 in 1938 and \$4,200,000 in 1937.

The Chairman, in his Report for 1938, stated that decline in general business activity in the latter part of 1937 had continued throughout the greater part of 1938 with its inevitable reaction on railway revenues. The effect was most marked on the lines of the Company in the United States, the revenues from which declined 23 per cent., as compared with a decline of 5 per cent. on the lines in Canada, the latter, in turn, being adversely affected by a decrease in international traffic. Gross operating revenues showed a decrease of \$16,154,886 or 8.14 per cent. in 1938 from the preceding year. Wage increases affected the 1938 expenses, as compared with 1937 by \$6,082,000 and the increased cost of materials amounted to \$900,000. Operating revenues for 1938 were derived from the following sources: freight revenues—\$137,873,660, as against \$151,422,690 in 1937; passenger revenues—\$18,096,022, as compared with \$18,944,767 in 1937; express revenues—\$8,487,782, as against \$8,915,373 in 1937; telegraph revenues—\$4,471,128, as compared with \$4,883,109 in 1937; sleeping car revenues—\$1,150,698, as against \$1,194,118 in 1937; and mail revenues—\$3,509,248, as compared with \$3,504,153 in 1937. The revenues from hotel operations increased \$98,875 over 1937 and, after meeting operating expenses and taxes, the net operating income was \$226,014, an increase of \$25,927 over 1937. The total requirements for interest on funded debt held by the public in 1938 was \$49,839,023, as compared with \$48,888,546 for 1937.

The average number of employees in service with the System in 1938 was 74,953, as compared with 79,471 in 1937. The total payroll in 1938 was \$116,526,108, as compared with \$117,804,769 in 1937. Pension costs to the railway under the various plans in effect were \$4,159,798 in 1938, as compared with \$3,993,734 in 1937. The total number of pensioners at Dec. 31st, 1938, totalled 6,913, as compared with 6,287 at Dec. 31, 1937. Employees pensioned in 1938 numbered 991 and 365 pensioners died. In 1937, 801 employees were pensioned and 394 pensioners died.

The Senneterre-Rouyn line was opened for operation on Dec. 3, 1938, at a total cost to the System of \$5,315,134. With a view to expediting co-operative measures between the Canadian National and the Canadian Pacific Railways a new Committee termed the Vice Presidents' Joint Committee was formed during 1938 consisting of N. B. Walton, R. C. Vaughan and Alistair Fraser for the Canadian National and D. C. Coleman, George Stephen and H. J. Humphrey for the Canadian Pacific. The



Canadian National section of the committee made certain proposals looking to further co-operative measures including, amongst others, a proposal for the pooling of all competitive passenger traffic throughout the Dominion. Agreement was reached for the abandonment of 637 miles of railway in Ontario, Manitoba and Alberta and Quebec. During the year 1938, 148 additional air-conditioned units were placed in service on the System, the total number of such units at Dec. 31, 1938, being 401.

### Canadian Pacific Railway Company, 1937 and 1938

While the Canadian Pacific Railway in common with other transport systems had suffered as a result of depressed business activities, the Company's fixed property was in a first class condition. As pointed out by the President, Sir Edward Beatty, G.B.E., in his Address at the Annual Meeting of the shareholders on May 4, 1938 covering his 1937 Report "the aggregate of all the Assets of the Company is conservatively stated at the figure of \$1,382,000,000, at which it is carried on the General Balance Sheet" Sir Edward contended. (See Supplement in this Volume for the President's Addresses and complete Annual Reports).

For the calendar year 1938, gross earnings of the Canadian Pacific amounted to \$142,258,980, as compared with \$145,085,557 in 1937. Working expenses (including taxes) were \$121,506,514 in 1938, as against \$121,343,310 in 1937. Net earnings in 1938 were \$20,752,465, as compared with \$23,742,247 in 1937. Working expenses, including taxes, amounted to 85.41 per cent. of gross earnings, as compared with 83.64 per cent. in 1937. Excluding taxes the *ratio* in 1938 was 82.29 per cent., as against 80.69 per cent. in 1937. The decrease in gross earnings amounted to 1.9 per cent. Commencing with the month of February, decreases were recorded each month until August when grain from the new crop began to move in volume. Passenger earnings had the first serious set back since the low point recorded in 1933, being \$511,638 less than in 1937. Owing to the mild weather conditions highways remained open generally until late in December, whereas in 1937 they were closed in many parts by November. The reduced volume of seasonal employment in Eastern Canada and the decline in tourist business incident to the recession also contributed to the unsatisfactory result.

Operating revenues were derived from the following sources in 1938: Freight revenues—\$110,327,508, as compared with \$111,044,598 in 1937; passenger revenues—\$16,121,401, as against \$16,633,040 in 1937; mail revenues—\$3,585,789, as compared with \$3,599,676 in 1937; express revenues—\$2,953,804, as against \$3,142,496 in 1937; and sleeping car, parlour and dining car revenues—\$9,270,475, as compared with \$10,665,746 in 1937.

The Profit and Loss Balance at Dec. 31, 1938, was \$136,969,650, as compared with \$139,950,787 in 1937. A dividend of 2 per cent., totalling \$2,745,138, declared from the earnings of 1937, was paid Apr. 1, 1938. The balance transferred to Profit and Loss Account in 1938 was \$1,262,282, as compared with \$9,462,284 in 1937 or \$8,199,902 less in 1938 than in 1937. While earnings for 1938 were sufficient to meet all expenses and fixed charges, including provisions for depreciation and taxes—with a moderate surplus—the Directors of the Company decided that, in view of the serious decline in the net results as compared with 1937, it was inadvisable to declare any dividend on the Preference Stock in respect of the year 1938.

At the end of 1938 there were 65,706 holders of ordinary stock and 26,519 of preference stock in the Company. Of the former total 26,505

were residents of Canada; 19,641 were residents of the United States and other British countries; 15,725 residents of the United States; 3,835 residents of other countries. Of the latter total 100 were residents of Canada; 25,714 residents of the United Kingdom and other British countries; 60 residents of the United States; and 585 residents of other countries.

The average number of miles operated in 1938 was 17,187 and in 1937, 17,185. Passenger car mileage, in 1938, was 121,481,788, as against 123,799,117 in 1937. Freight car mileage, in 1938, was 743,654,544, as compared with 760,474,106 in 1937. Passengers carried, in 1938 (earning revenue), totalled 7,454,249 and in 1937, 7,820,721. Tons of freight (all classes) carried one mile, in 1938, amounted to 13,363,860,884 and, in 1937, 12,921,095,453. The average amount received per ton per mile of revenue freight, in 1938, was 0.902 and in 1937, 0.951.

Pension disbursements in 1938 totalled \$2,515,157, as compared with \$2,374,209 in 1937. Since the inception of the contributory pension plan on Jan. 1, 1937, the total employee contributions had amounted to \$3,910,247. As was anticipated would be the case during the first few years of operation, disbursements from the pension fund were negligible. In accordance with Pension rules the moneys contributed by employees were being invested from time to time in Dominion Government securities or securities guaranteed by the Government.

During the first part of 1938 traffic was seriously affected by the crop failure of 1937. Handling of all grain, in 1938, amounted to 165 million bus., as compared with 94 million bus. in 1937. This was 35.0 per cent. below the annual average of 254 million bus. handled during the five years, 1925-1929, and only 11.5 per cent. above the average of 148 million bushels during the drought period, 1930-1937. The improvement in grain traffic resulted in an increase of \$9,302,490 in rail earnings from grain and grain products.

The progressive restoration of basic rates of pay was completed Apr. 1, 1938, and involved an increase of \$4,526,000 in expenses. Increases in outgo also resulted from higher prices for coal and certain other classes of material and heavier tax disbursements. These increases were almost offset by reductions brought about by reason of the smaller volume of traffic, temporary layoffs of station, shop and clerical staff and other economies. During the year the senior officers of the Company were subject to 5 per cent. deduction from basic rates; the Directors and members of the Executive Committee, 10 per cent.; and the Chairman and President, 25 per cent. Expenditures incidental to air-conditioning were less in 1938, 90 passenger cars being so equipped, as compared with 141 cars in 1937. There was a substantial reduction in other income which after provision for hotel and steamship depreciation amounted to \$7,363,673, a decrease of \$4,266,038. Dividend income amounted to \$4,867,206, a decrease of \$1,667,650 due principally to the fact that dividends received from the Consolidated Mining and Smelting Company of Canada Limited were reduced from \$5,888,750 in 1937 to \$4,206,250 in 1938. Lower base metal prices had an adverse influence on the Company's earnings. Property investment account was credited during 1938 with the cost of all property retired and not replaced and, in connection with such retirements, charges aggregating \$1,402,348 were made against Profit and Loss. For the most part these charges were the result of the abandonment of unremunerative lines and redundant facilities, the retirement of which will produce operating

economies. Sales of agricultural land during 1938 totalled 116,085 acres for an aggregate amount of \$996,214. Despite improved farming conditions the Company found it necessary to continue its policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year totalled \$395,942 while reductions on account of principal outstanding and further concessions for cash payments amounting to \$1,150,825 were also made. Since 1932, when the Company led the way in relieving the distress of Western farmers, the total amount of aid extended had been \$13,023,849.

Co-operative studies under the provisions of the Canadian National-Canadian Pacific Act of 1933, were continued throughout 1938. The total annual saving from co-operative arrangement, in effect or authorized by the Joint Executive Committee at the end of the year, was \$1,989,000, as compared with \$1,756,000 at 1937.

Dealing with the strain that existing competitive conditions placed upon carriers, the President of the Canadian Pacific Railway Company (Sir Edward Beatty), in an address to the Toronto Railway Club on Dec. 4, 1938, said: "The Minister of Transport recently said that the railway business was not the only branch of transportation business in bad shape. Provincial annual subsidies to trucking were over \$51,000,000; Government assistance to water transport about \$20,000,000; while only about \$50,000,000 per year is supposed to be due to the Government-owned railway. I do not know how much comfort we are to take from the fact that we are spending \$120,000,000 per annum subsidizing transportation in Canada. If we add to that new adventures in Government-owned air transportation we are limited to only one system in Canada which is supposed to pay its own way."

Sir Edward said he was not suggesting that the public authorities should not have developed good highways but in respect to trucking, in building good roads, steps should have been taken to divide the fields of transport in some reasonable and definite way—"so each agency would serve the field which it is best able to serve."

"The railways have not been asleep at the switch," said Sir Edward. "The trucking industry was built up . . . on a basis of appallingly long hours for the workers, low wages, poor equipment, lack of responsibility to shippers, and failure to contribute a full share to the construction and maintenance of the highways over which it operates."

Sir Edward Beatty in an interview with *The Leader-Post*, Regina, on Aug. 28, 1938, quite endorsed the views expressed by Hon. J. G. Gardiner, Minister of Agriculture, that migration of sound British stock to Western Canada should be encouraged.

## Department of Transport, 1937-1938

The Department of Transport which was first established in November, 1936, brought under a single control all governmental activities that had to do with transportation and inter-communication. It absorbed the former Department of Railways and Canals, the former Department of Marine, the nation's broadcasting services and the Civil Aviation Branch of the Department of National Defence. The Minister of Transport not only administered his huge and many-sided Department, but was also responsible to Parliament in all matters affecting the great railway systems, and for such bodies as the Board of Transport Commissioners, the National Harbours Board, the Trans-Canada Air Lines, and the Canadian Broadcasting Corpora-



tion. Within this vast organization were assembled Departments that were as old as Confederation together with the very modern radio and aviation services. During the two years, 1937 and 1938, the various activities involved were brought into effective co-operation. The new Board of Transport Commissioners was under this Department, as was also, the Canadian Travel Bureau. Its Engineering staff had to do with the St. Lawrence River Ship Channel, the Beauharnois Power development, and miscellaneous services. The Air-Ways Branch embraced Meteorological Services to keep the Trans-Canada air men informed of the weather conditions ahead.

Speaking at Moncton, N.B., the Hon. C. D. Howe, Minister of Transport, outlined his policy in regard to the Canadian National Railways as being "to operate the Government-owned lines efficiently and with the minimum of necessary expenditure until earnings warrant more and at the same time to give privately-owned railways the greatest possible freedom to do likewise."

### **The Board of Transport Commissioners, 1937 and 1938**

Early in 1937, the Hon. C. D. Howe, Minister of Transport, introduced in Parliament a measure converting the Board of Railway Commissioners into a Board of Transport Commissioners and giving the new tribunal, in addition to its former powers, regulatory authority over all forms of transport within Federal jurisdiction, including transport control of railways, ships, aircraft and motor vehicles. Widespread opposition resulted in the defeat of the Bill in the Senate. A similar Bill received the Royal Assent during the Parliamentary Session of 1938. (See Section: "Federal Administration and Politics"). Two important Sections of the Transport Act became effective on Nov. 15, 1938. The first had to do with "agreed charges" between railways and independent shippers and the second provided for the licensing of air transport. The object of the agreed charges, which were an innovation in Canadian railway practice, was to give to the railways a better opportunity to fight the competition from motor trucks and water shipping. Under the law, as it had stood for decades, railway companies had had to adhere to published scheduled rates. The railways had claimed that, in their fight against truck competition, this put them at a disadvantage as truck companies, not being under the control of the Board of Railway Commissioners, were free to quote any rates they desired.

Speaking at Winnipeg before the Board of Trade on Aug. 5, 1938, the Hon. C. D. Howe declared that he felt there had been misunderstanding of what was being attempted under the Transport Bill. "I think it is the duty of anyone responsible for transport to make sure that the expansion of transport should be in such a way that it will reduce costs generally rather than increase them. Motor-trucking was able to do business in a way that the railways could not—to make any contracts it liked with any shipper it liked on any terms it liked. The railways could not meet this competition by rate reductions. The Transport Bill undertook to bring about an equality of opportunity between the different forms of transport. No less than 3,000 contracts had already been made and were proving beneficial to both shipper and carrier. The principle of agreed charges would apply to air transport as well as other forms of transport. In future, a certificate of necessity would be required before another air company could move in to compete with a line already established."

It was on July 1, 1938, that the name of The Board of Railway Commissioners of Canada was changed to The Board of Transport Commissioners for Canada and that its powers were enlarged to include transport by air and water. During the calendar year 1938 the Board held 33 public sittings, as compared with 44 sittings in 1937. In 1938, 52 applications were heard, as compared with 111 in 1937. Of the 2,009 applications and complaints received in 1938, 97.41 per cent. were disposed of without the necessity of formal hearings and in 1937, 94.96 per cent. of 2,204 applications.

In the Traffic Department, 51,810 tariffs (including supplements) were received in 1938, as against 50,462 in 1937. Of these the majority had to do with freight, the figures being 41,300 in 1938 and 38,733 in 1937. The Engineering Department made 567 inspections in all parts of the Dominion in 1938, as compared with 524 in 1937.

In 1938 the Operating Department investigated 1,492 accidents involving 1,941 casualties of which number 279 persons were killed and 1,662 were injured, which was a reduction of 748 casualties from 1937 when the number of accidents investigated totalled 2,138 involving 2,689 casualties of which number 340 persons were killed and 2,349 injured. Major train accidents on all railways in Canada dropped from 49 in 1937 to 32 in 1938. Accidents at Highway crossings in 1938 totalled 242, with 96 killed and 300 injured. Of this number 40 accidents occurred at crossings where there were protective devices. In addition there were 202 accidents at unprotected crossings resulting in 82 killed and 258 injured. One hundred and fifty of these accidents occurred in daytime and 92 at night. In 1937 accidents at highway crossings totalled 286, with 114 killed and 411 injured, 52 of the accidents at protected crossings, and 234 at unprotected crossings with 92 fatalities recorded. The level crossings protection fund to which Parliament in 1938 added \$1,000,000 enables contributions to be made to various projects of protection or of grade separation. In an effort to reduce the number of highway crossing accidents the Board issued a General Order, effective Oct. 15, 1938, changing the statutory warning signal to be sounded by locomotives when approaching public crossings. The change consisted of lengthening the last blast of the whistle in order to amplify the warning to the public using the crossing. Since that date until the end of the year there was a reduction of 23 accidents from the corresponding period of 1937.

### **Civil Aviation, 1937 and 1938**

In November, 1936, the Civil Aviation Branch of the Department of National Defence was taken over by the Department of Transport. The Branch had jurisdiction over the licensing of all airports, aircraft, pilots, and aviation engineers, including private aircraft and pilots.

The Trans-Canada Airway Service, extending from Vancouver to Toronto, Montreal, and Moncton, a distance of 3,314 miles, with a north and south line connecting Lethbridge, Calgary and Edmonton was already visualized. The way had been opened by the clearing and partial preparation of air fields all across the country under the former administration. Experimental flights for the Trans-Canada Service were made early in 1938 and mail services were extended to Montreal and Toronto in October. The passenger services had not been inaugurated at that date. A Trans-Canada Airway plane landed at Toronto's Malton airport at 1.40 p.m. on Oct. 17, 1938, after leaving Winnipeg at 5 a.m.

M.S.T. with the first eastbound air express. Less than 2 hours previously a T.C.A. plane took off for Winnipeg carrying express. The first air express shipment over Trans-Canada airlines from Montreal, Toronto and Ottawa arrived at Vancouver at 4.25 M.S.T. on Oct. 18, 1938.

Light aeroplane clubs were subsidized by the Dominion Government as they were valuable in the training of pilots. Provincial Government aircraft were engaged in forest protection, and aerial surveying and Dominion aircraft in inspection work. The greater proportion of the commercial passenger and freight flying done in Canada occurred in connection with mining operations in northern districts. Air journeys from the railways to such mining areas as Great Bear Lake and Yellow Knife are hundreds of miles in extent and they have been mainly responsible for putting Canada in the forefront of all countries in the volume of freight carried by aeroplanes.

The total aircraft distance flown in 1938 was 12,294,088 miles. The number of firms manufacturing aircraft in Canada at that time was eight. These were located in Montreal, Longueuil, Ottawa, Gananoque, Fort Erie, North York, Hamilton, Fort William, Winnipeg, Prince Albert, and Vancouver.

The first test of Great Britain's revolutionary "Pick-a-Back" plane took place at Rochester, Eng., on Feb. 6, 1938. In the test a plane was launched from the back of a larger one that had helped to carry it into the air. The planes took off as one aircraft and came down as two. The Pick-a-Back plane Mercury in her test flight from the United Kingdom to North America landed near Montreal on July 21, 1938, making the trip from Foynes, Ireland, to Montreal in 20 hours and 20 minutes, a distance of 2,860 miles.

A Conference on trans-Atlantic aviation attended by representatives of Canada, the United Kingdom, Ireland and the United States, was held in Dublin on Mar. 22, 1938. Commander C. P. Edwards, of the Department of Transport, represented the Canadian Government.

Total investments in civil aviation as at Dec. 31, 1938, by all Provincial Governments, light aeroplane clubs and Canadian commercial companies, amounted to \$8,306,864, and included appropriations by the Dominion Government for airports and airways of \$2,341,649 for the fiscal year 1937-38, the total was \$10,648,513. The investments in civil aviation in Canada, exclusive of investments by the Dominion Government, in 1937 was \$5,644,356.

Passenger and freight traffic in 1938 to and from the United States increased but domestic traffic showed a decrease. The total number of revenue passengers carried declined from 110,864 in 1937 to 104,117 in 1938 and the freight carried declined from 26,279,156 pounds in 1937 to 21,704,587 pounds in 1938. Mail carried under Canadian postal contract increased from 1,325,584 pounds in 1937 to 1,771,153 pounds in 1938 and the total including mail carried under the United States postal contracts and mail carried for individuals increased from 1,450,473 pounds in 1937 to 1,901,711 pounds in 1938.

The number of licensed private pilots increased from 635 in 1937 to 734 in 1938 but the number of commercial pilots, limited commercial pilots and transport pilots decreased by 1, the figures being 521 in 1938 and 522 in 1937. The number of licensed air engineers increased from 595 in 1937 to 643 in 1938. The decrease in licensed aircraft was principally in light land planes. The number of planes with gross weight



of 2,000 pounds or less decreased from 316 in 1937 to 222 in 1938. Those weighing between 2,001 pounds and 10,000 pounds decreased by 47 but those over 10,000 pounds increased from 9 to 17. The number of employees increased from 765 in 1937 to 1,047 in 1938 and the payroll from \$1,274,020 in 1937 to \$1,722,649 in 1938. Total operating expenses rose from \$3,932,098 in 1937 to \$5,403,562 in 1938, revenues increased from \$3,234,280 in 1937 to \$3,691,224 in 1938. The operating deficit in 1938 was \$1,712,338, as against \$697,816 in 1937.

The number of flying members of light aeroplane clubs increased from 1,195 in 1937 to 1,212 in 1938 but the number of other members decreased by 26. The number of pupils given instructions by these clubs increased from 1,009 in 1937 to 1,134 in 1938 and by commercial companies from 658 in 1937 to 2,251 in 1938. National Defence aircraft were used for most of the aerial surveying and 102,407 square miles were photographed, 58,957 miles vertically and 43,450 square miles obliquely. Commercial companies reported 13,000 square miles sketched from the air.

The total aircraft mileage in 1938 amounted to 12,294,088, as compared with 10,755,524 in 1937. Seventeen persons were killed during 1938 due to aircraft accidents and 13 injured, including 2 killed and 3 injured in training. In 1937, 8 persons were killed and 7 injured. The number of firms manufacturing aircraft in Canada in 1938 was 8 as compared with 7 in 1937. Firms chiefly operating aircraft, 131 in 1938 and 162 in 1937; firms using aircraft as auxiliary service, 11 in 1938 and 10 in 1937.

The Dominion Government has provided enlarged aerodromes with hard surfaced runways at Vancouver, Edmonton, Calgary, Lethbridge, Regina, Winnipeg, Toronto, North Bay, Ottawa, Montreal and Moncton.

## Radio Affairs, 1937 and 1938

During 1937 and 1938, the Canadian Broadcasting Corporation continued to carry out its plan of national coverage. At the beginning of 1937 the power of all stations in Canada was 79,000 watts. On Mar. 31, 1938, the end of the Corporation's fiscal year, the total power of all stations in Canada was 182,000 watts, of which all national network stations accounted for 168,000 watts and stations owned or leased by the C.B.C., 112,200 watts. The two new C.B.C. 50,000-watt transmitters still under construction at the end of 1938 (one at Sackville, N.B., the other at Watrous, Sask.) were designed to increase the power of C.B.C.-owned stations to 212,200 watts or three-quarters of the power of all stations in Canada. The C.B.C. national network, including the two 50,000-watt stations in operation at the end of 1938 at Hornby, Ontario, and Vercheres, Que., was made up of eight stations owned or leased by the Corporation, 26 privately-owned affiliated stations and 25 privately-owned supplementary stations. These were necessary to a system capable of covering all Canada as effectively as possible. In addition to its own stations, the Corporation had agreements with the majority of the regional, commercial stations throughout Canada whereby certain hours every day were reserved for chain-broadcasting of C.B.C. programmes. Thus, the basic network of the C.B.C. in 1937 and 1938 consisted of some 34 stations from the Atlantic to the Pacific.

In November and December, 1937, the C.B.C. was represented at an international conference held at Havana, Cuba, attended by delegates

from the United States, Cuba, Mexico, Newfoundland, Santo Domingo, and Haiti, at which new arrangements were completed to clear the air of interference, particularly that caused by Mexican stations, by the allocation of new broadcasting channels. Canada was assigned fifteen high-power channels, seven for stations of unlimited power. This number, which hitherto was not possessed by Canada, was considered adequate to serve the Corporation's current and projected requirements and the requirements of all existing private stations.

During 1937 and 1938, the Corporation brought into Canada the best programmes obtainable from Canadian, United States and British sources. Those from other countries were broadcast in Canada on an exchange basis, and included programmes from other parts of the British Commonwealth as well as from various European sources. Commercial sponsorship of news broadcasting was not allowed on C.B.C. stations or networks. From a cultural standpoint, music and drama held an important place in the C.B.C. schedule. Operas, symphonies and plays were provided for a growing audience. Between 2,500 and 3,500 artists were given employment during each year. A carefully planned programme of talks, speeches, book reviews and round table discussions was inaugurated. The Northern Messenger Service was continued both in 1937 and 1938, with messages being broadcast from friends and relatives of Canadians in the Far North. Free network times were provided on Sundays for devotional programmes across Canada, and special concerts of sacred music were provided on such occasions as Christmas and Easter. The establishment of listening groups formed by co-operative effort was encouraged by the Corporation as much as possible. In October, 1938, the Corporation presented the fifth World Concert under the auspices of the International Association of Geneva, relayed to 24 countries—a distinct achievement by the staff of the Corporation.

The Corporation took such precautions as were within its powers to safeguard Canada's right to short-wave channels. Through the Department of Transport it reserved with the Union Internationale de Radiodiffusion at Berne, Switzerland, suitable short-wave frequencies in the 6, 9, 11, 15, 17, 21 and 25 megacycle bands. Although these were in Canada's name, two or three frequencies were taken over by other countries for their own use.

During the period from Mar. 31, 1937, to Dec. 31, 1938, C.B.C. expenditures totalled \$4,279,586. This was divided as follows: administration, \$248,476; programmes, \$2,180,923; operation of stations, \$603,332; lines, \$899,899; depreciation, \$260,968; leases of time on private stations, \$71,387; and interest on Government loan, \$14,599.

The provisions of the Act relating to political broadcasting were carried into effect during the two years. These required division of time during a Dominion, Provincial or Municipal election on an equitable basis between all candidates, prohibition of dramatized political broadcasts, that the name of the sponsors be supplied, and that no political broadcasting be given during the 48 hours before an election.

In June, 1938, a special mobile unit was added to the C.B.C.'s broadcasting equipment. This unit, consisting of a motor van in which was installed the most modern and scientifically correct broadcasting apparatus, enabled the Corporation to cover important special events which hitherto it had not been able to present to Canadian listeners. Mr. Leonard W. Brockington, K.C., Winnipeg, continued as chairman of the governing

Board and Executive control was vested in Mr. W. E. Gladstone Murray as General Manager, and Dr. Augustin Frigon as Assistant General Manager.

The Standing Committee of the House of Commons on Radio Broadcasting in its Final Report May 19, 1938, declared that the policies of the Corporation regarding programmes, technical and financial matters were well designed and were being executed in a business-like fashion.

### Canadian Shipping, 1937 and 1938

According to the Department of Transport the number of vessels on the Canadian register in 1938 was 8,910 with a net tonnage of 1,338,723. Of these 2,698 were sailing ships and 6,212 steamships. The number of men and boys employed was just under 45,000. W. R. Eakin, President of the Shipping Federation of Canada, speaking at the Annual Meeting of that organization at Montreal, on Feb. 8, 1939, declared that the year 1938 was one of rising costs at Canadian ports for operators of ocean-going tonnage. "Higher wages to shore labour, higher tariffs of harbour tolls, higher pilotage and towage rates, all contributed to a heavy increase in the operating costs of sea-going tonnage at Canadian ports during a period of receding freight markets." Mr. Eakin expressed the opinion that the Canada-United States Trade Agreement, effective Jan. 1, 1939 and negotiated concurrently with the Trade agreement between the United States and the United Kingdom, could not help but have a tendency to attract to United States ports an appreciable volume of cargo formerly routed *via* Canadian ports. Dealing with the new tariffs of vessels and cargo tolls for the harbours of Montreal, Three Rivers, Quebec, Chicoutimi, Halifax and Saint John Mr. Eakin regarded them as inopportune if the existing volume of traffic was to be retained in competition with other routing facilities. During 1938, Mr. Eakin said, the Department of Transport made excellent progress in deepening the lower St. Lawrence ship channel to 35 feet, a project which had been under way for a long term of years.

Total tonnage of vessels entered in the Shipping Federation of Canada (a member of the International Shipping Federation, Limited, of London) during 1938 was 2,429,817 gross tons, as compared with 2,093,605 in 1937.

The Canadian National (West Indies) Steamships, Limited, according to the Report for the year ended Dec. 31, 1938, operated 11 vessels with a deadweight tonnage of 62,761. The improvement in the Company's business noted in the reports for the previous three years was further extended in 1938. Operating revenues in 1938 were \$4,915,355, as against \$4,676,684 in 1937. Operating expenses were \$4,169,115 in 1938 and \$4,018,146 in 1937, leaving an increase in operating profit of \$87,702, the figures being \$746,239 in 1938 as against \$658,537 in 1937.

The Twenty-Fifth Annual Report of the Canada Steamship Lines, Limited, showed that the total revenue for 1938 amounted to \$10,989,281, an increase of \$465,162 over 1937, due to improvement in bulk grain services. The Company's fleet comprises 80 steamers of which 68 are freight and 12 passenger steamships. The Executive Officers for the year under review were: W. H. Coverdale, President; George Montgomery, Vice-President; T. R. Enderby, Managing Director; R. B. Thomson, Secretary; and H. A. Cresswell, Treasurer.

The Canadian Pacific Steamships Limited in 1938 operated ocean and coastal vessels which showed net earnings of \$591,071 after making



provision of \$3,781,989 for depreciation. In 1937 the net earnings amounted to \$2,458,831, after making provision of \$3,894,469 for depreciation. In 1938 the Company operated 14 inland steamers, with a gross tonnage of 21,748; 18 ocean steamships with a gross tonnage of 324,738; and 23 coastal steamers of a gross tonnage of 60,278. Earnings from both passenger and freight traffic on the Pacific showed a small increase, notwithstanding the continued dislocation in economic conditions incidental to the hostilities in the Orient. On the Atlantic there was a slight improvement in freight earnings, which was more than offset by a sharp decrease in passenger earnings, attributed partly to adverse economic conditions on the American continent and partly to the absence of Coronation traffic enjoyed in 1937. Cruise earnings were much lower than for 1937. Expenditures continued to rise with large increases in fuel prices, wages and port charges. During 1938 the Company's vessels made 202 voyages, in the course of which they steamed 1,431,893 miles and made 1,343 calls at 101 different ports without any casualty of a major nature.

### Shipping Incidents

Arriving in New York on Aug. 8, 1938, the British liner *Queen Mary* established a new westbound transatlantic record of 3 days, 21 hours and 48 minutes. The big ship covered the 2,807 miles from Bishop's Rock to Ambrose Lightship at an average speed of 30.990 knots. The *Queen Mary* clipped 1 hour and 14 minutes from the record of the French liner *Normandie* of 3 days, 23 hours and 7 minutes set in August, 1937. The records showed: March, 1930, *Europa*, 4 days, 17 hours and 6 minutes; November, 1932, *Bremen*, 4 days, 16 hours and 47 minutes; December, 1932, *Bremen*, 4 days, 15 hours and 56 minutes; August, 1933, *Rex*, 4 days, 13 hours and 58 minutes; June, 1935, *Normandie*, 4 days, 11 hours and 42 minutes; August, 1936, *Queen Mary*, 4 days, 7 hours and 12 minutes; August, 1937, *Normandie*, 3 days, 23 hours and 7 minutes; August, 1938, *Queen Mary*, 3 days, 21 hours and 48 minutes.

On Aug. 14, 1938, the *Queen Mary* further added to her laurels by completing the eastbound crossing from New York to Cherbourg in 4 days, 2 hours and 37 minutes. Her average speed, which entitled her to the trophy in possession of the French liner *Normandie*, was 31.72 knots, as compared with the *Normandie's* best, 31.27 knots. On this record trip the *Queen Mary* passed Bishop's Rock, off the coast of England, at 1.42 p.m. Aug. 14, 1938, making the official run from the United States to Britain in 3 days, 20 hours and 42 minutes, cutting the time set by the *Normandie* by 1 hour and 25 minutes.

The *Queen Elizabeth*, the world's largest ship, sister ship of the *Queen Mary*, was launched at Clydebank, Scotland, on Sept. 27, 1938, by Her Majesty, Queen Elizabeth. The ship, 1,030 feet in length, 25 feet longer and 51.5 feet deeper and 3,765 tons heavier than the *Queen Mary*, has 14 decks and will accommodate 2,400 passengers, as compared with the *Queen Mary's* accommodation of 2,000 passengers. It was expected to be ready for traffic in 1940.

The report of the Federal Board of Engineers, appointed in 1937 to investigate conditions and report on improvements necessary for transportation along the Athabaska River, was made public on Mar. 14, 1938, by the Hon. C. D. Howe, Minister of Transport. The findings were that reduced transportation costs in the region ought to be sought by an improved river channel rather than by road and railway extension.

## Canadian Harbour Affairs, 1937 and 1938

In October, 1936, the National Harbours Board took over the administration of the harbours at Halifax, Saint John, Chicoutimi, Quebec, Three Rivers, Montreal, Churchill and Vancouver and the Government grain elevators at Prescott and Port Colborne. The number of vessels using these ports in 1938 was 40,467 with an aggregate net tonnage of 34,030,575 as compared with 40,228 vessels in 1937 having a net tonnage of 32,886,863. Waterborne cargo received at and shipped from the eight harbours operated by the Board reached the aggregate total of 31,732,877 tons in 1938 as against 32,195,291 tons in 1937. A favourable factor in 1938 was a substantial increase in shipments of grain as compared with 1937 when the volume was unusually low owing to the small crop. The following statement summarizes by commodity groups, the total volume of waterborne cargo tonnage in 1938 and 1937:

Commodity Group	Total in and out Tons 1938	Total in and out Tons 1937
Agricultural Products .....	9,121,820	8,607,071
Animal Products .....	351,894	343,603
Mine Products .....	11,295,743	11,587,527
Forest Products .....	3,943,883	4,154,650
Manufactures and Miscellaneous .....	7,019,537	7,502,440
Total .....	31,732,877	32,195,291

Operating revenues in 1938 of all harbours with facilities administered by the Board amounted to \$9,144,936, as compared with \$8,452,355 in 1937. Expenses of administration, operation and maintenance totalled \$4,408,724 in 1938 as against \$4,598,442 in 1937. Operating profit for 1938 was \$4,736,212 which represented a gain over the figures for 1937 of \$882,299, or 23 per cent. After providing for interest, replacements, reserves, etc., the net income deficit for 1938 was \$4,796,884.

### Halifax

During the calendar year 1938 the number of vessels entering and departing from Halifax Harbour was 3,224 with a net registered tonnage of 4,054,719 as compared with 3,243 with an aggregate tonnage of 4,054,717 in 1937. The total cargo tonnage in 1938, foreign and coastwise, amounted to 2,054,511 as compared with 2,376,209 in 1937. Decrease in four commodities—wheat, crude petroleum, gasoline and lumber—accounted for about 86 per cent. of the reduced volume of waterborne traffic. The most notable increase was that of apples, 99,493 tons having been handled in 1938 as compared with 76,161 tons in 1937.

Operating revenues amounted to \$599,856 in 1938 and operation and maintenance expenses to \$420,765 as compared with \$429,473 in 1937. After providing for interest and reserve for replacements a net income deficit of \$582,537 resulted from the operations in 1938. The deficit in 1937 was \$603,837.

### Saint John

The number of vessels entering the Port of Saint John during the calendar year 1938 was 2,169 with a net registered tonnage of 2,504,548. Of this number 624 were sea going ships with a registered tonnage of 1,730,609. Cargo tonnage, foreign and coastwise, totalled 1,993,525 in 1938. There was a reduction from 1937 in wheat shipments and a notable increase of about 177,000 tons in pulpwood shipments while potatoes and sawn lumber showed a decrease of 30,000 tons and 68,000 tons respectively.

Operating revenues in 1938 amounted to \$445,726, and operating expenses including maintenance totalled \$242,544. After providing for interest charges, reserve for replacements, etc., the net income deficit was \$844,429. The Port of Saint John, according to a report in *The Telegraph-Journal*, Saint John, Jan. 8, 1937, was much embittered by the decision of the National Harbours Board that no ships of the Australian-New Zealand service would use the Port, all sailings going to Halifax. *The Telegraph-Journal* said that when the Canadian Government Merchant Marine vessels were sold to the present owners the contract stipulated the use of both National Maritime Province Ports in the Winter.

### **Chicoutimi**

The number of vessels arriving at the Harbour of Chicoutimi in 1938 was 187 made up of 5 deep sea ships with a registered tonnage of 57,733, 167 coastwise vessels with a tonnage of 42,423 and 15 other craft of 2,790 tons. Operating revenues in 1938 totalled \$21,254 and operating and maintenance expenses \$13,374. After providing for reserve for replacements and interest on debt to the Dominion Government the net income deficit was \$207,758, as against a deficit of \$208,417 in 1937. The operating revenue in 1937 was \$21,750 and expenses \$14,361.

### **Quebec**

The number of vessels arriving at the Port of Quebec for the calendar year 1938 was 3,898 with a net registered tonnage of 5,013,390, 397 being deep sea ships with a tonnage of 2,324,175 and 3,411 coastwise vessels with a tonnage of 1,814,402. Receipts of grain at the elevator amounted to 7,311,267 bushels in 1938, as against 1,996,461 in 1937. Shipments were 5,867,269 bushels in 1938 as against 3,289,725 bushels in 1937. Operating revenues in 1938 amounted to \$488,013 and operating and maintenance expenses, \$537,316 in 1938. The net income deficit in 1938, after charging reserve for replacements and interest due the Dominion Government was \$1,459,699, as against \$1,485,362 in 1937.

### **Three Rivers**

The number of vessels entering the Harbour of Three Rivers in 1938 was 2,945 of a net registered tonnage of 2,196,976 of which 87 were deep sea ships of a net tonnage of 237,597 and 2,858 coastwise vessels of a tonnage of 1,959,399. Operating revenues in 1938 amounted to \$191,881, and operating expenses, \$33,242. After providing for interest and reserve for replacements a net income deficit of \$91,124 was shown.

### **Montreal**

At the port of Montreal for the calendar year 1938 the total cargo tonnage handled amounted to 16,700,384 tons, an increase of 330,750 tons over 1937, establishing a new high record. The total number of vessels arriving in 1938 was 5,729 with a net registered tonnage of 8,589,519. Grain receipts at the elevators amounted to more than 99,900,000 bushels, exceeding the handlings in any year since 1932. Operating and maintenance expenses in 1938 were \$2,095,656. Operating revenues in 1938 totalled \$4,917,837. After allowing for interest, replacements, etc., the net income deficit in 1938 was \$521,346 as compared with a deficit of \$1,066,515 in 1937. The Port was used in 1938 by 1,113 transatlantic ships of 4,473,961 net registered tonnage as compared with 1,063 ships of a net tonnage of 4,317,285 in 1937. Passenger traffic on ocean ships totalled 67,615 in 1938 and 80,446 in 1937. The total waterborne tonnage of a



foreign classification landed at Montreal Harbour in 1938 was 12,259,148 in 1938 and 10,148,333 in 1937.

### Churchill

Owing to the small crop in 1937 the Churchill elevator stood practically empty until after the harvesting of the 1938 crop. Only two full cargoes were available in Churchill elevator in 1937 and these were taken by the French steamer *Jean L. D.* and the British tramp steamer *Wentworth*. In 1938 shipment of grain started to arrive on Sept. 12 and 3 full cargoes of wheat—916,916 bushels—were shipped before the close of navigation. Receipts of grain at the elevator totalled 3,118,472 bushels in 1938 as compared with none in 1937. Grain in store at the close of 1938 amounted to 2,213,379 bushels. The net deficit on operation was \$55,234 in 1938, \$140,890 in 1937 without allowance for depreciation or most interest charges.

### Vancouver

The Port of Vancouver was entered in 1938 by 22,290 ships of all classes having a registered tonnage of 11,620,493. There was a distinct decline in trade to and from the Orient due to the hostilities between China and Japan, the loss in trade in 1938 to and from China and Japan being placed at 191,000 tons. Grain shipments in the calendar year, 1938, amounted to 26,884,700 bushels, as compared with 23,749,368 bushels in 1937 and 64,812,823 bushels in 1936. Lumber, crude petroleum, gasoline, newsprint and other paper were among the commodities showing decreases. The total quantity of waterborne cargo tonnage landed from and loaded to at the Harbour in 1938 was 6,356,154 as compared with 6,912,123 tons in 1937. The 1938 exports comprised 49,723 tons of newsprint, 49,640 tons of other paper and 14,737 tons of wood pulp. Fish exports in 1938 totalled 121,110 tons, exports of apples 11,469 tons, exports of bituminous coal 273,610 tons and crude petroleum 1,086,872 tons. Operating revenues amounted to \$1,453,905 in 1938 and operating expenses, including maintenance, to \$566,397. After providing for reserve for replacements and interest the accounts for 1938 showed a net income deficit of \$505,007, as compared with a deficit of \$471,289 in 1937.

### Prescott Elevator

Receipts of grain in 1938 at the Prescott Elevator, 60 miles from Kingston on the St. Lawrence River were: 8,445,600 bushels, as against 5,958,806 bushels in 1937. Shipments out aggregated 5,326,100 bushels, as against 6,243,266 bushels in 1937. On Dec. 31, 1938, 3,314,522 bushels remained in store, as compared with 195,111 bushels the year before. Operating revenues for 1938 were \$68,989, as against \$57,257 in 1937. Operating and maintenance costs in 1938 totalled \$75,204 or \$6,685 less than in 1937. The net loss in 1938 was \$7,447 without taking interest or depreciation into account.

### Port Colborne Elevator

Grain receipts at the Port Colborne Elevator on Lake Erie at the head of the Welland Canal, in 1938 aggregated 37,238,840 bushels, as compared with 18,849,026 bushels in the previous year. On Dec. 31, 1938, grain in store totalled 1,300,447 bushels, as compared with 333,059 the year before. Operating revenues in 1938 were \$249,623 as against \$126,458 in 1937. Operating and maintenance costs aggregated \$133,319 in 1938, as against

\$99,546 in 1937. The net profit in 1938 without allowing for interest or depreciation was \$116,230, as compared with \$27,058 in 1937.

### Toronto

For the calendar year 1938 Toronto Harbour received 2,786 vessels of a net registered tonnage of 3,472,005. Cargo tonnage inward totalled 3,270,209 and 530,815 outward. Incoming shipments by water included: anthracite, 1938, 394,327 tons, 1937, 274,710 tons; bituminous coal, 1938, 1,040,276 tons, 1937, 1,310,845; crude petroleum, 1938, 321,929 tons, 1937, 326,562 tons; wheat, 1938, 298,901 tons, 1937, 283,508 tons; gasoline, 1938, 318,498 tons, 1937, 342,944 tons. The Harbour Commissioners were: Thomas Rennie, Chairman; B. J. Miller, W. H. Bosley, P. J. Mulqueen, and T. Frank Matthews.

### Routes of Canadian Trade

Early in 1937 Great Britain took the stand that if Canadian grain were stored in United States elevators it would lose its eligibility for exemption from the 6c. duty imposed against the world outside the Empire. A Memorandum received by the Canadian authorities from the London Customs House read: "We have reason to believe that from time to time Canadian grain which has been stored in Buffalo is shipped back to Canada and comes to this country after transshipment at a Canadian port, preference being claimed. It is a statutory condition of the grant of preference that the goods shall have been consigned to this country from a part of the British Empire. Grain shipped in the circumstances indicated is not so consigned and therefore not entitled to preference."

This indicated a strict interpretation of the Anglo-Canadian Trade Agreement of 1932 which on this point reads: "Where Empire goods, consigned to United Kingdom, have been transhipped *en route* or shipped from a foreign port after overland transit, from the Empire country of origin the importer at the time of making entry will be required to produce the through bill of lading or consignment note from the country of production to the United Kingdom. It is essential to prove that the goods were consigned from the Empire to the United Kingdom and not to a foreign country from which they were subsequently reconsigned to the United Kingdom." At one time United States' and Canada's grain shippers made free use of each other's elevators but this ruling was expected to decrease still further the small amount of Canadian wheat which was being stored in United States ports.—(Special dispatch, Ottawa, Jan. 25, 1937—*The Globe and Mail*).

The value of the total Canadian exports to Overseas Countries in 1937-38 (year ended Mar. 31) was \$647,097,518 as compared with \$626,167,362 in 1936-37. The value of exports *via* Canadian sea or river ports totalled \$461,457,770 in 1937-38.

Total exports to Overseas Countries from Canada *via* the United States were valued in 1937-38 at \$73,535,861, as compared with \$103,703,335 in 1936-37. This represented 11.36 per cent. of the total exports to Overseas Countries in 1937-38 and 16.56 per cent. in 1936-37. Included with Canadian exports shown as being shipped to Overseas Countries *via* the United States were substantial amounts of grain, and possibly other commodities, exported (*e.g.*, from Fort William and Port Arthur) *via* the United States, which were subsequently re-routed from the United States for shipment *via* Canadian sea or river ports, chiefly Montreal, and to this extent the figures respecting exports *via* the United States are over-stated. The total

value of imports to Canada *via* the United States was, in 1937-38, \$6,293,764; and in 1936-37, \$7,633,816. These amounts were, respectively, 2.02 per cent., and 2.74 per cent. of the total imports from Overseas Countries for the two years.

### Miscellaneous Traffic Reports

The Report of International Bridge, Tunnel and Ferry Companies for the calendar year 1938 presented by the Dominion Bureau of Statistics includes statistics of commercial bridges, ferries and tunnels for pedestrian and vehicular traffic across waters between Canadian ports (all in Ontario) and United States ports. Car ferries, and railway bridges and tunnels are not included nor are international public bridges operated free of tolls. At the close of the season of 1938 (some ferries do not operate during the winter months), there were 2 bridges and 7 ferries operating across the St. Lawrence River, 3 bridges and 1 ferry across the Nipigon River, 1 ferry across the lower end of Lake Erie, 1 bridge, 1 ferry and 1 tunnel across the Detroit River, 5 ferries and 1 bridge across the St. Clair River, 1 ferry across the St. Mary's River and 1 bridge and 1 ferry across the Rainy River. Ferries here mean Ferry Companies. Some Companies operated several boats. The lower arch bridge at Niagara Falls was destroyed in January, 1938, and the Detroit and Windsor Ferry ceased operations in June, 1938. A new bridge across the St. Lawrence River at Ivy Lea was opened in August, 1938, and the ferry from Wolf Island to Cape Vincent, N.Y., had been included for the first time. The changes enumerated reduced the investment in ferries and increased it in bridges raising the total from \$32,714,500 in 1937 to \$36,917,185 in 1938. Traffic was lighter in 1938 than in 1937 and revenues declined from \$3,738,678 in 1937 to \$3,294,284 in 1938. Motor vehicle crossings decreased from 7,474,049 in 1937 to 7,260,661 in 1938. Pedestrians and passengers in vehicles decreased from 21,182,120 in 1937 to 17,568,467 in 1938. The number of employees was increased from 980 in 1937 to 1,009 in 1938 and the total payrolls decreased from \$1,043,558 in 1937 to \$904,729 in 1938.

### Canada's Canals in 1937 and 1938

Freight passing through the Canadian Canals for the calendar year 1938, according to the Report of the Dominion Bureau of Statistics, reached a grand total of 53,260,263 net tons, as compared with 100,123,612 net tons in 1937. The decrease of 46,863,349 tons in 1938 was principally in the United States freight through the locks at Sault Ste. Marie. Downbound iron ore shipments decreased by 45,563,776 tons and upbound shipments of bituminous coal, by 3,922,361 tons.

Canadian vessels carried 88.13 per cent. of the totals in 1938 and 91.16 per cent. in 1937. A large percentage of the upbound traffic through the St. Lawrence canals the Welland Ship Canal and also the Sault Ste. Marie canals, mostly on the United States side, and a large percentage of the downbound traffic had also used the Welland Canal while a smaller percentage passed through the four Sault Ste. Marie locks. No tolls were charged for the use of the canals and Canadian and United States vessels used the Canadian or United States locks as convenient. In 1937 Canadian grain carried in United States vessels totalled 532,566 bushels and United States grain carried in Canadian vessels amounted to 12,023,503 bushels. Freight traffic using the St. Lawrence canals in 1938 created a new high record with 9,236,318 tons, compared with the previous record of 9,195,439



tons made in 1937. Heavy grain shipments were the chief factor in the increase.

During the year 128 cargoes of 211,208 tons were reported upbound through the St. Lawrence canals from European, Newfoundland and Canadian and United States Atlantic ports. Norwegian vessels carried 63 of these cargoes, Canadian vessels 51, Dutch vessels 6, and the other 3 were of British, United States and Panama register. In addition there was considerable tonnage of coal from British and European ports transhipped at Montreal and forwarded by water principally to Toronto.

### **Motor Transportation and Highways, 1937 and 1938**

According to the Report of the Dominion Bureau of Statistics the total number of motor vehicle registrations in Canada was 1,394,853 in 1938, as against 1,319,702 in 1937. Ontario again headed the list with the greatest number of motor vehicles with a total of 669,088 in 1938 and 623,918 in 1937. Quebec followed with 205,463 in 1938 and 197,017 in 1937, British Columbia with 119,220 in 1938 and 116,341 in 1937, Alberta 107,191 in 1938 and 100,434 in 1937, Saskatchewan 109,014 in 1938 and 105,064 in 1937, Manitoba 88,219 in 1938 and 80,860 in 1937, Nova Scotia 51,214 in 1938 and 50,048 in 1937, New Brunswick 37,110 in 1938 and 36,780 in 1937, Prince Edward Island 7,992 in 1938 and 8,011 in 1937, Yukon Territory 342 in 1938 and 329 in 1937. The revenues collected by the provinces in 1938 from registrations, operators, taxes, etc., amounted to \$26,330,196 as compared with \$25,993,905 in 1937. The receipts from the gasoline tax in all provinces amounted to \$42,085,953 in 1938 and \$38,373,947 in 1937.

In 1938 there were 114,632 miles of surfaced roads in Canada as against 114,032 miles in 1937. In 1938 there were 296,400 miles of improved earth roads as against 296,280 miles in 1937, and 148,800 miles of unimproved earth roads as against 148,728 in 1937. The total expenditure in 1937 in construction and maintenance of roads was \$84,929,661 as against \$87,000,000 in 1938. In highway expenditures in construction and maintenance Canada's outlay from 1919 to 1938 reached a total of \$1,008,000,000 and the estimated debt of the Provinces for highways was placed at \$570,718,600.

### **Electric Railways, 1937-1938**

During 1938 Electric Railways and motor buses operated by Electric railway systems in Canada carried 629,778,738 passengers, a decrease of 2,115,924 passengers with the 1937 figure of 631,894,662 passengers according to the Preliminary Report issued by the Dominion Bureau of Statistics. Revenues dropped from \$42,991,444 in 1937 to \$42,537,767 in 1938 and operating expenses increased from \$29,543,641 in 1937 to \$29,683,131 in 1938. In 1938 the net operating revenues totalled \$12,854,636 as compared with \$13,445,803 in 1937. The two large electric railway systems in Montreal and Toronto showed slight increases in traffic in 1938 as compared with 1937 and the Quebec system showed an increase of 1,151,201 passengers. The Winnipeg Railway showed a reduction of 988,432 passengers, the Hamilton Railway a loss of 1,216,394 passengers and the Windsor system a loss of 762,810 passengers. The majority of the other railways reported losses as compared with 1937. There were 38 electric railways carrying passengers in 1938.

The Montreal Tramways Company reported a gross revenue in 1938 of \$13,088,498 and total expenses of \$13,788,752 leaving the deficit for the year at \$700,253. In 1937 the gross receipts were \$13,031,463 and total expenses \$13,450,226 leaving the operating deficit \$329,226. During 1938 the Toronto Transportation Commission operated the street railway, island ferries and bus services for the owners, the City of Toronto. The revenue for 1938 was \$11,047,066, as compared with \$10,900,677 in 1937. The Winnipeg Electric Company, operating Electric Railway and Gas Utilities, reported that the earnings in 1938 were \$6,584,148 and operating expenses, \$3,352,256 leaving a net operating income of \$3,231,892. Decreased earnings were reported by the British Columbia Electric Railway, Limited, serving the cities of Vancouver, Victoria and New Westminster and adjoining municipalities with street railway transportation. Nova Scotia Light and Power Company, Limited, reported in 1938 a total revenue from tramways, light and power, gas and steam heat at \$2,051,711 an increase of \$22,816 over 1937. Operating expenses in 1938 were \$1,283,049 as against \$1,248,586 in 1937. The Ottawa Electric Railway Company had a gross income in 1938 of \$1,298,280 as compared with \$1,319,399 in 1937. Operating expenses (before providing for depreciation of \$170,910 and Income and Capital Taxes of \$26,000) amounted to \$863,608 and to \$877,077 in 1937. In the calendar year 1938 the Calgary Street Railway, municipally-owned and operated, had a revenue amounting to \$637,722 and expenditures of \$696,276 leaving a deficit of \$58,553 compared with a deficit of \$48,813 in 1937. The Street Railway Department of Edmonton reported total earnings in 1938 of \$698,535 and total expenses of \$710,957, leaving a deficit of \$12,422 as compared with a surplus of \$22,314 in 1937. The municipal street railway of Regina reported a total revenue in 1938 of \$296,625 and expenses of \$385,012 leaving a deficit of \$88,387. In 1937 the revenue was \$292,915 and expenses \$382,191. The Quebec Railway, Light and Power Company recorded gross revenues in 1938 of \$1,246,812 and expenses, including percentage of tramway earnings payable to the City of Quebec of \$39,671, totalled \$1,259,382.

### **Postal Affairs, Express Companies, in 1937 and 1938**

In his Annual Report for the fiscal year ended Mar. 31, 1938, the Postmaster-General of Canada, the Hon. John C. Elliott, recorded the net revenue at \$35,546,161 and the expenditures at \$32,296,805. Had the Post Office Department been indemnified for the expenses imposed upon it by the franking privileges enjoyed by the various departments of Government the revenue would have been increased by \$1,001,763. It also cost the Post Office Department \$80,000 for carrying on Savings Bank business for which it received no remuneration. In the fiscal year 1937 the net revenue was \$34,274,552 and the expenditure \$30,538,575.

There were 12,421 Post Offices in operation in Canada at the end of the fiscal year 1938. The Air Mail Service reported 1,367,972 pounds of mail carried and 1,474,041 miles flown in 1938 as compared with 1,200,831 pounds carried and 977,864 miles flown in 1937.

The combined gross earnings of the four express companies operating in Canada decreased from \$17,937,567 in 1937 to \$17,674,477 in 1938. Operating expenses increased from \$9,878,443 in 1937 to \$10,325,329 in 1938. The Canadian Pacific Express Company, as a subsidiary company of the Canadian Pacific Railway handled the express business of the parent

company. The express business of the Canadian National System and the Northern Alberta Railways, handled by a Department of Railways had their accounts kept separate. The Railway Express Agency operated mainly over the Canadian sections of United States railways. The Canadian Pacific Express Company operated more than 35,638 miles of rail and ocean lines in 1938 and 33,210 in 1937. Gross receipts from operation were: in 1938, \$8,433,444; in 1937, \$8,256,260. Operating expenses were \$4,972,612 in 1938 and \$4,704,899 in 1937 and express privileges \$3,311,802 and \$3,412,607 respectively. There was an operating income in 1938 of \$134,313 and a net corporate income of \$186,762. In 1937 the net corporate income was \$77,178.

The Canadian National Express operated more than 24,131 miles of lines in 1938. Gross receipts from operation in 1938 were \$8,642,605 as against \$9,069,020 in 1937; operating expenses were \$5,053,254 in 1938 and \$4,893,526 in 1937 and express privileges \$3,829,366 in 1938 and \$4,036,020 in 1937. The Northern Alberta Railway, operated by the Department of Railways, reported receipts from operation in 1938 of \$116,639, less express privileges of \$62,812 and operating expenses of \$43,460 showing net operating revenue of \$10,367. The Railway Express Agency reported gross receipts of \$481,789 in 1938 as against \$478,003 in 1937.

### **Telephones, Telegraphs, 1937-1938**

The number of telephone installations furnished a cue to the nation's economic situation. At the top of the pre-depression boom in 1930 a peak of 1,402,861 telephones was reached. The financial slump reduced the number to 1,192,330 in 1933 and by 1938 the installations were up to 1,359,417. In the last named year, telephone conversations in Canada numbered 2,623,091,602. The Bell Telephone Company of Canada reported that during 1938 188,182 telephones were connected and 169,378 disconnected. At the end of 1938, 764,855 "Bell" telephones were in service, comprising 271,775 business and 493,080 residence telephones; 79,935 of the total were extension telephones. Other telephone systems in Ontario and Quebec with which the Company interchanged service numbered 906 serving 144,052 telephones. Local service revenue in 1938 was \$30,520,803, as against \$29,578,862 in 1937. Long distance revenue in 1938 was \$8,987,718 as compared with \$9,338,953 in 1937. Miscellaneous revenues and other income reached \$2,186,458 in 1938 and \$2,072,112 in 1937. The gross revenue from all sources was \$41,694,979 in 1938 and \$40,989,927 in 1937. Operating and maintenance expenses totalled \$28,235,486 in 1938 and \$27,980,256 in 1937. Quarterly dividends at the rate of \$2 per share were paid throughout 1938.

The Maritime Telegraph and Telephone Company Limited operated 42,142 telephones in 1938 as compared with 41,069 in 1937. The gross operating revenue for 1938 amounted to \$1,990,918 as against \$1,952,627 in 1937. The operating expenses in 1938 were \$1,216,649 and in 1937 \$1,150,715. After setting aside \$375,928 for dividends \$2,619 was transferred to surplus in 1938 as against \$28,890 transferred to surplus in 1937.

The following information covers the so-called "public owned" Provincial Systems:

The Manitoba Telephone System for the fiscal year ended Nov. 30, 1938, reported 71,248 stations of which 45,481 were in the City of Winnipeg. The total revenue for the fiscal year 1938 was \$3,199,538 and total current expenses \$2,963,125. In 1938 interest charges were \$1,101,152. The number



of Long Distance calls in 1938 was 1,120,789. The Telephone System continued to operate two radio stations.

The Saskatchewan Department of Telephones for the fiscal year ended Apr. 30, 1938, reported that despite severe drought conditions there was a loss of only 382 rural subscribers making the total connections 65,761, of which 33,828 were local and 31,933 rural stations. The deficit of the Company for the fiscal year 1938 stands at \$603,309 as against \$599,032 in the previous year.

In Alberta the number of telephones in operation was 65,579. In 1937 the Alberta Government Telephone System adopted the plan of selling their rural lines to rural organizations. The capital debt of the System on Dec. 31, 1938 was \$27,543,418. The number of telephones in operation in the Province on Dec. 31, 1938, was 68,090 as against 65,444 in 1937. The cost of physical property of the System, representing lines, equipment, land, buildings, etc., on Dec. 31, 1938 was \$24,353,333. Gross operating revenue for the calendar year ended Dec. 31, 1938, amounted to \$2,560,547 and the operating expenses were \$1,109,939.

The British Columbia Telephone Company reported for the calendar year 1938, that the number of telephones in use throughout the system was 123,375 as against 119,136 in 1937. The gross revenue for 1938 was \$5,619,755 and expenses \$4,903,260 leaving a net profit of \$716,494. In 1937 gross revenue amounted to \$5,456,972 and expenses to \$4,740,166.

#### **Telegraph Companies, 1937-1938.**

The gross income of Telegraph Companies operating in Canada aggregated \$10,611,207 and their operating expenses \$9,399,631 in 1938. The statistics presented include the telegraph departments of the Canadian National, Canadian Pacific, Northern Alberta and Temiskaming and Northern Ontario Railways, the North American Telegraph Company which operated north and west of Kingston, the Dominion Government Telegraph Department which operated lines in Nova Scotia, New Brunswick, Northern Quebec, and the Western Provinces up to the Yukon Territory and a small mileage in Ontario, and the Canadian operations of the Canadian Marconi wireless system and the several cable companies with stations in Canada. The gross revenues of all systems in 1938 were \$10,611,207, as compared with \$11,410,333 in 1937. Operating expenses in 1938 amounted to \$9,399,631 in 1938, as against \$9,467,398 in 1937. Net revenues in 1938 totalled \$1,211,578 and \$1,942,935 in 1937. The pole line mileage in 1938 was 52,708, as against 53,001 in 1937. The wire mileage was 373,283 in 1938 and 369,411 in 1937. Employees numbered 6,347 in 1938 and received in pay, \$8,205,518, as compared with 6,401 and \$8,075,838 in 1937. There were 11,220,047 telegrams sent in 1938 and 1,625,177 received from the United States as compared with 11,644,209 sent and 1,812,121 received from the United States in 1937. The number of cablegrams forwarded and received was 1,404,244 in 1938 as against 1,488,767 in 1937. During 1938 \$4,103,690 was transferred by telegraph compared with \$4,550,731 in 1937.

The Canadian Marconi Company reported that the net profit for the calendar year 1938, before deduction of Income Tax Reserve, amounted to \$335,914, as compared with \$268,376 for 1937. After providing \$50,000 for Income tax a profit of \$285,914 was shown as against \$228,376 in 1937.

## THE PROVINCE OF MANITOBA

### Provincial Affairs of 1937—1938

Unemployment relief, growing interest charges and the disappearance of practically all sources of credit were the problems for which the Liberal-Progressive Government of Manitoba sought solutions during the two years, 1937 and 1938. The inability of the Province, even in normal times, to meet the cost of growing Services which were regarded as indispensable, was certified by Mr. Graham Towers, Governor of the Bank of Canada, who had made a study for the Dominion Government of the Province's financial position. In his Report, Mr. Towers recommended that the Dominion Government should extend temporary aid to Manitoba and that they should appoint a Royal Commission to inquire into the powers and responsibilities, not only of Manitoba but of all the Governments of Canada. The Report was made public in February, 1937, and at that time the Province was given a temporary increase of \$750,000 in the Dominion subsidy. (For Reports of the Bank of Canada on the finances of the several Provinces, see under "Federal Administration and Politics").

This serious situation aggravated the disquieting position of the Government in having to face the Legislature through two Sessions without a majority, supported only by the Social Credit Members with whom they had made a working arrangement after the General Election of July 29, 1936. In September (1936) following the announcement of the new Cabinet in which the Social Credit group was not represented, Mr. Errick Willis, Leader of the Conservative Opposition, had declared that his Party had no desire to force an early election in the Province.

When the First Session of the new Legislature opened in February, 1937, the Government found themselves confronted with reduced Revenues and mounting Expenditures. A Motion of Mr. St. George Stubbs (Ind., Winnipeg) called for the repeal of the 2 per cent. Wage tax. His proposal was that the \$1,500,000 impost should be replaced by taxing higher incomes to a still greater extent. Mr. Bracken moved in amendment that the tax should be repealed as soon as a majority of the House approved of sufficient reductions in expenditure to offset it. Mr. N. V. Bachynsky, a Government supporter, moved in amendment to the Amendment that the tax should be repealed as soon as the House approved of an alternative tax. The Amendments carried. This left Mr. Stubbs with his original Motion which was voted down by a small majority. To have abolished the Wage tax which practically every candidate in the Election had advocated, would have meant cutting off \$1,500,000 of easily collected funds. The Prime Minister compromised by raising the income assessment, thus reducing the impost in so far as persons with moderate incomes were concerned. Even this concession caused a loss in Revenue of \$400,000. On a straight vote on the question of abolition of the tax it seemed certain that the Government would have been defeated, thus precipitating dissolution of the Legislature and a General Election.

On Mar. 24, 1937, the Prime Minister submitted his plans to the Legislature for an Economic Survey Board, with an advisory committee, to serve over a period of years. The Estimates of 1937-38 had contained an item of \$15,000 as an initial expenditure for the proposed Survey.

Mr. Bracken contended that the Survey did not need to be costly as the Government would utilize the Public Service and secretaries already in the employ of the Province, and in addition, they would call for voluntary service of especially qualified people on the Board. The Survey, he pointed out, would include studies of primary industries, production, consumption, mining, fishing, forestry, hydro-electric power, secondary industries, health problems, labour conditions, and a soil survey. The Board would not be limited in the scope of its penetration. The realities that had to be faced, Mr. Bracken said, were that one-tenth of the Province was unemployed, that wealth production had been cut in half, that young people were without employment opportunities, and that agriculture had been rendered bankrupt by economic and climatic forces. Most of those problems had reached their existing serious proportions because they had not been studied in the beginning. He suggested the time had come to lay the basis of a new deal all along the line. That basis would have to be real and they would have to include whatever was necessary and valuable in socialism, social credit and other policies.

Mr. Bracken, in the Legislature in 1937, made it clear that despite the financial outlook there would be no recourse to repudiation. He pointed out that the Government in presenting the case of the Province to the Royal Commission on Dominion-Provincial Relations would call for a reduction in interest rates; the problem would be approached by presenting the Commission with the facts of economic conditions in Western Canada rather than by arbitrarily saying "We won't pay."

The financial affairs of the City of Winnipeg necessitated the calling of the Second Session of the Twentieth Legislature in December, 1937, instead of early in 1938. A Royal Commission was appointed to investigate the financial set-up of the key metropolis of the Province; the City was to pay the cost of the Inquiry, estimated at \$40,000. In the meantime it was given authority to raise \$630,000 by extra taxation to meet its share of relief costs. Despite a threatened split in the Social Credit group the Government managed to reach prorogation (Mar. 23, 1938) without defeat but the conduct of the Session did not escape outside criticism. The *Winnipeg Free Press* (Mar. 26, 1938) declared: "Throughout the Session of the Legislature just prorogued the results of lack of leadership by the Government were painfully evident. The principle of responsible government was for the most part renounced. . . . Instead of concentrated study by the more experienced Members, in a Government taking a definite stand on important matters and assuming full responsibility for their decisions, we had the Legislature meandering along an uncertain course, influenced by opinions that were insufficiently informed and by feelings and motives, on the part of some of the Members, that should not have swayed the result. . . . But what could be expected with the Government having a precarious hold on office—out on a limb so to speak? Toward the end of the Session the views of the Government were disregarded, and things which the head of the Government was known to disapprove were done. . . . It must be plain to everyone that such conditions cannot continue indefinitely. The welfare of Manitoba, the proper administration of its affairs, and the decisions requiring to be made on questions of policy, demand definite Government leadership in the Legislature and recognition of the principle of Government responsibility for policies adopted and for all important action that is taken."



The Royal Commission on Winnipeg affairs was appointed on June 25 (1938). It comprised Mr. H. Carl Goldenberg of Montreal, Mr. A. L. Crossin of Winnipeg and Mr. J. T. Thorson, K.C., M.P., of Selkirk. During the progress of the Inquiry briefs were submitted by various organizations. The Winnipeg Real Estate Board set forth that taxation on real property imposed too heavy a burden on one class of citizen. The Winnipeg Board of Trade recommended close examination of Civic Administration to find economies which would make possible reductions and more equitable distribution of taxation. The Home and Property Owners' Association made a strong plea for a City Manager. Confidence in home ownership in Winnipeg had disappeared and the whole real property taxation system was within a measure of collapse. The Winnipeg District Trades and Labour Council favoured the adoption of a 40-hour work week. The Manitoba Retail Merchants' Association recommended an independent investigation of the Winnipeg Hydro-Electric System in all its branches and the appointment of an Independent Board to conduct its affairs; it also recommended increased taxation for chain stores, department stores and mail order businesses. The Winnipeg Branch of the Canadian Manufacturers' Association stated that oppressive taxation and apparent lack of co-operation by those in charge of the City's affairs was holding up the establishment of manufacturing plants in Winnipeg. The Federation of Civic Employees declared that the Civic authorities had treated contracts as scraps of paper but were sharply challenged by the Chairman of the Commission for such an assertion. The Winnipeg School Board recommended larger contributions from the Dominion Government for Vocational and Technical education and wider fields of municipal taxation. Other bodies presenting briefs were: the Winnipeg Merchants' Council, the Hudson's Bay Company, the Canadian Pacific Railway, the Winnipeg Electric Company, the Manitoba Conference of Unemployed, the Manitoba Medical Association, the Winnipeg General Hospital, the Communist Party, the Canadian National Railways, the Street Railway Employees Unit, the Manitoba Teachers' Federation, the Independent Labour Party of Manitoba, and the Single Tax Association.

Meantime, the Economic Survey Board had been established under the direction of Mr. Clive B. Davidson of Winnipeg with a membership of 37. A further grant of \$20,000 was announced by the Government in 1938 for the work of the Survey in that year. The Board previously had submitted to the Government its Interim Report which was tabled in the Legislature on Feb. 21, 1938, when a Special Committee was appointed to take it under consideration and report to the Legislature. As further time was required for the study of the Report, the Committee was instructed on Mar. 23 to continue their work during Recess. Before the end of the year (1938) a number of Special Reports were prepared and submitted to the Government by the Board; these covered Education, Population, Soils, Employment, the Financial history of the Province.

While the Government were still hopeful of securing adequate adjustment of their burdens from the findings of the Royal Commission on Dominion-Provincial Relations the financial position of the Province in 1938 seemed to be less immediately critical than in the previous year. The extra grant of \$750,000 from the Dominion Government following the Report of the Bank of Canada and pending the Report of the Royal Commission, was being applied to unemployment relief. The farming communities were still in a distressed state. A Special Committee of the Legislature reported in 1938 after a thorough study of

the situation, that it was absolutely necessary that the farmers should receive relief and assistance with respect to land contracts and farming implements' agreements into which they had entered. The Committee recommended the setting up of a Land Court, presided over by a Judge appointed for that purpose with power to grant equitable relief to farmers and home owners against actions with respect to mortgages, agreements for sale, etc.; and to make orders staying actions under land contracts and machine agreements on terms deemed equitable. The Committee recommended that where a farmer used a tractor *in lieu* of horses in his farming operations the tractor should be exempt from seizure under execution. The Committee also recommended that the Debt Adjustment Laws of the Province should be made to apply to the Canadian Farm Loan Board. The Report was concurred in by the Legislature.

The case for the Province of Manitoba before the Royal Commission on Dominion-Provincial Relations was presented in November, 1938, by the Hon. John Bracken, Prime Minister, the Hon. S. S. Garson, Provincial Treasurer, Dr. Alvin H. Hansen, Professor of Political Economy, Harvard University, and Dr. Jacob Viner, Professor of Political Economy, University of Chicago. Mr. Bracken dealt with the tariff disabilities under which the Province had laboured and declared that Manitoba could not be held responsible for the over-development of wheat-growing which, economically, had proved to be disastrous. Dr. Viner also dealt with the inequitable effects of the Dominion tariff with regard to Manitoba. Mr. Garson referred to the unrealities of the 70-year old plan of Confederation as applied to modern problems. The difficulty could only be solved by the Dominion Government assuming the administration and financing of relief and old age pensions and, in addition, responsibility for the payment of 50 per cent. towards the cost of certain other social services. Dr. Hansen contended that had the dollar been allowed to depreciate against the value of sterling early in the depression and had a moderate depreciation of 10 to 15 per cent. against sterling been maintained after September, 1931, the whole economic structure of Canada would have benefited. He argued that greater relief would have come to the exporter of primary products, and indeed that there would have developed a better balance in the whole structure of the Canadian economy.

## The 1937 Session of the Legislature

At the opening of the First Session of the Twentieth Legislature on Feb. 18, 1937, the Prime Minister, the Hon. John Bracken, found himself with 23 supporters in a House of 55 Members, the result of the General Election of July 29, 1936. The composition of the Legislature was as follows: Government (Liberal-Progressive), 23; Conservative, 16; Co-operative Commonwealth Federation, 7; Social Credit, 5; Independent, 3; and Communist, 1. The Speech from the Throne, read by the Lieutenant-Governor, the Hon. William Johnston Tupper, stated that the Government were seeking an honourable adjustment of their debt and interest problems; that they welcomed the proposed Royal Commission to investigate the Dominion-Provincial financial responsibilities. The Speech explained that the Government would introduce a measure to reduce the compulsory levy on land for school purposes and would offset the municipal loss in revenue by increasing the statutory grants to public schools. There were other legislative forecasts in the Speech. A Bill enabling the establishment of

co-operative credit unions was to be introduced. In the field of Income tax legislation, measures would be proposed to relieve the weight of the tax on persons of small incomes.

Instead of assigning the duty of introducing the Motion for an Address-in-Reply to the Speech from the Throne to one of the younger Government Members, as was the usual custom, the Prime Minister (Mr. Bracken) undertook to do so himself, in order to explain to the House the procedure that would be followed during the Session: the Administration were willing to accept majority decisions, he stated, on all ordinary matters of policy and administration and, under these circumstances, an adverse vote on ordinary matters would not be regarded as a want-of-confidence vote. Adverse votes construed as want-of-confidence would be on the Address-in-Reply to the Speech from the Throne, plans for the re-adjustment of Dominion-Provincial Relations and any question on which the Government stated before hand they would take a firm stand.

Dr. Stanley W. Fox, Social Credit Leader, in seconding the Motion to the Address-in-Reply to the Speech from the Throne, spoke in favour of an Economic Survey of Provincial affairs.

Resuming the Debate on the Address the Leader of the Opposition (Mr. Willis) repeated his assurance that his Party would not attempt to force an early General Election but would co-operate with the Government in the interests of a stable Administration. He declared that in no circumstances would his Party be responsible if the Government provided an incident which would force an election. Mr. Willis strongly opposed an Economic Survey as proposed by the Social Credit group and the Government. It involved unnecessary expenditure and it was the first step towards a Social Credit policy, he claimed. The Debate on the Address-in-Reply to the Speech from the Throne occupied 12 days; in all 34 Members participated.

### **Public Accounts; Estimates; the Budget of 1937**

The Public Accounts of Manitoba for the fiscal year ended Apr. 30, 1936, showed a Revenue of \$14,560,573 and an Expenditure of \$14,438,873, leaving a Surplus of Ordinary Revenue over Ordinary Expenditure of \$121,699. The figure for Ordinary Expenditure did not include Provincial expenditure for unemployment relief during the fiscal year.

Main Estimates for the fiscal year ended Apr. 30, 1938, placed Revenue at \$14,169,873 and Expenditure at \$14,642,648, leaving an Estimated Deficit of \$472,775.

In his Budget Speech of Apr. 2, 1937, the Hon. Stuart S. Garson, Provincial Treasurer, stated that the special Dominion subsidy was expected to cover the Estimated Deficit for 1937-38. Other features of his Budget Speech were that the 2 per cent. Wage tax would remain with modifications; that the Government would sacrifice \$400,000 in revenue by providing exemptions of \$200 for every child of a 2 per cent. taxpayer, by increasing the exemptions for single persons from \$480 to \$600 and by providing special exemptions so that in no case would the tax reduce the net income of the taxpayer to less than the amount of his exemption. Proceeding, Mr. Garson said that if the House was not prepared to support the raising of sufficient revenue in some form acceptable to a majority of the Members the Government would dissolve the Legislature and seek a mandate to complete the work, which they had thus far successfully begun, before the Royal Commission (Rowell) had completed its investigation of Dominion-Provincial financial affairs. The Provincial Treasurer gave the Gross Public Debt, including Treasury Bills as \$127,-



260,220. He explained: that the Dominion Government had agreed to cancel Manitoba Treasury Bills issued for relief in drought areas, amounting to \$804,897; that the Province's share for relief for the current year, 1937, totalled \$3,500,000 of borrowed money; and that the total cost of unemployment relief in Manitoba for the previous six years amounted to \$49,903,027, of which the share of the Provincial Government amounted to \$17,504,841, all of which had been added to the Public Debt. Mr. Garson announced that pensions were to be paid to blind persons in Manitoba, the Dominion contributing \$48,000 and the Province, \$12,000. The Supplementary Estimates of Expenditures for the year ending Apr. 30, 1937, amounted to \$65,401. The Net Debt as of Jan. 31, 1937, was \$72,836,061, an increase of \$3,734,602.

In the Budget Debate Mr. Errick Willis, Conservative Leader, moved for a reduction of \$800,000 in the Estimated Expenditures but the Motion was defeated on division.

### Legislation, Incidents and Prorogation, 1937

After a Session lasting 43 days the Legislation was prorogued on Apr. 19, 1937. Out of 115 Bills introduced, 97 reached the Statute Books. Changes in the 2 per cent. Wage tax relieved 35,000 persons from payment of the impost. By the new Department of Education Act, the administration of education became a matter of Government policy. An Amendment to the Security Act provided a greater protection for investors. Another Act permitted formation of co-operative credit unions. Under the law Fees Act, provision was made for the exemption of certain payments of certain court fees in cases where litigants had not the means of carrying their cases before the courts. An Act forbade a strike or lockout without the persons concerned first asking the Minister of Labour for a Board of Arbitration; asserted the right of workers to organize; and dealt with collective bargaining. The Milk Control Act gave the Board power to regulate the production, distribution and sale of milk in all parts of Manitoba.

An attempt to repeal the retaliatory measure providing for a tax of five cents a bottle on beer from outside the Province of Manitoba was defeated.

A Resolution providing for an Economic Survey of the Province was adopted, after a proposal of the Prime Minister had smoothed out the Social Credit provisions in the Motion of Dr. Stanley W. Fox. The only adverse comment came from the Conservative Members who felt assured that the Survey would not be of benefit.

A Resolution was adopted on Mar. 2, 1937, providing for daily prayers during the Sessions; this provision, hitherto, had been neglected by the Legislature. The only dissenting voice was that of Mr. St. George Stubbs (Ind., Winnipeg).

A Resolution calling for the repeal of the Manitoba Optometry Act was defeated.

### The 1937-38 Session of the Legislature

The Second Session of the Twentieth Legislature of Manitoba was opened on Dec. 9, 1937, by the Lieutenant-Governor, the Hon. William Johnston Tupper. The Speech from the Throne stated that the Legislature had been called early in order to deal with the financial difficulties of the City of Winnipeg which had arisen in July when it found that it could not borrow from the bank an amount sufficient to pay its 20 per cent. share of relief

costs. The Provincial Government, up to July, had handled the City's share as well as its own, but in that month had warned the Winnipeg authorities that they would have to carry their own burden after the end of the year. The Bank, having already lent the Corporation \$4,000,000 had given notice that it could not extend the credit for this purpose beyond the end of the year. The Province could not offer help and it could not borrow from the Dominion and hand the money over to the City.

The Speech from the Throne announced that the Legislature would be asked to vote additional money for agriculture. Other legislative measures forecast included the extension of the Workmen's Compensation Board services and the implementation of an agreement with the Dominion Government for the collection of Provincial income taxes.

The Prime Minister, following the precedent established in the First Session, introduced the Motion proposing that an Address-in-Reply to the Speech from the Throne should be presented. Dealing with Winnipeg's relief problems Mr. Bracken presented the following alternatives for consideration:—the Legislature might direct the Government to continue paying the extra 20 per cent. relief costs to Winnipeg; a measure might be enacted enabling the City to divert future sinking fund payments to relief; the City might be given enlarged powers of taxation; or the Legislature might choose to do nothing whatever and let the City find its own way out. In that event, Mr. Bracken declared, the City could cut expenditures or default on its debt. The Hon. Sauveur Marcoux, Minister Without Portfolio, as seconder, spoke both in French and English.

Mr. Errick Willis, Leader of the Conservative Opposition, in opening the Debate on the Address stated that new taxes, amounting to more than \$49,000,000, had been imposed on the people of Manitoba since the Bracken Government took office in 1932; that the Government were always complaining of the cost of social services but they did not tell of the millions of dollars they collected every year in new taxes. The Conservative Leader also charged the Government with lack of policy with regard to the financial crisis of Winnipeg.

The Committee of the Whole Legislature in dealing with the question authorized the Government to guarantee a loan to the City not to exceed \$100,000 to tide the municipality over the month of January, 1938 and the House then adjourned to Jan. 18, 1938.

The attitude of the Legislature throughout was that Winnipeg must find its own way out of the difficulty rather than obtain funds for relief from the Dominion through the Province. On Jan. 25, 1938, when the financial difficulties were again under review by the Committee of the Whole, the City had certain proposals to make whereby it hoped to raise \$1,000,000 additional revenue: first, a wage tax of 1 per cent. on all its citizens, to yield \$500,000; second, 25 per cent. increase in the business tax, \$200,000; third, an increase in water taxes, \$300,000; control over all pension funds; and removal of statutory limit of 12 mills on tax rate of real estate. The various propositions were not too kindly received by the Members of the Legislature. Finally, on Mar. 22, 1938, the Legislature gave the City power to raise \$630,000 by the following methods: increasing the business tax 25 per cent., \$200,000; a 2 per cent. increase in hard liquor, \$50,000; new taxes of 5 per cent. on domestic light and power bills; and 10 per cent. on commercial light and power bills and increased water rates, \$380,000. The Legislature also approved the appointment of a Royal Commission to investigate the financial set up of the City of Winni-

peg, at a cost of from \$25,000 to \$40,000, the municipality to meet all expenses.

### **Public Accounts; Estimates; the Budget of 1938**

Public Accounts for the fiscal year ended Apr. 30, 1937, tabled in the Legislature, showed Revenue of \$15,215,175 and Expenditures of \$14,958,963, as compared with Revenue of \$14,560,573 and Expenditures of \$14,536,595 for the previous year.

The Estimated Revenue for the fiscal year ending Apr. 30, 1939, was given as \$15,912,325 (including a temporary grant from the Dominion Government of \$750,000) and Expenditures of \$15,108,138.

In the Budget delivered on Feb. 7, 1938, the Hon. Stuart Garson, Provincial Treasurer, showed a Surplus of \$611,096 for the current fiscal year (1937-38) and an Estimated Revenue of \$15,162,325 for the year (1938-39) which would yield a surplus of \$51,000. He announced a one-half reduction from 2 per cent. to 1 per cent. and exemption for widows and widowers under the Wage tax. The reduction was expected to total \$850,000. Mr. Garson stated but would partly be made up by two new taxes—an increase in the Income tax on corporations and an increase in the tax on Banks. With an indicated Surplus of \$611,096, Mr. Garson detailed the increased Revenue as follows: Liquor profits, \$1,530,000, an increase of \$130,000; Corporations Income tax, \$550,000, an increase of \$175,000; Amusement tax, \$170,000, an increase of \$15,000; Gasoline tax, \$2,200,000, an increase of \$260,000; auto, licences, \$1,000,000, an increase of \$125,000; Income tax, \$1,000,000, an increase of \$140,000; the 2 per cent. Wage tax, \$1,700,000, an increase of \$400,000.

The Gross Total Public Debt at Dec. 31, 1937, stood at \$128,238,146. The Net Debt in the same period was reduced from \$118,031,654 to \$75,537,112, taking into consideration the deduction of Sinking Funds, the nominally self-sustaining Debt and the Secured Debt.

The total cost of relief for Dominion, Province and Municipalities in Manitoba from Oct. 1, 1931 to Oct. 1, 1937 was \$58,211,043 of which the Provincial share was \$20,453,355. The Province's share of relief for the current fiscal year was \$3,474,000.

### **Legislation, Incidents and Prorogation of 1937-38**

The Legislature which opened Dec. 9, 1937, and prorogued on Mar. 23, 1938, dealt with 91 measures and enacted 81 Bills. It reduced the special Wage tax from 2 to 1 per cent. entailing a loss in revenue of \$850,000. This was partly compensated for by imposing a graduated income tax on corporations, estimated to bring in \$350,000; by increasing the tax on banks by 40 per cent., to bring in \$40,000 in added revenue and by providing for a \$50 tax per grain elevator and per track buyer shipping point with an added \$10 for each additional shipping point per track buyer.

Approval was given to a Bill combining Wesley College and Manitoba College, the new seat of learning to be known as United College. The Trades School Act adopted by the Legislature provided for the licensing of trades schools, including correspondence and business colleges, and for the thorough inspection and regulation by the Government. Changes were made in the Highway Traffic Act to take care of new developments and several changes were made in the Education Act. Alterations in the Companies Act made provision for inspection of Trust Companies not then inspected by the Dominion Superintendent of Insurance. Changes in the Slot Machine Act placed a ban on Pin Ball machines and similar games.



Fair Wage Amendments brought barbering, hair dressing, printing and engraving under the Act. Amendments to the Liquor Control Act gave the Liquor Commission greater control over licensed clubs and the *per capita* number of beer parlours in rural Manitoba was reduced from one in every 500 of population to one in every 800. An Amendment provided that Indians who caught, out of season, fur-bearing animals for food, no longer would be able to acquire ownership of the pelts. A provisional guarantee of \$600,000 for bonds of beet sugar plants was extended for one year to encourage launching of such an industry in Manitoba.

In future the Income tax for both the Dominion and the Province was to be collected by the Federal authorities as provided in an agreement entered into with Ottawa.

In an effort to stamp out gambling devices the Legislature passed a measure abolishing pin ball machines of which there were said to be 1,400 in the city of Winnipeg alone.

### Agricultural Conditions; Organizations: 1937 and 1938

Seeding began at about the usual time in 1937 but, erratically, as between districts. Seeding in 1938 was scattered over a lengthened period but generally was early. Spring conditions were good. Large acreages were sown to rust-resistant wheat. According to the crop bulletins of the Provincial Department of Agriculture and Immigration, the areas, yields and values of crops (exclusive of native hay and native pasture) in Manitoba for the two years, 1937 and 1938 were as follows:

	Year	Area Acres	Yield Per Acre Bus.	Total Yield Bus.	Average Price Per Bus.	Total Value
Wheat	1937	2,872,000	16.7	48,000,000	\$0.97	\$46,560,000
	1938	3,184,000	16.0	51,000,000	0.61	31,110,000
Oats	1937	1,410,000	30.5	43,075,000	0.39	16,799,000
	1938	1,462,000	28.0	41,000,000	0.19	7,790,000
Barley	1937	1,393,000	25.0	34,800,000	0.47	16,356,000
	1938	1,355,000	22.9	31,000,000	0.25	7,750,000
Fall Rye	1937	116,600	19.0	2,220,000	0.73	1,621,000
	1938	176,400	15.9	2,800,000	0.25	700,000
Spring Rye	1937	18,600	12.9	240,000	0.73	175,000
	1938	28,600	15.4	440,000	0.25	110,000
Peas	1937	2,600	17.1	44,000	1.49	66,000
	1938	3,000	16.6	50,000	0.95	48,000
Buckwheat	1937	5,800	17.8	103,000	0.83	85,000
	1938	8,100	15.2	123,000	0.40	49,000
Mixed Grains	1937	23,800	26.3	626,000	0.44	275,000
	1938	29,700	21.0	625,000	0.25	156,000
Flaxseed	1937	38,300	9.7	370,000	1.51	559,000
	1938	42,700	8.0	340,000	1.12	381,000
Potatoes	1937	30,900	<b>Cwt.</b> 80.0	<b>Cwt.</b> 2,481,000	<b>Per Cwt.</b> 0.68	1,687,000
	1938	31,900	60.0	1,914,000	0.50	957,000
Turnips, etc.	1937	5,500	131.0	723,000	0.52	376,000
	1938	6,200	76.0	471,000	0.43	203,000
Hay and Clover	1937	410,000	<b>Tons</b> 1.92	<b>Tons</b> 788,000	<b>Per Ton</b> 5.64	4,444,000
	1938	465,000	1.65	767,000	4.82	3,697,000
Alfalfa	1937	30,000	2.37	71,000	7.77	552,000
	1938	45,000	2.24	101,000	6.83	690,000
Fodder Corn	1937	64,500	4.26	275,000	5.00	1,375,000
	1938	59,900	4.67	280,000	3.60	1,008,000

Live-stock Departmental surveys for the two years 1937 and 1938 showed an improvement during the latter year in the "sleeping-sickness" situation amongst the horse population. Owing to this serious condition farmers had resorted to the use of tractors during the two years. In 1938 a veterinary pathological laboratory was established under the De-

partment of Agriculture; to a large extent it was to be engaged in research of internal parasites.

The number of calves and other cattle of Manitoba origin reaching the St. Boniface market aggregated 276,047 in 1938, a larger number than in any previous year. The aggregate was 252,837 in 1937. The year 1938 witnessed the continuation of the gradual upbuilding of herds of milking cows which had been underway in Manitoba for several years.

The estimated value of the wool production in 1938 was \$108,000 at 9½ cents per lb., as compared to \$122,000 at 11 cents per lb. in 1937.

The total value of all dairy products manufactured in Manitoba for the year 1938 was \$14,142,818; this was an increase of \$897,968 over 1937. The make of creamery butter in 1938 was 25,703,684 lb., which was an increase of 1,360,199 lb. over 1937. Manitoba buttermakers won, in 1938, 57.6 per cent. of all First Prizes and 44.6 per cent. of all prizes awarded at the ten large exhibitions in Canada. This compared with 50 per cent. and 42 per cent., respectively, in 1937.

The total value of eggs and poultry for killing in 1938 was \$4,607,500; and, in 1937, it was \$3,973,500. The estimated values of fruit and vegetable crops were: in 1938, \$1,400,000; and, in 1937, \$1,600,000. The combined value of honey and wax in 1938 was \$639,169; and, in 1937, it was \$489,275.

### **Debt Adjustment Board**

For each of the two fiscal years the Commissioner reported increasing willingness of creditors to co-operate in making settlements; not only were reductions of debt made by direct negotiations between mortgage companies and debtors, and through The Farmers' Creditors Arrangement Act, but many such reductions, large and small, were made also through the Debt Adjustment Board, either by new agreements, formally approved by the Commissioner under Section 8(3) of the Act, or by settlements directly negotiated by the Debt Adjustment Board, and involving an immediate cash write-off, without any formal new agreement. No figures were reported for the fiscal year ended Apr. 30, 1937, but it was reported for the fiscal year ended Apr. 30, 1938, that reductions of debt made through the agency of the Debt Adjustment Board totalled \$179,198; this included, in 61 new agreements approved under Section 8(3), \$143,534; and cash reductions negotiated by the Debt Adjustment Board, \$35,664.

Throughout 1936-37 and 1937-38 the Debt Adjustment Board co-operated fully with the officials administering the Farmers' Creditors Arrangement Act. In 1936-37, there were 253 cases which had been in the past, or were still, under consideration by the Provincial Board, in which the debtor applied under The Farmers' Creditors Arrangement Act; and in 1937-38 there were 173 such cases. During the two-year period mentioned settlements were arranged voluntarily or imposed by the Board in urban and rural cases as follows: in 1936-37, 1,451; and in 1937-38, 1,389. In 1936-37 there was a slight increase in the volume of work, as compared with the previous year; and in 1937-38, however, there was a decrease of about 15 per cent., as compared with the preceding year. In the two years there were but few appeals against the decision of the Commissioner. There were in 1936-37, 12 appeals of which 3 were successful; and in 1937-38, 7 appeals of which none was successful.

### **The United Farmers of Manitoba, 1937 and 1938**

During the years 1937 and 1938—particularly during the latter year—the United Farmers of Manitoba were looking forward to merging their

membership and activities with a larger organization. The movement toward closer co-ordination of the various Provincial farm bodies had been commended and endorsed at the 1937 Convention (October) at Brandon; and a year later, at the 1938 Convention, it was realized that, owing to the progressive action of the movement during the interim, the Convention of that year would be the last called. (On June 21, 1939, the United Farmers became part of the newly-established Manitoba Federation of Agriculture).

An outstanding feature of both the 1937 and 1938 Conventions was the attention devoted to the proposal for a Land Court for the Province. This was distinctively a plan of the United Farmers of Manitoba (it was realized by legislation during the 1939 Session of the Legislature, Manitoba being the first Province of the Dominion to establish such a court).

### **Manitoba Co-operative Conference**

The United Farmers of Manitoba had been asked by the Manitoba Co-operative Conference to call a meeting composed of representatives of the U.F.M., the U.G.G. and the Co-operatives of the Province with the object of setting up a committee to study the question of unification. The meeting was held Sept. 28, 1938, and a committee was elected to formulate and recommend plans for unifying the whole farmer movement. With the same object in view, the Provincial Government engaged Dr. Harold Hedges of the United States Farm Credit Administration. The latter, in due course, made certain recommendations for the advancement of the movement.

In December, 1937, the Milk Control Board, appointed under the provisions of The Milk Control Act passed at the 1937 Session of the Legislature, opened a public hearing on milk prices in Winnipeg, following an application of the Milk Producers' Association (a member of the Conference) for an increased price. The Inquiry lasted until February, 1938, and the decision of the Board was given in June. The producers received an increase in price.

Under The Credit Union Act passed at the 1938 Session of the Legislature, 15 Credit Unions were incorporated. Study groups on Credit Unions numbered, at the end of 1938, over 20.

### **Manitoba Pool Elevators Limited**

The active membership of elevator associations or locals as at July 31, 1938, was 10,643, a net increase of 937 over the year 1936-37. As to organization, one Association of the 152 still remained, in 1936-37, on an individual basis; but during 1937-38 this particular Local joined the Group, so that all the 151 associations which owned their elevators were then on the same basis. One association continued to operate a leased elevator.

The total of 18,035,921 bus. of grain (wheat: 11,543,221 bus.) delivered to Manitoba Pool Elevators Limited during 1937-38 greatly exceeded that of 1936-37 when 9,346,228 bus. (wheat: 6,075,836 bus.) were delivered. The 1937-38 total was the third largest handled since the inception of Manitoba Pool Elevators in 1925-26, being exceeded only in the season of 1928-29 and 1931-32. Deliveries through the elevators during 1937-38 amounted to 17,017,063 bus., and platform receipts to 1,018,858 bus., as compared to 8,960,422 bus. and platform receipts of 385,806 bus. in 1936-37.

Based on statistics compiled by the Board of Grain Commissioners and using the figure of 18,035,921 bus. as the total of the Pool Elevators



deliveries, their percentage of all grain delivered in the Province in 1937-38 was 27.09, as compared to 27.06 in 1936-37.

After meeting all obligations, both as to principal and interest, to the Province of Manitoba, Manitoba Pool Elevators Limited were able to add at the end of the year 1937-38, the sum of \$153,680 to working capital reserve.

### **Mines and Natural Resources Reports for 1937 and 1938**

Mining in Manitoba took on a new lease of life during 1937 and 1938. For the calendar year 1938, the total production was valued at \$17,173,002, and, in 1937, at \$15,751,645. In 1938, the production of gold was 185,706 fine oz., valued at \$6,532,209, as compared with 157,949 fine oz., valued at \$3,265,095. Apart from gold the most important metals being mined for the calendar years 1938 and 1937 respectively, were: copper, \$6,539,914 and \$5,874,747; zinc, \$1,440,148 and \$1,775,569; and silver, \$520,991 and \$406,253. Production of cadmium and selenium showed the former worth \$92,543 in 1938 and \$269,326 in 1937 and the latter worth \$100,262 in 1938 and \$75,782 in 1937.

The output of hydro-electric power reached a new peak during the calendar year 1937 amounting to 1,414,956,860 kw.h., as compared with 1,320,019,200 kw.h. in 1936, an increase of 7.1 per cent. Rental for water power amounted to \$167,780. No new developments were placed under construction in 1938 but some further work was done at the Slave Falls plant of the City of Winnipeg where a third 12,000 h.p. unit was installed bringing the total capacity up to 36,000 h.p. The Winnipeg Electric Company completed and put into operation a transmission line connecting its Seven Sisters development with Kenora.

The Lands Branch of the Department reported sales for the fiscal year ended Apr. 30, 1938, aggregating \$186,957, as compared with \$64,114 in 1937. Total collections in the fiscal year 1938, amounted to \$98,511, representing \$76,881 principal and \$21,622 interest. In the fiscal year 1937, collections totalled \$70,070 made up of \$45,726 principal and \$24,343 interest. The number of homesteads and soldier grant entries dealt with during the fiscal year ended Apr. 30, 1938, was 191 of which 3 entries were cancelled and 92 transfers issued. A total of 289 homesteads and soldier grant entries were dealt with in the fiscal year 1937 of which 5 entries were cancelled and 91 transfers issued. For the sixth year the Department continued to co-operate with the Rural Rehabilitation Commission, by placing at their disposal Government unimproved lands selected by settlers who had received the option of the Commission on the basis of a 2-year lease, with the privilege of purchase at a set price per acre at any time during the term of the lease. During 1937-38, 19 families were settled making a total of 134 farmers settled on Government land under the scheme of which 9 families had taken up option to purchase and 56 had abandoned the scheme, leaving 69 leased options in force at the end of the fiscal year 1938, covering an area of 11,035 acres.

The policy of conservation adopted by the Provincial authorities, augmented by the work of the Game Commission who serve voluntarily, was successful. The market values of the production of commercial fisheries for the fiscal year ended Apr. 30, 1938, amounted to \$1,815,347, as compared with \$1,618,508 in the fiscal year 1937. The value of raw furs produced and exported during the fiscal year ended Apr. 30, 1938, amounted to \$2,555,644, as compared with \$4,789,536 in 1936-37. The

decrease in the number of pelts exported in 1937-38 was 240,421 and the decrease in the estimated value of the pelts exported was \$2,233,892, as compared with 1936-37. The winter of 1937-38 with a diminished catch and an uncertain and falling market made it a trying season for all engaged in the fur trade. Raw furs processed in 1937-38 had a value, before processing, of \$262,210, as compared with \$339,384 in 1936-37. The total capital value of fur farms at Dec. 31, 1938, was given as \$2,327,375, including the value of the animals on hand, placed at \$1,286,410. There were 825 fur farms in Manitoba as at Dec. 31, 1938.

The Manitoba Power Commission was again able to report to the Provincial Government a continuation of the profitable operations shown in the past four years, the net profit for the calendar year 1938 being \$133,807, as compared with \$91,608 in 1937. The figures for 1938 and 1937, respectively, were: total income, \$1,131,685 and \$1,044,074; operating expenses, \$457,238 and \$425,404; and fixed charges, \$540,639 and \$527,061. During 1938, 185 miles of new transmission lines were constructed and 22 towns were added to the System. Special rates were again extended to farmers and following out its policy of bringing electric services within the reach of rural residents the Commission absorbed approximately half the cost of the average farm extension.

In the 27th Annual Report of the City of Winnipeg Hydro-Electric System for the year ended Dec. 31, 1938, a net earned profit of \$341,537 was shown, an improvement in net profit of \$129,212 over 1937. The System in 1938 paid \$150,000 to the general city revenue account *in lieu* of taxes. Capital invested in property and plant of the Electric Utility was increased by \$410,198, thus bringing the total cost up to \$27,811,293.

### **Public Works, Labour, Relief 1937 and 1938**

The appropriation for highway maintenance for the year 1937-38 was \$600,000. For each of the four years immediately preceding, an appropriation of only \$475,000 had been granted. The result of such curtailed expenditures was a general deterioration of the highway system. In addition to the 1937-38 appropriation a special warrant of \$25,000 was granted to enable the Department to complete Spring work. During the year 1937-38, the following mileage had been maintained: Provincial Trunk Highways, 1,644.40; Special Highways, 87.41; and Main Highways, 220.74. Provincial traffic accidents, during the fiscal year 1937-38, totalled 2,763, of which 70 were fatal. Figures for 1936-37 were: 1,630 accidents and 52 fatalities.

The Bureau of Labour adjusted 348 claims, securing \$7,451 for males and females in the fiscal year 1937-38, as compared with 480 claims and \$9,084 in 1936-37. The Fair Wage Board adjusted 70 claims involving \$2,038 in 1937-38, as compared with 29 and \$927 in 1936-37. The Strikes and Lockouts Prevention Act came into effect on Apr. 17, 1937, and, during the fiscal year 1937-38, 8 applications for Boards of Conciliation and investigation were considered. In two instances it was deemed necessary to appoint Boards. The other cases were investigated by the Conciliation Officer and signed agreements between the employers and employees obtained.

The fire loss *per capita* was \$1.24 during the calendar year 1937 (latest figure available) as compared with \$1.19 during 1936. The Fires Prevention Branch reported that during the few years immediately previous there had been a considerable decrease in fires of a suspicious or

incendiary nature, due, it was believed, to the extensive investigation work on all fires by the Branch.

During 1938, the actual cash disbursed by The Workmen's Compensation Board amounted to \$992,628, as compared with \$953,857 disbursed during 1937. On Dec. 31, 1938, the Board had on its books as in receipt of pension, 515 dependants of workmen killed in industry during the period Mar. 1, 1917, to Dec. 31, 1938. There were 11,224 accidents, including 48 fatalities reported to the Board during the year 1938, as compared with 10,867 accidents with 28 fatalities during the year 1937.

During the fiscal year ended Apr. 30, 1938, the Old Age Pensions Board received 1,653 applications for Old Age Pensions, 290 fewer than were filed the preceding year. Following the Amendment (1937) of The Old Age Pensions Act by the Dominion Government to include blind persons of 40 years of age and over, the Manitoba Legislature entered into an agreement with the Dominion Government for the payment of pensions to such blind persons in the Province, the agreement being effective as from Sept. 1, 1937. The total amount paid to old age pensioners during the fiscal year ended Apr. 30, 1938, was \$2,756,873 and to blind pensioners, \$12,087, of which the share of the Province was, including administration, \$714,131. During the fiscal year ended Apr. 30, 1937, old age pensioners received \$2,637,408, and the total cost to the Province, including administration, was \$683,364.

With a population of 711,216, Manitoba's average number of individuals on relief since 1930 was 73,000—one in every 10. The low point since 1930 was October, 1931, when 34,450 were on the relief lists; the high point was March, 1937, when 115,155 individuals were recorded. In October, 1938, the total was 49,695 individuals. The Province, from Oct. 1, 1930, to Nov. 30, 1938, incurred as its own relief expense share no less than \$24,563,954, or an average of \$3,007,831 per year or \$250,652 per month. In addition, the Province loaned to municipalities for their share of relief and work costs, \$4,656,135. A summary of relief expenses in Manitoba passed for payment showed a total of \$3,673,488 for the fiscal year 1937-38 (Apr. 30), as compared with \$4,060,067 for the fiscal year 1936-37. The following statement shows the total cost of relief and relief works during the period (98 months) from Oct. 1, 1930 to Nov. 30, 1938 (commitments):

	Total Expenditure	Dominion Share	Province Share	Municipal Share
Relief Works, Youth Training, etc. ....	\$20,493,282	\$ 8,609,758	\$ 8,628,006	\$ 3,255,517
Direct Relief .....	40,784,779	13,064,182	13,499,409	14,221,188
Rural Rehabilitation .....	1,161,251	275,911	495,479	389,861
Single Men's Commission.....	5,062,257	2,635,363	1,941,060	485,835
Total Expenditures .....	\$67,501,569	\$24,585,214	\$24,563,954	\$18,352,401

## Health and Education, 1937—1938

The Annual Reports of the Department of Health and Public Welfare gave vital statistics for the years 1937 and 1938, respectively, as follows: per 1,000 of population, births—18.0 and 18.8; marriages—8.5 and 8.7; and deaths—8.5 and 8.3. The infant mortality rates per 1,000 births for the two years, respectively, were 64 and 59. The estimated population of the Province was: 717,000 in 1937; and 720,000 in 1938.

Under the Child Welfare Division during the period May to December, 1937 (the 8-month-period was given in the Annual Report of the Department of Health and Public Welfare published in 1939): families under



allowance totalled 1,053; children assisted, 3,072; applications received, 138; applications granted, 110; cases withdrawn and refused, 39; and cancellations, 148.

Reports of the Department of Education for the two years ended June 30, 1937 and 1938 gave the following respective figures: total number of pupils enrolled—140,542 and 139,329; number of school districts in operation—1,892 and 1,892; teachers' salaries paid—\$4,057,103 and \$4,172,739; and disbursements by school districts—\$7,778,318 and \$9,450,207.

The University of Manitoba in 1936-37 had an enrolment of 2,458 in regular courses, 935 in extension courses and 982 in summer school. Figures for 1937-38 were 2,697, 688 and 1,034, respectively. The total degrees received by graduates were: in 1936-37, 431; and in 1937-38, 415. University incidents of importance during 1936-37 included the following: a visit from His Excellency, Lord Tweedsmuir, on Dec. 1, 1936, when, at a Special Convocation he received the Honorary degree of Doctor of Laws; and the celebration of the Sixtieth Anniversary of the establishment of the University when a Special Convocation was held in May, 1937, at which 9 Honorary degrees were conferred.

### Miscellaneous Reports

For the fiscal year ended Apr. 30, 1938, the returns for the Government Liquor Control Commission showed: sales—\$3,565,239; beer licenses and beer vendors—\$2,324,448; and net profit—\$1,753,363. For the fiscal year ended Apr. 30, 1937, the returns were: sales—\$3,150,719; beer licenses and beer vendors—\$2,040,673; and net profit—\$1,512,200.

Reports of the Department of the Provincial Secretary for the years ended Apr. 30, 1937 and 1938, gave the following respective figures: Revenue of Department, including that from the *Manitoba Gazette*, \$54,972 and \$48,781; and letters patent granted for incorporation, 186 and 153.

A statement issued by the Municipal Commissioner gave comparative summarized statistics for Municipalities in Manitoba except cities. For the years, 1937 and 1938, respectively, it showed the following: total municipal assessment—\$244,141,897 and \$241,308,277; total municipal taxes imposed—\$7,561,249 and \$7,702,470; total municipal taxes collected (current and arrears)—\$8,438,674 and \$7,927,817; total municipal taxes in arrears—\$16,102,337 and \$15,367,232; municipalities operating on a cash basis—126 and 107; and unmatured municipal debts and deferred liabilities—\$17,243,419 and \$16,376,063. In 1937, 50 municipalities had cash surpluses amounting to \$490,889 and 120 had deficits amounting to \$5,918,555. In 1938, 55 municipalities had cash surpluses amounting to \$504,298 and 115 had deficits amounting to \$5,018,608. Current liabilities of all the municipalities as at Dec. 31, 1938, amounted to \$6,718,228 which included \$2,240,815 owing to schools, \$483,773 owing for current loans, \$1,044,451 owing to the Province and other liabilities amounting to \$2,949,188, while the cash on hand and in the bank amounted to \$2,203,918, leaving an immediate cash deficit of \$4,514,209.

The Industrial Development Board of Manitoba for the calendar year 1938 reported that the number of employees engaged in manufacturing industries in the Province was 24,180 and the wage bill, \$26,750,000, as against 23,490 employees and a wage bill of \$25,200,000 in 1937. During 1938, 37 concerns added 40 new lines, 34 increased their equipment and 14 made additions or took added space, the largest undertaking being the new Swift Canadian Company plant.

## The Province of Manitoba

(As at Dec. 31, 1938)

Lieutenant-Governor .....The Hon. W. J. Tupper, K.C.

### The Bracken Ministry\* (Liberal-Progressive)

(As at Dec. 31, 1938)

Prime Minister, President of the Council, Minister in Charge of the Power Commission, Provincial Secretary and Railway Commissioner. The Hon. John Bracken, B.S.A., LL.D.  
 Minister of Agriculture and Immigration .....The Hon. Douglas L. Campbell  
 Minister of Public Works and Minister of Labour. The Hon. W. R. Clubb  
 Attorney-General, Municipal Commissioner, Minister of Telephones and Telegraphs .....The Hon. W. J. Major, K.C.  
 Minister of Mines and Natural Resources .....The Hon. J. S. McDiarmid  
 Minister of Health and Public Welfare .....The Hon. Isaac Bertie Griffiths  
 Minister of Education .....The Hon. Ivan Schultz, K.C.  
 Provincial Treasurer .....The Hon. Stuart S. Garson, K.C.  
 Minister without Portfolio .....The Hon. Sauveur Marcoux

Speaker of the House .....The Hon. Robert Hawkins

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Clerk of the Legislative Assembly .....H. H. Dunwoody  
 Clerk of the Executive Council .....P. A. Talbot  
 Deputy Provincial Treasurer .....R. McN. Pearson  
 Deputy Attorney-General .....John Allen, K.C.  
 Deputy Minister of Public Works and Labour .....A. MacNamara  
 Deputy Municipal Commissioner and Deputy Provincial Secretary .....R. M. Fisher, K.C.  
 Deputy Minister of Agriculture and Immigration ...J. H. Evans  
 Acting Deputy Minister of Mines and Natural Resources .....Donald M. Stephens  
 Deputy Minister of Education .....Dr. Robt. Fletcher  
 Deputy Minister of Health and Public Welfare ...F. W. Jackson, M.D.  
 Commissioner of Telephones .....J. E. Lowry  
 Civil Service Commissioner .....Cecil Rice-Jones  
 Comptroller-General .....C. A. W. Glover  
 Chairman, Manitoba Power Commission .....Herbert Cottingham  
 Commissioner, Workmen's Compensation Board ...C. K. Newcombe  
 Municipal and Public Utility Board .....{ W. R. Cottingham, Chairman  
   { D. L. Mellish  
   { Geo. H. Balls  
 Provincial Librarian .....J. L. Johnston

\*NOTE.—For purposes of reference the Cabinet changes which occurred between Dec. 31, 1938, and Jan. 4, 1940, are given herewith: Mr. Bracken relinquished his Portfolio of Provincial Secretary and took on the duties of Minister of Dominion and Provincial Relations; to Mr. McDiarmid's duties as Minister of Mines and Natural Resources were added those of Provincial Secretary; and Mr. William Morton was appointed Municipal Commissioner.

## THE PROVINCE OF SASKATCHEWAN

### **Economic Conditions, 1937-1938**

From 1930 onward the economy of the Province of Saskatchewan had been profoundly influenced by an unbroken succession of crop failures. After each disaster, the Government and people of the Province, with steadfast faith and dauntless courage, looked forward to the next year for a change in their fortunes. It did not come.

Then, in 1937, the Province sustained the worst crop failure of the series—the worst in its entire history. Over large areas no crop at all was harvested. From nearly 15,000,000 acres seeded to wheat in the Spring of 1937, the harvested and threshed crop was estimated at only 37,000,000 bushels, which the Hon. W. J. Patterson, Prime Minister and Provincial Treasurer, described in his Budget Speech in the Legislature during the Session of 1938 as coming very close to a complete crop failure and representing the lowest return in the history of the Province, both in average yield per acre and in aggregate production. Coarse grain production was similarly affected, and as a consequence there was a general shortage of feed for live stock. Mr. Patterson placed the gross value of the 1937 field crops at slightly over \$52,000,000, which compared with about \$142,000,000 for 1936. To appreciate the resulting difficulties of the agricultural industry, it is necessary to recall that the value of field crop production during the period from 1926 to 1928, inclusive, each year exceeded \$300,000,000.

In 1938, the field crops harvest was a substantial improvement over that of 1937, but was still very disappointing. Saskatchewan in 1938 produced 132,000,000 bushels of wheat, 90,000,000 bushels of oats, 20,000,000 bushels of barley and 4,000,000 bushels of flax and rye. These totals represented approximately four times the production in 1937, but inferior qualities for much of the grain harvested and reduced prices offset the increased production considerably and the total value of the 1938 crop was estimated at \$100,759,000, as compared with \$51,850,000 for the previous year. At \$36,000,000, the estimated value of live stock and other agricultural products was approximately \$5,000,000 less than that for 1937, the decline being largely due to the depletion of herds owing to feed and fodder shortage the previous year. The disappointing nature of the 1938 harvest was due to rust and grasshoppers and scattered drought, which reduced grades as well as yields. On top of this, open market prices for grains declined to very low levels.

In industries other than agriculture, there was some expansion in 1937. General Motors Corporation of Canada re-opened its Regina plant, which had been idle for years, the plant being overhauled and new equipment installed. It was the intention of the Company to level production so that the plant could be kept in operation the year round, giving continuous employment to 400 to 500 men. The re-opening of this plant was regarded as evidence of faith in the economic recovery of the Province. The sodium sulphate plant at Dunkirk was enlarged to give employment to some 115 men and an oil refinery was erected by the company operating this plant. There was considerable activity, including plant construction, in the Lake Athabaska mining area and mining gave indications of becoming a major industry. The construction industry was quiet. In 1938,



outside of the mining areas there was little industrial activity although business generally improved somewhat over the previous year.

The Province was confronted during the two years, with serious financial problems. Depleted revenues were unable to take care of the carrying charges on the Public Debt—increasing through the annual charging of the Provincial share of relief expenditure to Capital Account—the ordinary expenses of government and social services. The deficit on Revenue Account for the fiscal year ended Apr. 30, 1937, amounted to \$1,233,000, but emergency assistance from the Dominion Government enabled the Provincial Government in the fiscal year 1937-38 to reduce the deficit to \$191,940. This increased assistance resulted from the Report of the Bank of Canada on the financial situation of the Province (for details see Section: "Federal Administration and Politics"). After a survey of the financial situation of the Province, the Bank of Canada advised that the Dominion Government, pending the Report of the Royal Commission which had been appointed to inquire into and report upon Dominion-Provincial relations, should grant Saskatchewan special emergency assistance. In the light of this Report, the Dominion Government increased their subsidy to the Province for the fiscal year 1936-37 by \$1,500,000 a year until such time as the Royal Commission made its Report. In the extreme emergency resulting from the crop failure of 1937, the Dominion Government granted still further assistance in the sum of \$2,000,000. In their brief to the Royal Commission on Dominion-Provincial Relations, (for details see Section: "Federal Administration and Politics"), the Patterson Government indicated a steadily increasing expenditure on public welfare and debt-carrying charges; other expenditures had been held level or reduced over five or six years. Expenditure on education had been greatly reduced, but by imposition of a Sales tax in 1937 the revenues of which (originally estimated at \$1,500,000, but exceeding the estimate in the first full year) were earmarked for education, the Government was able to increase the School Grants and make additional provision for education.

The amount expended by the Province on Relief and Agricultural Assistance during the calendar year 1937 was \$30,679,000, the highest in the Province's history, and for the fiscal year ended Apr. 30, 1938, it was over \$40,000,000, representing twice the expenditure on all other Government services. Not all of these amounts were chargeable to the years in which they appeared in the accounts.

With the exception of its General Election activities in 1938 (June 8) the Provincial Government was almost exclusively occupied with economic affairs. In this connection, its attention was engaged principally with the following matters: the Report of the Jacoby Commission on Provincial and Municipal Taxation (for extended summary see *The Canadian Annual Review, 1935 and 1936*); the report by the Bank of Canada on the financial position of the Province (for details see "Federal Administration and Politics"); setting up by the Dominion Government of the Royal Commission on Dominion-Provincial Relations, known as the "Rowell Commission", through which the Provincial Government hoped a way would be opened for a general solution of the financial and economic problems of the Province by a comprehensive adjustment of its relations with the Dominion; a negotiated and voluntary additional measure of debt adjustment for the relief of farmers; and measures for agricultural rehabilitation.

Partly, at least, as a consequence of the Report of the Jacoby Commission, extensive taxation revision was carried out in the Budget of 1937. Findings and proposals of the Commission were discussed by Municipal

Associations and other bodies directly interested, and the Government had the guidance of resolutions from such bodies, approving and disapproving of the Commission's recommendations. In the end, some of them were implemented in the 1937 Budget and some were rejected. The influence of the Jacoby Commission was most pronounced, perhaps, in the inauguration of the Provincial Sales tax in 1937, with its proceeds marked for educational purposes. This tax enabled the Government to increase School Grants and produced in revenue well in excess of the \$1,500,000 estimated in the first year of its operation. Certain tax imposts were revised, as recommended by the Commission, and collection of the motor fuel tax was strengthened. The Report of the Bank of Canada also proved beneficial to the Province.

It having been finally established by decision of the Privy Council that jurisdiction regarding compulsory debt adjustment rested in the Parliament of Canada and not in the Province (the decision was given on an appeal made by British Columbia against the finding of the Supreme Court of Canada that the Farmers' Creditors Arrangement Act was valid), the Provincial Government proceeded with a voluntary adjustment plan. It was carried out through arrangement and negotiation. In the Legislature during the Session of 1937 and at other times, it was claimed by the Hon. T. C. Davis, K.C., Attorney General, that this plan effected an annual saving to the farmers of the Province of \$4,000,000 in interest charges. Further measures for the relief and protection of debt-burdened farmers were taken from time to time. In 1938 the Government adopted and gave effect to a policy that the proceeds of that year's crop should be utilized in the first place for the maintenance of the farmer and his family and for rehabilitation of agriculture through provision for production of the crop, regardless of any contracts or agreements affecting the crop. About the same time the Government announced a \$2,000,000 plan to rehabilitate farm lands through Summer-fallowing.

In his Budget Speech in the Legislature and in other utterances during the years 1937 and 1938, the Prime Minister, Mr. Patterson, made it clear that the Government looked to the Royal Commission on Dominion-Provincial Relations to find the ultimate solution of the financial difficulties of the Province. The position of the Government was that these difficulties arose very largely from the fact of the Province having to carry burdens which rightly belonged to the Dominion. Principally, these burdens derived from crop failures amounting to national emergencies, and from the cost of social services which, to a large extent, were the responsibility of the Dominion. The Government held that if the Province were relieved of these burdens through an adjustment with the Dominion as a result of the investigation by the Royal Commission, it could take care of the obligations properly devolving upon it. The Prime Minister's speeches indicated confidence that such an adjustment with the Dominion was to be expected.

### **The Cabinet Changes**

The Patterson Cabinet remained intact from the beginning of 1937 until after the 1938 General Election except for the resignation at the close of the 1938 Session of the Legislature, of the Hon. George Spence, Minister of Public Works, to accept a Dominion appointment as Director under the Prairie Farm Rehabilitation Act for the three Prairie Provinces. A temporary adjustment of ministerial duties took care of the vacancy until after the General Election. The Hon. C. M. Dunn, Minister of Highways, lost his seat in the Election and subsequently failed to regain it

through a By-Election. He continued in the Cabinet, however, until Nov. 1 of the same year, when he resigned. On Dec. 1, the two vacancies were filled by the elevation of two Members of the Legislature to Cabinet rank. Mr. A. T. Proctor, K.C., became Minister of Highways and Transportation; and Mr. E. M. Culliton, also a barrister, became Provincial Secretary. The Cabinet, by these inclusions, was brought back to normal strength.

### **The 1937 Session of the Legislature**

The Third Session of the Eighth Legislature began on Feb. 11, 1937. The Lieutenant-Governor, the Hon. Archibald Peter McNab, referred in the Speech from the Throne to the abdication of His Majesty King Edward VIII and the enthronement of his successor, King George VI. Later the Legislature passed an address expressing loyalty and devotion to the new King. Reference was also made in the Speech from the Throne to the visit of the Governor-General and the Lady Tweedsmuir to the Province. Economic questions, especially the relief problem, was given foremost attention in the Speech. Appreciation was expressed for the prompt aid rendered by the Dominion Government, the Canadian Red Cross Society and the Voluntary Rural Relief Committee. The Speech stated that the most substantial measure of debt adjustment ever secured in any part of this Dominion had been achieved by the Government of the Province in respect of mortgage, relief, seed and tax indebtedness and mortgage interest through negotiation and agreement. A special branch of the Government service had been established to assist in completing adjustments. A farm placement scheme operated by the Provincial Government with assistance from the Dominion Government had procured the placement of 25,000 men and women on farms during the Winter and, in consequence, no able-bodied man was on direct relief in the Province. It was claimed that this was probably the most successful work-and-wages plan operated in the Dominion.

Legislation was promised to implement some of the recommendations of the Jacoby Commission, which had been appointed the previous year, on the incidence of taxation. Discussions were proceeding, the Speech continued, with the Dominion Government on possible plans for a refunding of the Funded Debt of the Province, assumption by the Dominion of a larger share of relief and social service expenditures, increase in the Dominion subsidy and other proposals for financial relief of Saskatchewan. It was expected these discussions would be brought to effective conclusion after the financial survey of the Province which was being conducted by the Bank of Canada had been completed. An arrangement was anticipated with the Dominion Government by which collection of the Provincial Income tax would be undertaken by the Dominion income tax authorities. Legislation was to be introduced to provide for the substitution of an Education tax for the Public Revenue tax, and school grants were to be increased. Legislation dealing with the organization of credit unions, industrial disputes, collection of arrears in taxes and the Succession Duties Act were forecast.

A no-confidence Amendment to the Address-in-Reply to the Speech from the Throne was moved by the Leader of the C.C.F. Opposition, Mr. Williams. It was negatived on a Party division, 44-5, and the Address was adopted after a few days of debate. The Leader of the Opposition advocated public assistance in the development of natural resources. He criticised the Government's seed grain policy as being opposed to the interest of farmers and its financial record generally.



**Public Accounts, Estimates, the Budget, 1937.**

For the fiscal year ended Apr. 30, 1936, Revenue on Revenue Account was \$16,124,689 and Expenditures amounted to \$17,054,663, leaving a Deficit of \$929,974, which was approximately \$100,000 more than had been estimated. Main Estimates for the fiscal year ended Apr. 30, 1938, placed Revenue on Revenue Account at \$17,817,809 and Expenditure at \$19,541,790. Revenue on all accounts was forecast at \$20,666,909 and Expenditure at \$22,390,890. Supplementary Estimates for the year 1936-37 amounted to \$21,182,276, being mainly for relief and agricultural aid, the Dominion Government being responsible for the larger part.

In the Budget Speech delivered on Mar. 23, 1937, the Hon. W. J. Patterson, Prime Minister and Provincial Treasurer, stated that under existing conditions the current scale of taxation would not produce sufficient revenue to meet the cost of governmental services. In preparing the Estimates for the coming year it had been necessary to seek further revenue. In the circumstances, the Government had decided against the policy, forecast in the Speech from the Throne, of abandoning the Public Revenue tax and substituting a two-mill tax on real property for educational purposes. Instead, a Consumers or Sales tax was to be imposed, the revenue earmarked for education. The Corporation Taxation Act was to be revised to increase revenue by an estimated \$300,000. With these additional revenues it would be possible to increase school grants and provide \$200,000 for loans to school districts to enable them to pay 25 per cent. of arrears of salary owing to teachers up to Jan. 1, 1935. Expenditure on Highway maintenance was to be increased by \$500,000 and increases were to be made in provisions for Hospital Grants, Old Age Pensions and Child Protection. Mr. Patterson announced that the Education tax would be 2 per cent. on the retail sale of all goods except for certain exemptions; it would not apply to accounts for services. In addition, the Consolidated Fund would be drawn on to the extent of approximately one million dollars for purposes of education.

Mr. Patterson explained that revenue from the Corporation tax would be increased by definite taxes on chain stores and grain elevators. The tax on investments of land companies and loan companies would be increased from 40 cents to 50 cents per thousand dollars. Taxes on telegraph companies were to be assessed on the basis of offices in operation and the tax on express companies was to be increased. The tax applying to all companies and corporations not specifically taxed was to be increased. The question of revision of the taxation on banks was being studied with a view to increased revenue from this source without prejudice to the banking services. It was hoped through negotiation to substantially increase the revenue from railway taxation. It had been decided, contrary to recommendations of the Jacoby Commission, not to make any changes in the Income Tax.

It was pointed out in the Budget Address that the Province had expended for relief and agricultural assistance from Sept. 1, 1929, to Dec. 31, 1936, \$102,162,473, of which \$29,556,474 was paid by the Dominion, \$4,934,104 by individuals and municipalities, leaving the cost to the Province \$67,671,895. The cost to the Province for these purposes for the fiscal year 1935-36 was \$16,402,833, and with Dominion grants and repayments, the expenditure was over \$20,000,000.

Mr. Patterson placed the total Public Debt of Saskatchewan as on Dec. 31, 1936, at \$191,767,657, which represented an increase of \$31,000,511 from July, 1934, of which \$21,000,000 was accounted for by expenditures on

relief and agricultural assistance. He reviewed the consideration the Government had given to the possibility of refunding the Debt at lower interest rates. The question had been discussed with the Dominion authorities but no feasible plan had been evolved. Investigation had convinced the Government that the bonds were so widely held that it would be impossible to consult with the holders with a view to securing their consent to refunding and arbitrary action would prejudice the position of the Province. The question of interest rates and allied questions would be placed before the Commission on Dominion-Provincial Relations which the Dominion Government was to appoint.

Mr. Williams, Leader of the Opposition, as chief critic of the Budget, disagreed with the policy of taxation increases, which he said would amount to \$2,000,000. They could be avoided, he held, by insisting that the Dominion Government should assume responsibilities which rightly belonged to them and by debt refunding. He criticized the financial record of the Government and also their debt adjustment course. He suggested that the Patterson Budget had been dictated by members of the Federal Government and Eastern financial interests. He moved an Amendment to the Budget Motion to the effect that the estimates should be withdrawn and others substituted which did not include additional taxation because funds for educational and other services could be provided by obtaining the additional Dominion subsidy which had been assured; by refunding the Public Debt; by urging that the burden of relief expenditure, past, present and future, be borne by the Dominion Government; by governmental economy, and by creating proprietary bodies to operate in certain business fields. Mr. Williams mentioned the gasoline business as among those which he proposed the Government should invade. The Amendment was negated, 5 to 23. The Budget Debate continued intermittently until Apr. 9, when the main Motion was adopted, 44 to 5.

### Legislation and Incidents of the 1937 Session

The most important business of the Session was the Budget legislation for raising approximately \$2,000,000 of new revenue. Outstanding among this legislation was the Consumers' Tax Bill, the anticipated \$1,500,000 revenue from which was to be earmarked for educational purposes. This Bill placed a tax of two per cent. on all goods sold at retail over 14 cents in value except such as were specifically exempted. It applied to meals served in public places, beer and other beverages. Other revenue-raising measures, as outlined in the Budget Address, increased corporation taxes on chain stores and grain elevators; revised the Succession Duties Act; tightened up the Gasoline Act to reduce evasion; increased Corporation Income tax rates. A measure was passed empowering cities, at their discretion, to impose a renters' tax up to 10 per cent. of the rental paid for houses or apartments.

Other important measures enacted provided for the establishment of Credit Unions; creating industrial standards; increasing school grants; additional powers in connection with debt adjustment; payment of pensions to the blind; relief and agricultural aid; additional protection for children under the Child Welfare Act. Altogether, 100 Bills were passed during the Session, only one of which was a private Bill. The one private Bill, a measure giving the Saskatchewan Co-operative Wheat Producers Limited (the Saskatchewan Wheat Pool) power to employ its commercial reserves, amounting to \$6,500,000, for assisting other co-operative organizations, met with substantial opposition in the Private Bills Committee and in the

House. The original Bill was altered by Amendments before being finally passed. The most important Amendment provided that the legislation would not come into force until the Lieutenant-Governor-in-Council had received assurance that two-thirds of the members of the Pool had consented to it.

The C.C.F. Opposition of five Members was active through the Session, especially in respect of financial and economic matters. The Legislature was prorogued by His Honour the Lieutenant-Governor on Apr. 16.

### **The 1938 Session of the Legislature**

The Fourth Session of the Eighth Legislature of Saskatchewan commenced on Jan. 20, 1938, and ended on Mar. 23. In opening the Speech from the Throne, the Lieutenant-Governor, the Hon. Archibald Peter McNab, referred to the Coronation in the previous year of Their Majesties, King George VI and Queen Elizabeth. The Speech stated that the 1937 disaster of drought was more severe than that of any previous year, extending over virtually the entire Province. The resulting responsibilities of the Government were more difficult than any Government in Canada has ever before been called upon to sustain. It had become necessary for the Government to provide, in some measure at least, for approximately one-half of the entire population of the Province. Feed had to be provided for a large proportion of the live stock. The Government had instituted immediate and effective measures for dealing with the situation. Appreciation was expressed for the co-operation of the Dominion Government and the aid rendered by the Voluntary Rural Relief Committee and the people of the whole of Canada. Legislation was to be submitted to effect close co-operation between the two Governments in farm rehabilitation activities. Progress had been made in the re-establishment of settlers in the northern areas and would be continued. It was stated that the Debt Adjustment arrangement dealt with in legislation at the Session of 1937 had, in conjunction with adjustments under Dominion legislation, effected a reduction in farmers' debts in excess of \$100,000,000. Legislation would be submitted providing for the establishment of a Provincial Tax Commission in connection with a plan for the consolidation of revenue collecting agencies. Other legislation would provide for control of soil drifting, organization of co-operative hospital benefit associations, distribution of seeding supplies, revision of the Provincial Statutes and other matters. Reference was made to the severe outbreak of infantile paralysis in 1937 and to provision made by the Government for the hospitalization of persons suffering from the effects of the disease.

In the Debate on the Address-in-reply to the Speech from the Throne, the Leader of the C.C.F. Opposition, Mr. Williams, after criticising the Government in connection with relief, debt adjustment and other matters, moved a no-confidence Amendment to the Address. This was negatived on a Party division, 39 to 5.

The Address-in-Reply to the Speech from the Throne was adopted after ten days of debate.

### **Public Accounts, Estimates, the Budget, 1938.**

For the fiscal year ended Apr. 30, 1937, Revenue on Revenue Account amounted to \$16,526,393 and Expenditure to \$17,654,559, leaving a Deficit on Revenue Account of \$1,128,166. Estimates for the fiscal year ending Apr. 30, 1938, placed Revenue on Revenue Account at \$17,858,349 and Ex-



penditure on Revenue Account at \$19,830,913. Revenue on all accounts was estimated at \$20,783,299 and Expenditure at \$22,755,863. Supplementary Estimates of Expenditure amounted to \$39,929,097, highest in the history of the Province, but of this amount the Dominion Government was responsible for \$26,200,432 and the Province for \$13,726,664, the Estimates being mainly for relief and agricultural aid. These Supplementary Estimates were for the year ended Apr. 30, 1938, but some amounts covered expenditures over three years.

The Prime Minister and Provincial Treasurer, the Hon. W. J. Patterson, delivered his Budget Speech on Feb. 16, 1938. He dealt with the effect on Provincial economy of the disastrous crop failure of the previous year. The only substantial change in Expenditure for the year 1938-39 as compared with the current fiscal year was an increase of \$540,000, he said, in provision for education. The Prime Minister announced that it was not proposed to make any change in taxes. He stated that the cost of collecting the Education or Sales tax would not exceed 5 per cent. of the revenue from it. From Sept. 1, 1930, to Dec. 31, 1937, expenditure on relief and agricultural assistance in Saskatchewan amounted to \$132,841,993, exclusive of expenditures by Municipalities out of their own funds and certain seed grain advances, and of this amount the Provincial share was \$52,727,438. At Dec. 31, 1937, the Funded Debt of the Province stood at \$124,046,373 and the total Debt at \$191,963,535. The Government had recommended to the Dominion-Provincial Commission that the part of the Public Debt due to relief be assumed by the Dominion and provision made for refunding of the balance at lower interest rates.

In replying to the Budget Speech, the Leader of the C.C.F. Opposition, Mr. Williams, denounced at length the financial record and economic policies of the Administration. The Debate continued until Mar. 7, when the Budget Motion was adopted on a straight Party division.

### **Legislation and Incidents of the 1938 Session**

The Session continued until Mar. 23, a large number of Bills, many of them of importance, having been passed. The principal measures provided for relief and agricultural rehabilitation, additional debt adjustment terms, cancellation of farm assistance and relief indebtedness, prevention of soil drifting, facilitation in the operation of the gasoline tax exemption for farmers, additional rights to employees in regard to organization and additional encouragement to co-operative associations, extension of teachers' superannuation, the consolidation of revenue collections, and electoral redistribution. With a Provincial general election expected during the year, clashes between the Government and the Opposition were frequent throughout the Session on Government Bills and on Resolutions introduced by the Opposition Members. On two occasions the House refused permission for the introduction of Opposition Bills affecting Elections and redistribution. The Government's redistribution Bill, which was passed, reduced the number of seats in the Legislature from 55 to 52 and the number of constituencies from 52 to 49. The Opposition wanted the Membership reduced to 44 and the number of constituencies further reduced by extension of the plan of two-Member constituencies. An Opposition proposal for the adoption of the single transferable vote system was also rejected. To facilitate the administration of the exemption of gasoline used by farmers for agricultural purposes, the Government put through a measure providing for the tax-free sale of gasoline of a

specified colour, such gasoline to be sold only for use in agricultural machinery. This measure was designed to eliminate the tax rebate process. A Government Bill cancelled \$13,000,000 of agricultural relief indebtedness. Under another measure superannuation was allowed to teachers even though their period of teaching service had been broken through illness or other causes. A Bill was passed confirming the rights of organized labour in collective bargaining after a proposal that non-resident officials of union organizations should not be employed in such bargaining had been dropped.

The C.C.F. Opposition failed to secure the adoption of a Resolution opposing assisted agricultural immigration until such time as agriculturalists of the Province enjoyed economic security. An Opposition Resolution calling upon the Parliament of Canada to set up a grain marketing body and establish a minimum wheat price was amended on a Liberal motion to the effect that Parliament should hasten consideration of and action on the Turgeon Report on Grain Marketing. The Opposition submitted a Resolution proposing that Canada should place an embargo on the sale of arms and munitions to Japan, but this was amended by a Liberal Motion to the effect that Canada should co-operate with nations engaged in the promotion of peace. By a unanimous vote the House passed an amended Resolution proposing that the Federal Government should purchase all private interests in the Bank of Canada and that the Bank should exercise control of credit. On a Motion for adjournment, the House spent a day discussing charges made in the Parliament of Canada by T. C. Douglas, M.P., that politics attached to the administration of relief in Saskatchewan, these charges being vigorously denied by Members of the Government.

Considerable discussion took place during the Session on the action of the Government in appointing an Administrator for the town of Melville after they had received a Report from the Municipal Inspector on affairs in the Municipality. This Report established irregularities in connection with the administration of local relief and other matters affecting the financial position of the Municipality, which the Inspector stated to be critical.

On Mar. 23 the business of the Legislature was halted while tribute was paid to the memory of the Hon. Walter Scott, the first Prime Minister of Saskatchewan, who had died the previous day. The Hon. W. J. Patterson reviewed Mr. Scott's service to the Province in the early years of its history.

### **Political Affairs of 1937-1938**

Four political parties were active in Saskatchewan during the period under review. In the Legislature of 55 Members the Government (Liberal) held 50 seats, the Opposition being confined to five Members representing the Co-operative Commonwealth Federation, whose Leader was Mr. George H. Williams, Member for Wadena. The Patterson Government, confronted with financial and other economic problems owing to continued crop failures, pursued two main courses: meeting situations as they occurred with the means available, and persistently endeavouring to have the Dominion Government recognize and assume responsibility for a larger share of the relief burden, for some part of the cost of social services, and for assistance in Provincial debt-refunding for reduction of carrying charges. In the course of the two years they

succeeded, in respect of the long-term effort, only in securing temporary assistance from Ottawa as emergencies arose. The C.C.F. advocated a more radical attack on the economic situation with the application of Socialistic principles. The Conservative Party, without representation in the Legislature, was active in the Province and hopeful of a better day under its youthful Leader, Mr. J. G. Diefenbaker, K.C. From Alberta, Social Credit had penetrated into Saskatchewan and a League had been formed with the aim of advancing the movement.

During 1937 little of consequence occurred in Party politics. Some criticism of the Dominion (Liberal) Government developed at a Convention of the Saskatchewan Young Liberal Association in Regina in July, 1937. Mr. J. S. Woodsworth, M.P., Dominion Leader of the C.C.F., addressed a rally of the Party in Regina on July 9. He insisted that maintenance of the people was more important than the payment of interest on debt. The sending of soldiers and police to the Coronation he criticized as an unnecessary expense and he accused the Dominion Government of lethargy in connection with proposals for constitutional revision. The C.C.F., Saskatchewan branch, opened its Annual Convention in Saskatoon on July 16, 1937, when decision was taken by resolution to promote co-operation with other progressive groups, although Mr. Woodsworth pointed to the danger of entangling alliances. Another resolution called upon the Provincial Government to buy all grain in the Province for seed and fodder, selling the surplus in the open market later. Mr. George H. Williams, M.L.A., was re-elected President and Dr. Hugh McLean, Vice-President. At Saskatoon on Nov. 1, 1937, Mr. Diefenbaker, Provincial Conservative Leader, announced a new and comprehensive platform for his Party. The most prominent plank dealt with debt adjustment and proposed that creditors should share with debtors losses due to crop failures and abnormally low prices and that no home or homestead should be lost through mortgage foreclosure or tax sale where its value exceeded debt and taxes. At a Convention of the Social Credit League of Saskatchewan held at Saskatoon in October, 1937, a proposal was received from the C.C.F. for a meeting between committees representing the two groups with a view to co-operation in order to prevent forces of reaction securing ascendancy in the Province. Although a majority of the Convention voted in favour of hearing the proposal, officials ruled that in such a matter the decision should be unanimous, so the proposal was declared rejected.

### **The General Election, June 8, 1938**

The Eighth Legislature of Saskatchewan was dissolved on May 14, 1938, and writs were issued for a General Election, with nominations on June 1 and polling on June 8. At the time the Election date was set the Liberals had chosen 51 candidates for the 52 seats, the Conservatives 23, the C.C.F. 30; other candidates selected being two Social Credit, two Labour-Progressive, two Independent Labour and one Independent Conservative.

The Prime Minister (Mr. Patterson), on May 16 issued the Election Manifesto of his Government and Party. The first concern of the Government was debt adjustment and the protection of debtor farmers. To this end, he said, a representative of the Debt Adjustment Board would be available in every municipality for the protection of the farmer. While voluntary debt adjustment arranged by the Government effected a saving of \$4,000,000, annually, in interest payments by farmers, more would be done



in their behalf; among other things there would be a scaling down of assessments to bring them more in line with actual values. Mr. Patterson promised that the Government would continue to press for lower tariffs on farm implements, and if that failed, the Government would ask the Dominion Government to control prices. Other planks were: to encourage the development of the Province's natural resources and to this end to provide transportation facilities to serve the northern areas; to complete the highway system; to assist further education, such assistance to include provision for teachers' minimum salaries; to pursue a vigorous course in promoting public health; and to expand social services. The Manifesto deprecated attempts made by certain Provinces to encroach on Dominion jurisdiction; the Saskatchewan Government had supported and would continue to support Confederation. Resentment was expressed at attempts from other Provinces to interfere in the affairs of Saskatchewan and warning was voiced against the danger of group government.

A comprehensive platform for the Conservative Party had been placed before the people on Nov. 1, 1937, by the Leader, but on May 16, following the calling of the Election, Mr. Diefenbaker re-stated it, with additional proposals and policies. He said that his Party proposed to prevent large corporations from securing control of natural resources, but development of these resources would be encouraged. A work-and-wages programme would include construction of highways into the mineral areas. Agriculture would be stimulated by training and scholarships. A youth programme would include creation of a sports and athletics department of the Government. Other planks of the Conservative platform were: to protect homes against foreclosure; to reduce the cost of government; to re-establish agriculture; to restore the teaching profession by guaranteed minimum salaries; and to deal with unemployment through a work-and-wages programme.

At Edmonton, Mr. Aberhart, characterising the calling of the Saskatchewan General Election as premature, appealed to Alberta Social Credit Members of the Legislature to volunteer for speaking engagements in Saskatchewan. By May 16, four Alberta Cabinet Ministers, including Mr. Aberhart, were actively campaigning in Saskatchewan and others followed. This "invasion" was strongly resented in Government quarters. The participation of the Alberta Government in the Election resulted in cleavage in the ranks of Social Credit in Saskatchewan itself. J. B. McLeod, President of the Social Credit-Farmer-Labour League, denounced the attempted dictatorship from Alberta and the organization methods of Mr. Manning, declaring that protests had come to him from 32 constituencies.

Meantime, C.C.F. leaders were predicting that their Party would sweep into office. At Mossbank on May 24 Mr. Aberhart charged that financiers were alarmed at the support shown at his meetings and were offering from \$7,000,000 to \$10,000,000 as a fund to defeat Social Credit in Saskatchewan, saying that he had been shown a copy of a telegram offering the money (*Regina Daily Star*, May 25, 1938).

As polling day approached, the Hon. J. G. Gardiner, Dominion Minister of Agriculture and former Prime Minister of Saskatchewan, entered the campaign in support of the Patterson Government, warning that if Social Credit should win in the Province an Aberhart dictatorship would be set up. Mr. J. S. Woodsworth, Dominion C.C.F. Leader, appeared in support of his Party.

After the close of nominations on June 1, a total of 157 candidates had been placed in nomination in 47 constituencies. The elections in the northern constituencies of Cumberland and Athabaska were deferred, with nominations to be held June 30 and polling, July 28. The Liberal Party alone nominated candidates for the entire 50 seats of the 47 constituencies in which voting would take place on June 8. Social Credit nominated 41; C.C.F. 31; Conservatives 23; Unity 4; Independent Labour 3; Labour-Progressive 2; Independent Conservative 1; Independent Social Credit 1; Independent 1. Later, the Social Credit candidate in Gull Lake withdrew, forfeiting his \$100 deposit, although his name remained on the ballot paper.

On June 6 a Social Credit campaign meeting at Estevan was interrupted by members of a delegation of unemployed from Alberta who claimed to have come into Saskatchewan to demand of Mr. Aberhart that members of the Alberta Relief Committee campaigning in the Election should be sent home to attend to their duties. The Alberta unemployed, in the presence of Mr. Aberhart, warned the audience to beware of the Alberta Prime Minister and shouted to him that they had "come to drag him back to Alberta". The following night at Melville five men who claimed they belonged to the same unemployed delegation from Alberta were thrown out of a meeting by ushers when they addressed questions to Mr. Aberhart.

The chief interest in the election, especially as the campaign drew to a close, centred on the Social Credit drive from Alberta and the possibility of its succeeding. The Liberals particularly appealed for support for the Patterson Government as the best means of defeating Social Credit or the possibility of government by a combination of radical groups. The C.C.F. and the Conservatives also denounced Social Credit. The participation of the Aberhart forces in the Election and the uncertainty as to the outcome attracted the interest of the entire country.

### **The Result; Repulse of Social Credit**

As a result of the polling on June 8, the Patterson Liberal Government were returned to office, 36 Liberal candidates being elected. With the number of seats in the Legislature reduced by three through redistribution prior to the Election and the voting for two seats deferred, the losses of the Liberal Party, which held 50 out of the 55 seats before dissolution, amounted to nine seats. The C.C.F. gained five seats, bringing the group's strength in the new Legislature to 10. Social Credit carried only two seats. One Union Progressive candidate and one Independent candidate were elected. As in the 1934 election, the Conservative Party failed to elect a candidate. Prior to the Election, the Hon. George Spence, Minister of Public Works, retired from the Government to accept a position in the Public Service. All the other Ministers were re-elected with the exception of the Hon. C. M. Dunn, Minister of Highways, who was defeated in Melville by a Social Credit candidate. The Speaker in the former Legislature, the Hon. J. M. Parker, was defeated in Touchwood by a C.C.F. candidate.

The two deferred constituency Elections in the northern part of the Province attracted little attention, but the results of polling on July 28 gave the Government two additional supporters in the Legislature. In Athabaska two Liberals opposed each other and A. J. Marion was elected. In Cumberland, D. A. Hall, Liberal, defeated his Conservative opponent, G. A. Smith. The Liberal Member-elect for Humboldt, James C. King, resigned to make way for the defeated Minister, the Hon. J. M. Dunn, and

polling was held on Aug. 4. In the voting on June 8, the Liberal candidate had received 3,635 votes, the C.C.F. candidate, 3,440, and the Social Credit candidate, 387. In the By-Election, which was keenly contested, Mr. Dunn was opposed by the defeated C.C.F. candidate. The polling resulted in a second defeat for Mr. Dunn, J. C. Burton carrying the seat by 3,909 votes to 3,771 for the ex-Minister. The C.C.F. strength in the Legislature thereby rose to 11 Members. Another seat was opened by the elevation of P. M. Anderson, K.C., Liberal Member-elect for Regina, to the bench, and a By-Election was called, with voting on Nov. 24. The Government retained the seat, the Liberal candidate winning in a field of five, being opposed by a Conservative, a C.C.F. candidate, a Saskatchewan Social Credit-Farmer-Labour candidate and a Social Credit candidate. The Liberal vote was 10,197, the Conservative, 5,809, the C.C.F., 4,289, the Social Credit-Farmer-Labour, 156, and the Social Credit, 133.

The popular vote of the Province, in the General Election on June 8 and in the two deferred Elections on July 28, was divided as follows: Liberals, with 53 candidates (two in one riding), 200,370; C.C.F., with 31 candidates, 82,568; Conservatives, with 25 candidates (one Independent), 52,366; Social Credit, with 41 candidates, 69,720; others, with ten candidates, 35,249.

Following the voting on June 8, widespread comment was made by the press of the country on the result, particular notice being taken of the rejection of the Social Credit bid for power in Saskatchewan. On June 19, Mr. Williams, the C.C.F. Leader, stated that one of the two Social Credit candidates elected and one of the Independents would support the C.C.F. Opposition in the Legislature. Mr. Williams stated that his Party would press for a Special Session of the Legislature in the fall to deal with the debt adjustment question but the Prime Minister (Mr. Patterson), said that as the Government had power to protect the farmers by Order-in-Council a special session was not necessary.

Something of a storm was raised in Saskatchewan, and spread outside the Province, by a move by the United Farmers of Canada, Saskatchewan Section, for an Inquiry into the practicability of the establishment of an independent Western Nation within the British Empire. This move was made in October, 1938, and the executive of the organization announced that it would conduct the Inquiry. President George R. Bickerton of the organization stated that if the Executive agreed that an independent state was practicable there could be no doubt that British Columbia would be included in any plan to bring into being a new nation. Failure of the East to appreciate the situation in the West was given by Mr. Bickerton as a reason for the move.

### **Education:— Reports for 1937—1938**

The number of schools in operation in Saskatchewan continued to increase during 1937 and 1938, being 4,986 in 1938, as compared to 4,917 in 1937. A steady decrease in the enrolment had been noted in Reports for some years. The number of pupils enrolled in schools under The School Act in 1938 was 200,345, which represented a decrease of 4,526 from the previous year. For the year 1938 (year ended June 30), the enrolment in the high school grades under The School Act, The Secondary Education Act, and The Vocational Education Act totalled 36,173, in comparison with 35,498 in 1937. Extensive use continued to be made of the public libraries which numbered 24 in 1937 and 22 in 1938. New school districts organized



numbered 9 in 1937 and 15 in 1938. Under the legislation in effect in 1938 an ordinary rural school could earn a grant of \$300 per year and a high school room or continuation school room could earn a grant of \$700 per year of 200 teaching days.

On Dec. 29, 1938, the Report of a Committee which had spent two years studying the salary question was presented to the Council of the Saskatchewan Teachers' Federation. The Committee's Report suggested a minimum salary of \$750 a year for first-class teachers (beginners), with annual increases of \$50 for 15 years. Teachers with superior first-class certificates should begin at \$800 a year with the same schedule of increase. Beginners graduating from university should start at \$900 a year, also with the same scale of increases. With reference to the Education Tax, the Committee suggested that the actual increase in educational expenditures subsequent to the Tax had been only \$800,000. The Committee believed that the whole amount should be devoted to education. At the same Convention the Council voted down by a majority of 25 to 16 a suggestion that the Federation should set up machinery for a Provincial-wide strike in the event of all other avenues of obtaining relief from existing teaching conditions being unavailing.

The number of students in attendance in the ordinary courses of the University of Saskatchewan in the session of 1936-37 was 1,818 and in the session of 1937-38, 1,776. Enrolment of students for work outside the regular Winter sessions increased from 2,667 in the former year to 3,040 in the latter, the increases being marked in the University Farm School, the teaching courses at the Summer School, and in correspondence courses. The University conferred degrees on 369 graduates in 1936-37 and on 367 in 1937-38. The Report of the President, Dr. James S. Thomson, for the academic year 1937-38, told of encouraging results from the scheme of training for young men and women undertaken in co-operation with the desire of the Dominion and Provincial Governments for the inauguration of a rural youth training system. The finances of the University were in a difficult condition. The year 1936-37 showed a deficit of \$13,366 and the next year one of \$57,246. The depressed state of economic life in the Province had reflected itself in the affairs of the University. To meet lowered revenues, salaries had been reduced and other expenditures curtailed. But during the period of financial stress the number of students had increased and new causes of expenditure had developed. One of these was the taking over of Regina College which required extensive alterations and repairs. The Government had been compelled to reduce the amount voted by the Legislature for current revenue. These and other circumstances had brought the accumulated revenue deficit to \$124,148. Gifts received during the year 1937-38 included \$5,000 from the Carnegie Corporation for the development of Adult Education and \$2,500 towards publication of Professor Morton's "History of the Canadian West." James Richardson of Winnipeg had guaranteed \$1,000 for the latter purpose. The Saskatchewan Co-operative Wheat Producers Limited had given \$7,500 for the promotion of agricultural clubs among boys and girls through the Extension Department and the American Philosophical Society had given \$1,300 for special research by Professor Herzberg.

Enrolment of students at Notre Dame College, Wilcox (affiliated with the University of Ottawa), rose from 125 in 1936-37 to 200 in 1937-38. During this period an Arts building was donated by Mr. Harry Lane of San Diego, California, and the well-known writer, Mr. Rex Beach of New York, presented the College, through the medium of His Excellency Lord

Tweedsmuir, with the beautifully mounted trophies of his big game hunting. Mr. René Redmond, Montreal; Mr. James Gilchrist, Winnipeg; and Mr. J. J. Fitzgibbons, Toronto, were appointed to the Board of Governors. Additions to the Faculty staff were Messrs. George Connaughton (Cornell) and John Murphy (Antigonish), and Miss Ann McManus of Wellesley College, Wellesley, Mass. Eleven graduates secured their B.A. in 1936-37 and six in 1937-38.

### Agricultural Conditions: Organizations, 1937 and 1938

The years 1937 and 1938 will long be remembered by the people of Saskatchewan for the crop failure of 1937 caused by severe drought and for the low prices in 1938. In no previous year in the history of the Province had average yields approached the low point of 1937, nor had so small a crop of wheat or oats been harvested since 1906, when the seeded acreage was only a small fraction of what it was in 1937. In 1906 more wheat was produced from one-eighth of the total acreage in crop in 1937, and as much oats from one-twelfth of the acreage seeded in 1937. For 1937, however, the receipts from sales of crops were actually less than one-half of those obtained from sales of live stock and animal products. Grasshoppers were responsible for more actual loss of crop in 1937 than any other insect pest, although the total damage caused by them was lower than in any recent years.

The following table gives comparative figures of acreage, yield, production and price, also total value of grain and other crops of Saskatchewan for the years 1937 and 1938, according to the Report of the Department of Agriculture.

Crop	Acreage	Yield Production		Price	Value	
		Bus.	Bus.			
Wheat	1937	13,893,000	2.6	36,000,000	\$1.05	\$37,800,000
	1938	13,793,000	9.6	132,000,000	0.58	76,560,000
Oats	1937	4,380,000	5.1	22,338,000	0.38	8,488,000
	1938	4,171,000	21.6	90,000,000	0.16	14,400,000
Barley	1937	1,174,000	4.7	5,518,000	0.46	2,538,000
	1938	1,207,000	16.6	20,000,000	0.22	4,400,000
Flax	1937	175,000	1.1	200,000	1.42	284,000
	1938	139,000	5.2	725,000	1.11	805,000
Rye	1937	518,000	1.2	635,000	0.67	426,000
	1938	292,000	11.6	3,400,000	0.25	850,000
Mixed Grains	1937	18,800	3.8	71,000	0.50	36,000
	1938	32,200	13.8	444,000	0.21	93,000
Peas	1937	400	3.9	1,600	1.50	2,000
	1938	500	7.5	4,000	1.50	6,000
Beans	1937	200	2.5	500	2.00	1,000
	1938	300	8.6	3,000	2.00	6,000
			<b>Tons</b>	<b>Tons</b>		
Hay and Clover	1937	242,400	.53	128,000	7.50	960,000
	1938	230,500	1.24	286,000	5.50	1,573,000
Alfalfa	1937	23,000	1.03	24,000	9.50	228,000
	1938	28,300	1.48	42,000	8.00	336,000
Fodder Corn	1937	7,800	.62	5,000	6.50	33,000
	1938	13,400	2.69	36,000	5.60	202,000
			<b>Cwt.</b>	<b>Cwt.</b>		
Potatoes	1937	48,600	27.0	1,312,000	0.78	1,023,000
	1938	50,600	65.0	3,289,000	0.44	1,447,000
Roots	1937	2,400	18.0	43,000	0.72	31,000
	1938	2,500	81.0	203,000	0.40	81,000
Other Crops	1937	3,300				10,000
	1938	3,500				10,000
Total value of Produce	1937					\$51,860,000
	1938					\$100,769,000

The number and value of live stock on farms in Saskatchewan in 1937 and 1938, according to the Report of the Department of Agriculture, were as follows:

Animals		Number on Farms	Price	Total Value of Live Stock
Horses	1937	873,600	\$57	\$49,795,000
	1938	806,200	54	43,535,000
Milch cows	1937	563,700	28	15,784,000
	1938	496,600	31	15,395,000
Other cattle	1937	877,500	21	18,427,000
	1938	632,100	23	14,538,000
Total cattle	1937	1,441,200	23	34,211,000
	1938	1,128,700	26	29,933,000
Sheep and lambs	1937	345,000	3	1,363,000
	1938	336,900	4	1,348,000
Swine	1937	454,100	8	3,860,000
	1938	267,600	9	2,663,000
Total value of live stock on farms				
				1937
				1938
				\$89,229,000
				77,479,000

The supervision work of the Milk Control Board of Saskatchewan was closely associated with that of the several City Health Departments. Fluid milk, being perishable, subject to strict sanitary supervision this duty is carried out, in each city, by the City's own Health Department under the Medical Health Officer. The question of the validity of The Milk Control Act came before the Saskatchewan Court of Appeal during the year 1937, and the provisions of the Act were upheld.

Investigations into the milk situation in 1938 (calendar year) indicated reduced buying power of consumers and a tendency on their part to turn to substitutes. At the same time reduced volume of business for distributors with no reduction in operating costs made the cost, per quart, of distribution higher. Producers were still struggling with debts incurred on account of the previous Winter's feed bills. A reduction was made by the Board in 1938 of one cent per quart to the consumers in Regina, Moose Jaw and Saskatoon, with a like reduction in the price to producers. The reduced price was maintained up to the end of the year and was expected to remain in effect at least throughout the Winter season. A definite recovery in the sales of milk occurred during the Autumn months in nearly all areas. Butter fat contained in total sales of milk and cream products in Saskatchewan during 1938 amounted to 1,833,220 lb.; in 1937, to 1,901,644 lb.; and in 1936, to 1,938,050 lb.

### The Saskatchewan Wheat Pool, 1937 and 1938

The Annual Reports of the Directors of the Saskatchewan Co-operative Wheat Producers Limited for the years ended July 31, 1937, and July 31, 1938, showed that the volume of wheat handled through Pool country elevators in each of these respective years was 43,621,558 bus. and 12,103,184 bus., as compared with 52,437,630 bus. in the next preceding year. During the year ended July 31, 1937, the Wheat Pool handled 47.92 per cent. of all wheat delivered at country elevators in the Province, as compared with 45.05 per cent. during 1936. For the year ended July 31, 1937, the percentage of cars of wheat graded within contract grades was 88 per cent., as compared with 65 per cent. the previous season and the price of grain was also considerably higher, the net value to farmers, as shown by the Sanford Evans Statistical Service, being \$72,528,027, or about \$11,000,000 more than for the year ended July, 1936. The crop year ended July 31, 1938, was one of almost complete crop failure, with production very much lower than in any previous year and quality very low. The percentage of cars of wheat grading within contract grades was 76 and



the estimated net value to farmers of wheat delivered in Saskatchewan was only \$18,237,675. As in previous years, the only capital commitment the Wheat Pool had to make in either of the years under review was the instalment on the 1929-30 Pool overpayment; for 1936-37 this amounted to \$544,652 less \$175,777 prepaid at July 31, 1936; and for the following year to \$571,885 less \$17,000 prepaid at July 31, 1937. There were no contingent liabilities against the Company's assets other than the 1929-30 Pool overpayment, and at the end of the 1937-38 year this stood at \$10,468,015. The total current assets of the entire Organization as at July 31, 1937, were \$8,829,487 and the total current liabilities, \$1,729,249. At July 31, 1938, the total current assets were \$6,697,240 and the total current liabilities, \$1,597,747, the difference, \$5,099,493, representing the current position of the Company. Mr. L. C. Brouillette, who had been President of the Saskatchewan Wheat Pool since 1931, died on Apr. 22, 1937, and at a meeting of the Directors at Regina on May 20, 1937, Mr. J. H. Wesson, of Maidstone, was elected to succeed him. A few days later, Mr. Wesson was chosen to represent Saskatchewan on the Executive of the Central Selling Agency of the Prairie Pool Organizations. At the Annual Meeting of the Saskatchewan Wheat Pool, which opened at Regina on Nov. 2, 1937, approval was given, on a vote of 154 to 4, to the recommendation of the Directors that proclamation be requested of the Act passed at the 1937 Session of the Legislature authorizing the Saskatchewan Wheat Pool to invest its commercial reserves in other co-operative enterprises. The Act stipulated that it should only be proclaimed after evidence had been received by the Government that it was approved by at least two-thirds of the Pool membership. A few days later the Act was proclaimed. At the Annual Meeting of the Pool at Regina in November, 1938, endorsement was registered of the decisions of the British Empire Producers' Conference at Sydney, Australia, in favour of a movement for the orderly marketing of primary products. The Annual Meeting went on record as favouring continuation of The Canadian Wheat Board with a guaranteed minimum price to wheat growers.

### **The United Farmers of Canada, Saskatchewan Section, Limited**

The Annual Convention of the United Farmers of Canada, Saskatchewan Section, Limited, for the year 1936-37 was held at Regina from Oct. 12 to 14, 1937. The Report of the Executive told of the financial rehabilitation of the Organization and increased activities; the Organization currently had 14,500 members and 500 lodges. The Executive expressed dissatisfaction with current schemes for agricultural rehabilitation and reported that proposals for improvement had been submitted to the Government. A Resolution was adopted by the Convention calling for the abolition of existing relief areas and the placing of the whole Province in the position of being a relief area, financed by the Dominion Government. Other Resolutions passed proposed the substitution of cash relief for voucher relief and increases in clothing and food allowances and other enlargements of relief. Mr. G. R. Bickerton was re-elected President.

The Annual Convention of the Organization for the year 1937-38 was held at Saskatoon from Oct. 18 to 21, 1938. The Central Executive in its Report warned against a defeatist attitude on the part of farmers which, if adhered to, would mean the imminence of the complete collapse of agriculture as it had been known in Western Canada. It stressed the importance of keeping the Organization free and active. The Executive took the view that revaluation of the assessments and reconstruction

of the capital structure of the Canadian National Railways was the only solution of the railway problem. Attention was given to health matters and the belief was expressed that a system of state medicine would be established as soon as public demand was sufficiently emphasized. A Resolution was adopted calling on the Dominion Government to guarantee prices for agricultural products on a parity with prices of the commodities the farmers had to buy; the Resolution demanded that such guarantee in the case of the 1939 grain crop should be assured by legislation by Apr. 1, 1939, and the Central Executive was authorized to inaugurate a holding policy for the 1939 crop unless this were done. It was explained that the price of wheat on a parity basis would be \$1.05. Other Resolutions, dealing with agriculture which were adopted, called for the establishment by the Provincial Government of a general agricultural policy covering assembling, processing, transporting, storing and sale of farm products; proposed that the Provincial Government should provide for the assembling of special quality wheat, to be cleaned and processed at Dominion elevators at Saskatoon and Moose Jaw, preparatory to direct shipment overseas; urged that the Provincial Government buy annually about 6,000,000 bus. of coarse grains, hold it as insurance against crop failure and, in case of need, sell it to farmers at cost; advocated further steps towards the merger of co-operative organizations; and proposed that the Bank of Canada should have control of credit and currency and that it issue credit to the Dominion, Provincial and Municipal Governments on their securities.

The Convention decided unanimously by Resolution to instruct the Board of Directors of the Organization to "assimilate and prepare authoritative material on the subject of setting up a western autonomous state within the British Empire, governed by a single Western Government elected democratically by the people." It was argued in favour of the resolution that unless the economic set-up of Canada could be made more favourable to the Western farmer there would appear to be no alternative for the West than to go on alone. The chief officers of the Organization were re-elected for another year.

### **Miscellaneous Departments, 1937 and 1938**

The Annual Report of the Department of Natural Resources for the year ended Apr. 30, 1937, dealt with the demand for homesteading land in the northern part of the Province arising out of the prolonged drought in the southern sections. These demands were stated to be far in excess of suitable available land. Although the Province had nearly 70,000,000 acres of unsurveyed land, only small areas of it had any agricultural value, as far as had been determined. Vacant surveyed land amounted to 1,397,000 acres, about 1.72 per cent. of the surveyed area of the Province, and of this only a small area appeared suitable for settlement. A survey had revealed a few blocks of land suitable for settlement, and these, consisting of approximately 185 sections, had been reserved for the Northern Settlers' Re-establishment scheme. The Report for the year ended Apr. 30, 1938, stated that almost the entire area of 71,052 acres homesteaded through district land offices during the year, 1937-38, consisted of land which had come into possession of the Department through abandonment by former owners. Owing to the drought, the forest fire hazard was high and 7½ per cent. of the forest area was burned over with the loss of many fine stands of young timber. Most of the large commercial timber stands escaped. The forest industries were active. Owing to labour troubles in the lake states of the United States there was an active demand for spruce pulpwood from Saskatchewan.

The Annual Report of the Department of Public Works for the year ended Apr. 30, 1937, showed that only urgent capital expenditures were made during the period. The amount voted for this Department for the year, 1936-37, was \$1,515,749, and slightly less than this amount was expended, the largest item, \$1,302,184, being for public buildings and institutions. Economy was again practised in the next fiscal year, 1937-38, \$1,495,041 being voted and \$1,454,737 being expended. At the end of the first period 3,694 inmates were in Provincial institutions and at the end of the second period, 3,774.

The Annual Reports of the Saskatchewan Power Commission for the calendar years, 1937 and 1938, showed that in the first of the two years the Commission extended its system by purchase of the Canora power system and the addition of 25 miles of transmission line to the Tisdale System. It had a net loss for the year of \$12,617 after meeting all operating and interest charges and making provision for depreciation and replacement. Total revenue was \$1,166,554, operating costs were \$673,271 and interest on capital \$371,365. During the second of the two years, 42 miles were added to the transmission system and a number of other extensions and renewals of the Commission's property were undertaken. The net loss on the year's operations was only \$570. Revenue amounted to \$1,173,621, operating costs to \$665,172, leaving an operating profit of \$508,449 available for interest charges, depreciation and replacement reserves.

Annual Reports of the Workmen's Compensation Board of Saskatchewan showed that 4,693 employers reported to the Board in the calendar year 1937 and 4,470 in the calendar year 1938; the total payroll reported in 1937 was \$30,214,374 and in 1938 \$30,824,315; benefits paid out in 1937 amounted to \$451,543 and in 1938, \$476,586; and claims reported, 5,059 and 5,190, respectively.

During the fiscal year ended Apr. 30, 1937, the major part of the highway improvement programme carried on by the Department of Highways and Transportation was under the Dominion-Provincial cost-sharing agreement by which the Dominion contributed 50 per cent. of the cost, exclusive of administrative costs. The programme covered 486.7 miles, which with work on a rock dam and a highway bridge, cost \$1,307,213, of which the Dominion paid \$647,896. Works for the elimination of level crossings were extensive and cost \$78,113, the major share of this amount being paid by the Board of Railway Commissioners. In the following fiscal year, 1937-38, the highway improvement programme, carried out under a similar agreement with the Dominion Government, covered 722.9 miles and cost \$941,482, of which the Dominion contributed \$458,374. A second Dominion-Provincial agreement covered works to assist in the provision of transportation facilities into mining areas and under it the Dominion contributed 66⅔ per cent. of the cost of such works. The total expenditure under this agreement was \$156,685. On works for the elimination of dangerous railway crossings \$106,777 was spent of which the Province's share was \$29,006. Other crossing-elimination works cost \$14,750 of which the Province paid \$2,340. In each case the Board of Transport Commissioners contributed the balance.

The Annual Reports of the Department of Municipal Affairs stated that the net municipal debenture debt for the entire Province after deducting sinking funds created for retirement of debentures and eliminating debentures assumed by purchasers of electric light utilities was \$41,268,149 for 1938; \$42,366,687 for 1937; and \$43,695,702 for 1936. The total amount of debenture indebtedness past due was \$8,960,386 at the end of 1938; \$7,979,966 at the end of 1937; and \$6,776,115 at the end of 1936. For the



year 1938, the reduction in the aggregate assessment of rural municipalities amounted to \$7,165,329; in 1937, \$16,107,322; and in 1936, \$15,362,435.

Because of cancellation of large sums of arrears of taxes with no immediate adjustment of liabilities such as those owing to unsecured creditors and banks, 52 rural municipalities in 1938, as compared with 56 in 1937, exhibited deficits in their financial position which meant that liabilities exceeded assets. The total of the combined deficits at the end of 1938 of such municipalities was almost \$1,200,000, as against an aggregate book surplus of over \$8,300,000 in the remaining 250 rurals. The total of the combined deficits at the end of 1937 was \$2,000,000, as against a surplus of over \$8,000,000 in the remaining 246 rurals. The picture was, however, not quite as gloomy as it might appear as 34 out of 52 rurals in 1938, and 26 out of 56 rurals in 1937, "in the red" had reserves which exceeded their deficits and another 10 rurals in 1937 had reserves which were almost equal to deficits.

The Annual Report of the Bureau of Labour and Public Welfare for the year ended Apr. 30, 1937, covering the operation of the Farm Improvement and Employment Plan, to the financing of which the Dominion Government contributed 50 per cent. of the cost, showed that during the year a total of \$1,023,351 was paid to persons placed under the plan; \$621,812 to 27,524 employers; and that the cost of transportation and clothing for persons placed brought the total net cost to \$1,652,727, for which employment to the amount of 4,214,824 man-days was secured. During the year ended Apr. 30, 1938, there were 31,948 placements, \$1,308,800 being paid to persons placed; to 31,747 employers, \$783,336 was paid; and transportation and clothing brought the total cost to \$2,100,510. During the calendar year 1936 there was only one industrial dispute, affecting 4 persons, in the Province, and during the next year three disputes affecting 24 persons. By December, 1938, about 20 Credit Unions had been incorporated under the legislation of the previous year providing for their establishment.

The total amount of money expended on relief assistance during the year 1937 was \$17,332,587 and during 1938, \$18,413,085, according to the Director of Relief.

The following table shows the number of persons on relief, segregated into the categories of Family Heads, Dependants and Single Persons for December, 1937 and December, 1938:

	Family Heads	Dependants	Single Persons	Total
<b>December, 1937</b>				
Material Aid .....	16,578	53,905	3,685	74,168
Agricultural Aid .....	65,829	257,265	8,135	331,229
Total .....	82,407	311,170	11,820	405,397
<b>December, 1938</b>				
Material Aid .....	15,600	51,107	4,777	71,484
Agricultural Aid .....	50,203	195,790	5,785	251,778
Total .....	65,803	246,897	10,562	323,262

The Saskatchewan Voluntary Rural Relief Committee composed of ten members, none of whom received remuneration for their services, stated in their Report for the year end Aug. 30, 1938, that they had received donations to the extent of \$9,186 in addition to grants given to them by the Provincial Government. The activities of the Committee, which had been formed in 1932 to meet certain exigencies, were reported, for the year 1938, as follows: 771 cars of vegetables had been received from different Provinces; 2,092 children had been given assistance by donations and 13,829 by grants; yarn and yarn goods were sent to 147 Women's organizations and blankets to 61 organizations; household sup-

plies were sent to 40 homes; 993 layettes were donated to expectant mothers. A number of special cases and fire losses were also given assistance.

The amount spent under the Provincial Department of Public Health in the fiscal year 1936-37 was \$1,336,689 and in 1937-38, \$1,518,566. The *per capita* expenditure for the two years was \$1.44 and \$1.62 respectively. Grants to hospitals and sanatoria and cost of Mental Hospitals accounted for about three-quarters of the expenditure during the two fiscal years. The amount spent in maternity grants was \$59,299 in 1936-37 and \$55,799 in 1937-38. Cancer services cost \$45,984 and \$46,549, respectively. The Province in the calendar year 1937 had 78 Government-aided hospitals and 10 Red Cross outposts (hospitals); with a population of 939,000 it had one hospital bed for every 197.6 persons; the value of hospital buildings and equipment was estimated at \$8,615,693 and the fees of the patients amounted to \$2,639,585. In the calendar year of 1938 it had 80 Government-aided hospitals and 10 Red Cross outposts; with a population of 941,000 it had one hospital bed for every 218 persons; the value of the buildings and equipment was estimated at \$8,546,807 and the fees of the patients amounted to \$2,668,459.

The estimated population of the Province as at June 1 in each of the two calendar years was as follows: 1937, 939,000; and 1938, 941,000. The Office of the Registrar General (Vital Statistics) recorded the following statistics for 1937 and 1938, respectively: births, 18,640 and 18,230; marriages, 5,790 and 5,893; and deaths, 6,927 and 6,079.

Reports of the Saskatchewan Cancer Commission showed that during the first seven years (1932-1938), that the two cancer clinics had been in operation at Regina and Saskatoon, a total of 4,839 cases were admitted, 2,800 of which were diagnosed as cancer, 167 as pre-cancer, 1,686 as not-cancer, and 186 undiagnosed.

The Annual Report of the Bureau of Child Protection for the year ended Apr. 30, 1937, gave the number of wards of the Commissioner of Child Welfare and of the Children's Aid Societies of the Province as 1,046 for the fiscal year, as compared with 1,010 for 1937-38. An apparent increase in juvenile delinquency in larger towns and cities was noted in the 1936-37 Report and the Commissioner suggested that the problem would have to be dealt with constructively. Playgrounds and hockey rinks might have to be provided and consideration given to better housing and character-building agencies. At Apr. 30, 1937, the Province, under the Mothers' Allowance Act was paying allowances to 2,958 families and by Apr. 30, 1938, the number had increased to 3,007. The cost for the year ended at the former date was \$484,068 and for the year ended at the latter date, \$495,988.

With so many districts of the Province suffering from drought during the two years there had been a steady increase in the number of applications for Old Age Pensions. The total number receiving pensions in 1936-37 was 11,440; and in 1937-38, 11,761. The total paid in pensions in 1936-37 was \$2,317,870; and in 1937-38, \$2,399,435. In 1937-38, 54 blind persons received pensions amounting to \$5,475.

Sales of liquor by the Liquor Board for the fiscal year ended Mar. 31, 1937, amounted to \$6,718,218, and profit carried to the balance sheet amounted to \$1,451,275. For the next fiscal year sales of liquor amounted to \$6,042,165, and profit carried to the balance sheet amounted to \$1,245,518.

The net revenue of the Department of the Provincial Secretary was \$1,064,874 in the fiscal year ended Apr. 30, 1937, and \$996,020 in the next

fiscal year. In the former year 391 theatres and 514 public halls were licensed and in the latter year 423 theatres and 515 public halls.

## The Province of Saskatchewan

(As at Dec. 31, 1938)

Lieutenant-Governor ..... The Hon. Archibald Peter McNab

### The Patterson Ministry\* (Liberal)

(As at Dec. 31, 1938)

Prime Minister, President of the Council, Provincial Treasurer, and Minister of Telephones and Telegraphs ..... The Hon. William J. Patterson  
 Minister of Public Health, Minister of Public Works ..... The Hon. J. M. Uhrich, M.O.  
 Attorney-General, and Minister in charge of The Loan Companies Act, and The Trust Companies Act ..... The Hon. T. C. Davis, K.C.  
 Minister of Education ..... The Hon. J. W. Estey, LL.B., K.C.  
 Minister of Municipal Affairs, and Minister in charge of The Bureau of Labour and Public Welfare ..... The Hon. R. J. M. Parker  
 Minister of Agriculture ..... The Hon. J. G. Taggart, B.S.A.  
 Minister of Natural Resources, and Minister in charge of The Saskatchewan Insurance Act, The Fire Prevention Act, The Prairie and Forest Fires Act, and The Companies Inspection and Licensing Act, 1936 ..... The Hon. William F. Kerr  
 Minister of Highways and Transportation, and Minister in charge of The Child Welfare Act, and The Old Age Pensions Act ..... The Hon. A. T. Procter, LL.B., K.C.  
 Provincial Secretary, and Minister in charge of The Provincial Tax Commission, The King's Printer's Office, The Bureau of Publications, and The Theatres and Cinematographs Act ..... The Hon. E. M. Culliton, B.A., LL.B.  
 Speaker of the Legislative Assembly ..... The Hon. Charles Agar

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Clerk of the Executive Council, and Deputy Provincial Secretary and Registrar of Joint Stock Companies ..... J. W. McLeod  
 Deputy Attorney-General ..... Alexander Blackwood, K.C.  
 Deputy Provincial Treasurer ..... Thomas Lax, C.A.  
 Acting Provincial Auditor ..... F. A. Robertson, C.A.  
 Deputy Minister of Agriculture ..... F. H. Auld, LL.B.  
 Deputy Minister of Education ..... J. H. McKechnie, LL.B., O.P.A.E.O.  
 Deputy Minister of Highways and Transportation ..... H. S. Carpenter  
 Deputy Minister of Municipal Affairs ..... J. J. Smith, B.A.  
 Deputy Minister of Natural Resources ..... J. R. Hill  
 Deputy Minister of Public Health ..... R. O. Davison, M.D.  
 Deputy Minister of Public Works ..... J. M. Smith  
 Deputy Minister of Telephones and Telegraphs ..... W. H. Warren  
 Legislative Counsel ..... J. P. Runciman  
 Clerk of the Legislative Assembly ..... (Vacant)  
 Chairman, Public Service Commission, and Chairman, Board of Revenue Commissioners ..... F. W. G. Miles  
 Chairman, Local Government Board ..... S. P. Grosch, K.C.  
 Chairman, Milk Control Board ..... B. A. Cooke  
 Commissioner, Bureau of Child Protection and Mothers' Allowances ..... L. B. Ring  
 Commissioner, Old Age Pensions ..... W. C. Mills  
 Commissioner, Bureau of Labour and Public Welfare ..... Thos. M. Molloy  
 Commissioner, Bureau of Publications ..... S. J. Latta  
 Commissioner, Northern Settlers' Re-establishment Branch ..... G. J. Matte  
 Commissioner, Provincial Tax ..... Loy S. Sifton, K.C.  
 King's Printer ..... Thos. H. McConica  
 Superintendent of Insurance, Fire Commissioner, and Registrar of Security Frauds ..... Arthur E. Fisher  
 Director of Nursing Services ..... Miss Ruby M. Simpson  
 Commissioner, Saskatchewan Power Commission ..... L. A. Thornton  
 Chairman, Liquor Board ..... N. B. Williams

\*NOTE.—There was only one change took place in the Cabinet between Dec. 31, 1938, and Dec. 31, 1939; to Mr. Estey's duties as Minister of Education were added those of Attorney-General, Minister in charge of The Loan Companies Act, and The Trust Companies Act, and the Saskatchewan Power Commission.



## THE PROVINCE OF ALBERTA

### Social Credit Efforts during 1937 and 1938

The two years, 1937 and 1938, were notable in Alberta for the continued attempts of the Social Credit Government to establish their promised economic system. Elected to office in 1935 with 56 seats out of 63, the new Government, with the Hon. William Aberhart as Prime Minister, asked for eighteen months in which to establish Social Credit. Fourteen months of the period had elapsed when the year 1937 opened and found the Government considering a Report of the Special Cabinet Committee which had been appointed on Dec. 18, 1936, to formulate a plan for the establishment of the new order. This order the Prime Minister had promised, would free Alberta and its people from their economic ills. R. E. Ansley, Secretary of the Alberta Social Credit League, and John Hargrave, a leader of the Social Credit organization in the United Kingdom, acted as advisers to the Committee, the latter in an honorary capacity. The Report, as summarized in the press, made certain proposals, among them the following: the issue of debt-free Alberta money negotiable within the Province; the establishment of a Central Credit House with branches throughout the Province; a retail price-discount system, retailers to deduct a discount from their sales prices and be reimbursed by the Government in the new Alberta money; reduction in taxation by substitution of the interest-free money; a Provincial wholesale organization to handle import and export trade, using Alberta money to buy products within the Province and receiving Dominion money when they were sold outside the Province; interest-free loans, either in Alberta money or from the surplus of Dominion money accumulating in the Provincial Treasury; monthly dividends of \$5 in Alberta money for every registered citizen; enforced acceptance of Alberta money for debts; preservation and development of natural resources in a defined area under the Social Credit financial system in place of outside capital; extension of public and private debt adjustment legislation; and operation of a Government propaganda bureau. In its main principles the plan was patterned on the theories of Major C. H. Douglas, of England, originator of Social Credit (Canadian Press dispatch, *Winnipeg Free Press*, Jan. 7, 1937).

At the beginning of January, Hargrave, the Social Credit adviser from London, was optimistic about the possibilities of Social Credit in Alberta. The Province, he said (*Canadian Press* dispatch, Jan. 2, 1937), should cut away the burden of bank-debt. The following day, the Prime Minister, Mr. Aberhart, stated in a public address that he had no intention of sponsoring drastic, radical legislation of a kind that would knock finance off its pedestal. He felt sure that the policy of the Government in respect of development of natural resources (oil) in Turner Valley would not be changed. Although the 18-months' period which he had allowed himself for the establishment of Social Credit had not expired, the vigorous hold-ups experienced should entitle the Government to a six months extension if necessary. On Jan. 7, Mr. Aberhart stated that the Government had no intention of issuing new currency to conflict with the existing Canadian currency, as such a course

would be contrary to The Bank Act. On the same day he severely criticized Major C. H. Douglas for statements the latter had made regarding Social Credit affairs in Alberta. He said that when Douglas had been invited to assist in the establishment of Social Credit he had refused to accept any responsibility. He stated that John Hargrave was efficiently and capably rendering assistance in the experiment and he resented Douglas' attitude towards him. Douglas' statement that Alberta must first secure control of her own credit system indicated his lack of comprehension of the constitutional authority of the Province under The B.N.A. Act. Hargrave also denounced Douglas' attitude towards Alberta, especially for his failure to help the Social Credit effort.

Before the end of January, Hargrave left Edmonton. In a statement to the press (Canadian Press dispatch, Jan. 25, 1937) he declared that he had done his utmost to help. "I am leaving Alberta because I find it impossible to cooperate with the Government which I consider a mere vacillating machine which operates in starts, stops and reversals". He was not sure that the Government were groping their way in the right direction. Mr. Aberhart responded by terming Hargrave a "faithless man" and an "ambitious egotist even though he is a self-styled advocate of Douglas Social Credit". He had been forced to conclude that Hargrave was an irresponsible person with some "sinecure" motive in coming to Alberta and he was glad the Government had not become too greatly involved with him. A few days later Mr. Aberhart released a copy of a cablegram from the London Social Credit Secretariat disassociating itself from Hargrave's criticism of the Alberta Government.

During the early part of 1937 dissension was rife in the ranks of Social Credit. A section of the Members of the Legislature wanted action more quickly than Mr. Aberhart and his Government were providing it. It was largely as a result of such demands for action that an attempt was made to enact various measures at several Sessions of the Legislature. Those measures were refused Assent, disallowed or finally referred to the courts, where they were declared unconstitutional. The first Annual Convention of the Alberta Social Credit League was held in Edmonton in January, 1937. Mr. Aberhart told the Convention that he was chafing at the bit to bring in the new economic order. He pointed out that the movement was at a difficult stage. A resolution favouring the licensing of the press was tabled. Resolutions were passed advocating state medicine and the extension of mothers' allowances and workmen's compensation.

Following a broadcast statement that it was for supporters of Social Credit to decide whether he should resign office or continue his efforts (which efforts had not resulted in the establishment of Social Credit within the eighteen months he had allowed himself) Mr. Aberhart stated that messages he had received indicated a general desire that he should carry on. Nevertheless, criticisms about the delay grew in number. On Mar. 12, 1937, the Red Deer Social Credit group forwarded resolutions to the Government to the effect that unless definite steps were taken to assure Social Credit the Government should resign. Mr. Aberhart claimed that this was the only group heard from which failed to support the course of the Government. At Ottawa P. J. Rowe, Social Credit Member of the House of Commons for Athabaska, said that he did not know of a single step for the effective inauguration of Social Credit taken by the Administration in Alberta. His criticism was disapproved by J. H. Blackmore, Social Credit Leader in the House of Commons, who claimed that Rowe could not know Aberhart's strategy and that he, himself, had full confidence in Aberhart.

At Edmonton, on Apr. 18, Mr. Aberhart called on Members of the Social Credit Party to decide between the Government and insurgent Members of the Legislature. It was for them to determine whether his Government or another should conduct affairs. He denounced as silly slander reports which he said were circulating to the effect that he had sold out to the financiers. On Apr. 22 Charles Cockroft, who had resigned earlier from the Aberhart Cabinet, charged in a public statement that Mr. Aberhart and certain members of the Government had proposed that the Province sell out its sinking funds, which course would have led to the mis-use of trust funds and a loss to the Province of \$1,200,000. (Canadian Press dispatch, Apr. 23, 1937). At this time Mr. Aberhart announced in his constituency of Okotoks that he was not going to resign at the demand of any little group, but was going to stay with his duty until he was put out. He said that Mr. Cockroft had taken semi-truths and twisted them to suit his own advantage. In another utterance he said he did not want an Election, but desired that the people should make known their wishes through their representatives. A number of Social Credit Members criticized the enforced resignation of Mr. Chant as Minister of Agriculture. Mr. Aberhart attributed to "a hand behind the scene" the activities of insurgents in his Party and warned Social Credit Members not to play into the hands of financiers.

Following the meeting of the Legislature which adjourned in April a group of about twelve insurgent Social Credit Members held a number of public meetings in the Province in which they criticized the course of the Government and defended their own efforts to secure action on Social Credit.

When the Legislature met again in the adjourned Session in June some of the insurgent Members, reassured by the progress made by the Social Credit Board, returned to their allegiance. About 75 per cent. of the members of the party had signed the pledge to support Social Credit efforts. Former members of the Aberhart Cabinet, however, continued to criticize the Government. Mr. Chant, former Minister of Agriculture, stated in August that he could no longer support the Government and would act as an Independent Member in the House. The Social Credit organization in Mr. Chant's constituency of Donalda called upon him to support the Government or resign. Mr. Huggill, former Attorney-General, also withdrew all support from the Government and declared his intention of working for their defeat. He charged that Mr. Aberhart was exercising a dictatorship and that spies were reporting the doings and sayings of Government officials to the Prime Minister (Canadian Press dispatch, Sept. 23, 1937).

In the meantime, G. L. MacLachlan, Member of the Legislature and Chairman of the Social Credit Board, set up earlier, had gone to England in May to negotiate with Major Douglas to return to Alberta as an adviser. As a result, it was arranged that two of Major Douglas' associates should come to the Province. About this time Major Douglas published in England a book in which he criticized the failure of the Aberhart Government to establish Social Credit. Mr. Aberhart retorted that Douglas had been given an opportunity on two separate occasions to come to Alberta and work for the establishment of Social Credit and that if he had suggestions for the rapid introduction of Social Credit it would have been better for him to have made them known. Early in June press control legislation which was later sponsored by the Government in the Legislature was foreshadowed by the Prime Minister in a public statement in which he said that some form of discipline designed to remove weaknesses of the press and to restore it to freedom from the clutches of financial, political and commercial organizations was necessary



(Canadian Press dispatch, June 7). On June 10 Mr. MacLachlan returned from England bringing with him George F. Powell of the London Secretariat of the British Social Credit organization. A little later Mr. MacLachlan as Chairman of the Social Credit Board requested Social Credit Members of the Legislature to sign a pledge to support Social Credit effort as made on the advice of technicians.

The Alberta Government on July 21 issued a circular letter to all bank branches in the Province. While this letter did not inform the banks what was required of them, it set forth that for every dollar owed by the people of Alberta only twenty cents was available for payment and that this disparity, as well as others, must be quickly adjusted and arrangements must be made so that such anomalies should not recur. The banks were told that for the work required of them adequate remuneration would be paid and the Government would assume responsibility for ensuring that neither the banks nor their depositors would suffer any direct monetary loss as a result of the Government's adopting the measures necessary to make finance within the Province record in figures that which took place in fact. The full terms of this circular, together with explanatory notes on each separate term in the form of a memorandum to Social Credit Members of the Legislature were published in the press on Aug. 4, 1937. The letter to the banks and the memorandum to Members was part of the strategy of the Social Credit plan developed by the Social Credit Board on the advice of its technicians from England. S. H. Logan, President of the Canadian Bankers' Association, issued a statement saying that the banks were willing to serve and co-operate with the Province within the provisions of The Bank Act and in keeping with the principles of sound banking, but that it was not clear what was required of them.

Initial recommendations for the inauguration of Social Credit had been made by Major Douglas after he had received a favourable report from his experts in Alberta, G. L. MacLachlan, Chairman of the Social Credit Board, stated on July 26. The first steps were being put into operation by the Government, he said. When the bank control legislation was put through Major Douglas cabled Aberhart: "Good work. Rush appointment of bank directors." After this Measure was passed at the Special Session of the Legislature in August, MacLachlan and the two advisers from England, G. F. Powell and L. D. Byrne, were appointed as a temporary Commission to administer Social Credit.

On Aug. 11 the Prime Minister of Canada asked Mr. Aberhart by telegram whether his Government would be willing to facilitate a reference to the Supreme Court regarding the validity of the legislation passed at the August Session of the Legislature and whether they would undertake not to take any steps to enforce the legislation pending determination of the reference. Mr. Aberhart professed to be "dumbfounded that such a request should come from the Prime Minister" (Canadian Press dispatch, Aug. 16). In his reply to Ottawa the next day Mr. Aberhart stated that "we are compelled by the mandate of our people to proceed with the enforcement of our legislation and with due deference we suggest that the responsibility of questioning its validity should be assumed by those desiring to render it abortive." Stating that his Government upheld Confederation, he said they would deeply regret the results if tension among a debt-ridden and poverty-stricken people were increased by the faintest suspicion that the Dominion Government would side with plutocratic bankers alien to the Province against democratic Albertans earnestly seeking their economic freedom. If the banks wanted to contest

the legislation the Government, Mr. Aberhart stated, would grant them flats after they had been licensed and Social Credit directorates to control their policy had been set up.

Disallowance of three Bills passed at the August Session for setting up Social Credit, and involving control of banks, followed this exchange between Ottawa and Edmonton. Disallowance was recommended by the Minister of Justice, the Rt. Hon. Ernest Lapointe, on the ground that the Alberta legislation was "an unmistakable invasion" of the legislative field of the Dominion Parliament, and that it conflicted with Dominion laws and would lead to confusion and injury to the public interest of Canada. The Rt. Hon. Mackenzie King stated that he would have preferred to have had the legislation referred to the courts. In London, Major Douglas took the view that Mr. Aberhart was right and the Dominion Government, wrong.

Following disallowance, Mr. Aberhart announced that another Special Session of the Legislature would be held to enact substitute legislation and at the same time sent a telegram to Mr. Mackenzie King denouncing the Dominion action. In this message he denied the authority of the Dominion Government to disallow Provincial legislation, declaring that such disallowance was a violation of property and civil rights. He said that "future disclosure of the institutions so self-evidently inciting you to disallow our legislation will simultaneously saddle your Government with full responsibility for producing a most serious constitutional crisis." He added that "Our people insist that we are pledged to go forward in obedience to them, not to you nor to the banks." About the same time, Mr. Aberhart announced that a six months' Moratorium on debts would be brought into effect and stated that this action was being taken as a result of disallowance. The Moratorium was designed to prevent Alberta from being drained of money by financial institutions. Mr. Aberhart said that while the banks would try to induce people to believe that they were being penalized there need be no qualms on that score because the banks could manufacture all the money they needed at practically no cost. Social Credit handbills were circulated in Edmonton condemning the course of the Dominion Government in disallowance.

Departing for England, L. D. Byrne, Social Credit adviser, declared he was convinced that nothing would stop Mr. Aberhart from leading the people of Alberta to the full enjoyment of their real wealth. He was satisfied the Government had the situation well in hand. When Alberta emerged victorious it would be the end of financial tyranny and the dawn of a new civilization for the whole world. It was no exaggeration to say that the fate of humanity would be decided at Edmonton in the next few weeks. Mr. Byrne was to continue as a member of the Social Credit Commission temporarily and in an honorary capacity. The Order-in-Council bringing the announced Moratorium into effect was signed on Aug. 25. Certain debts were exempted from its operation.

In a further communication to the Dominion the Prime Minister (Mr. Aberhart) stated the intention of his Government to give effect to the legislation which the Dominion Government had purported to disallow. This attitude was approved by Major Douglas in London. Mr. Aberhart declared the legislation in question would remain the law of the Province until invalidated by the courts. However, the question of whether disallowance was effective was settled, according to a Canadian Press dispatch from Ottawa dated Sept. 4, announcing that a proclamation of the disallowance had appeared in *The Canada Gazette* over the name of the Lieutenant Governor

of Alberta, the Hon. J. C. Bowen. It had not been published in *The Royal Gazette of Alberta*. Later, Orders-in-Council were passed at Edmonton prohibiting court officials from receiving and recording any claims or notices of action to question the validity of Alberta legislation. These Orders were designed to offset the effect of disallowance.

After the Legislature had passed measures at a further Special Session in September-October (1937) designed to replace those disallowed and the Lieutenant Governor had withheld assent from these and also from a press control measure, referring them to the Governor General-in-Council (See under Sessions of the Legislature), Mr. Aberhart made submissions to the Dominion Government. He took the position that the Bills which had failed to secure Assent were sound legislation. He proposed a reference to the courts to determine the right of the Dominion Government to disallow any Provincial legislation and a further reference as to the validity of the press control measure, but advocated test cases in the courts as to the validity of the legislation affecting banks, including those dealing with taxation of banks and credit regulation. He held that it was necessary that these latter Bills should become law in order that such test cases might be proceeded with. The press control measure was vigorously protested at a meeting of the Alberta Division of the Canadian Weekly Newspapers Association in Edmonton early in October. A protest was sent by the Association to the Federal Prime Minister. Mr. Aberhart in a public address referred to the refusal of the Lieutenant Governor's Assent to legislation and said the situation was dangerously near the point of challenging representative government. At a meeting in Toronto of the Board of Directors of The Canadian Press a resolution was passed protesting the Alberta press control measure.

Early in November, L. D. Byrne returned from England to assume new duties as permanent Social Credit Commissioner. After the Dominion Government had decided to refer to the Supreme Court the three measures to which Assent had been refused, Mr. Aberhart stated in a public address that if the decision of the Supreme Court and the Privy Council were unfavourable to the Province other legislation might be put through attacking the problems involved from another angle. In mid-December it was reported at Ottawa that Major Douglas had been engaged as Social Credit adviser to the Aberhart Government but this was not confirmed. During the final weeks of 1937 the Social Credit Board and the temporary Social Credit Commission were engaged in planning further steps for the coming year, including additional legislation.

## 1938

With the opening of 1938, spokesmen for the Government and the Social Credit Board issued statements expressing determination to pursue the effort for the establishment of the proposed new economic order. G. L. MacLachlan, Chairman of the Social Credit Board, stated that the effort would be intensified. It would be in the direction of mobilizing the will of the people and the subordination of financial machinery in their interests. L. D. Byrne, British Adviser to the Social Credit Board who had been appointed Social Credit Commissioner, condemned suggestions that a course of instruction in social dynamics which he was to conduct would have a political character. The Social Credit Board appointed a Director of Information in the person of H. D. Carrigan who was to gather information for the press. In a public address in March, 1938, the Hon. Lucien Maynard declared that the total abolition of taxes was a practical possibility. He criticized the taxation of



land while mortgages on the land were untaxed and suggested that a tax on production would be a saner method of raising money. (Both of the taxes suggested were provided for in legislation enacted at the 1938 Session of the Legislature.)

The first official Report of the Social Credit Board was submitted to the Legislature on Apr. 6. It computed the capitalized value of Alberta resources at 230 billions of dollars and maintained that the standard of living could be raised eight times by developing these resources at the rate of one-half of one per cent. per year. It suggested the possibility of an average income of \$1,500 for Alberta residents from these resources. The Board took credit for originating the legislation for bank taxation, credit regulation and press control. It urged the creation of a Provincial police force to replace the R.C.M.P. It claimed its activities had made it clear that the issue of national life in Canada was between the people and the money power. It held that the evidence was overwhelming and conclusive as to the practicability of dividends of \$25 a month together with price reductions and a fifty per cent. reduction in taxation. All that stood in the way was the opposition of the banks and financial institutions supported by the Dominion Government. It was revealed in the Report that Major Douglas had warned the Province to beware of the Royal Commission on Dominion-Provincial Relations. With the legislative appropriation for the Social Credit Board increased from \$50,000 to \$100,000 for 1938 the personnel of the Board's organization was enlarged. Mr. Byrne's status was changed from that of Social Credit Commissioner to Technical Adviser following the repeal of the former Social Credit Act and the substitution of The Act for the Realization of Social Credit of Alberta. Byrne's salary was \$6,000 a year. In May, Mr. MacLachlan issued a long statement explaining the purposes and activities of the Social Credit Board. In May, G. F. Powell, British Adviser to the Board, left Alberta for England. The previous month he had been released on ticket-of-leave from Fort Saskatchewan jail after serving part of a six months' sentence for defamatory libel. In May Mr. Aberhart and other Alberta Social Credit leaders were campaigning in Saskatchewan in connection with the Provincial General Elections of that Province. (See under Saskatchewan). In the same month a public meeting of electors in Mr. Aberhart's Alberta constituency passed a resolution calling upon the Prime Minister to resign and submit his policies to the electorate.

In June (1938) Mr. Aberhart sent a telegram to the Dominion Prime Minister stating that the Government had been advised that branch bank managers were advising people of the possible withdrawal of the banks from the Province unless the laws were changed, and suggesting that this was a matter for the attention of the Dominion Government. Mr. Aberhart also appealed to the Dominion Prime Minister to join with Alberta if necessary to oppose the opposition of organized financial interests to proposed reforms.

After the Supreme Court of Canada had found against the Province on the references as to the constitutionality of Social Credit legislation put through by the Aberhart Government in 1937 and as to the right of the Dominion to disallow Provincial legislation and the right of the Lieutenant Governor to reserve assent, Mr. Aberhart announced in June that his Government was deferring the proposed appeal on disallowance to the Privy Council. He gave as reasons a desire to have other Provinces support the appeal on disallowance and the advice of counsel that the question of disallowance had been presented in a manner which precluded the raising of fundamental questions. Later, Mr. Aberhart assured his followers that he was not discouraged

by the failure of Social Credit in the Saskatchewan Election. In a statement on June 14 Mr. Aberhart viewed announcements of the Bank of Montreal and the Bank of Commerce that six branch banks in the Province would be closed as a move to embarrass the Government.

On June 15 Mr. Mackenzie King announced at Ottawa the disallowance of two Acts passed at the 1938 regular Session of the Legislature, namely, the Home-Owners Security Act and the Securities Tax Act. The first of these undertook to provide that no mortgage could be foreclosed on an urban home until \$2,000 had been paid to the home-owner. The second proposed a two per cent. tax on mortgages whether held within or without the Province. Disallowance was on the grounds that the measures were an invasion of Dominion jurisdiction and in violation of The British North America Act. Other Acts of the Legislature were under review at Ottawa. Following disallowance Mr. Aberhart declared that the Dominion Government were under "thumb screws applied by the financial barons." He claimed that inaction by the Dominion Government had made the Alberta measures necessary and that it was obvious that the Dominion intended to repulse all efforts for the relief of the people. He held it to be evidence that Mr. King and his Government were champions of high finance.

The closing of branch banks was under discussion at a Social Credit caucus at Edmonton later in June and according to press reports (*Winnipeg Free Press*, June 28, 1938) proposals were made looking to the withdrawal of the banks from the Province and the establishment of other credit institutions. At the time there were about 200 branch banks in Alberta. At Toronto on July 12, 1938, Joseph H. Unwin, Social Credit Member of the Alberta Legislature, stated during a public address that if the Dominion kept on disallowing Alberta legislation a measure would be passed to prohibit anyone from taking money out of the Province and Alberta would pay its debts in goods and produce. (*Winnipeg Free Press*, July 13, 1938). In August Social Credit Members of the Dominion Parliament met in caucus at Edmonton with Mr. Aberhart and other members of the Government and it was decided to extend Social Credit organization work throughout Canada. A Special Committee was appointed to maintain contact between the Alberta Administration and the Dominion group. On Aug. 22 the third anniversary of Social Credit's triumph at the polls was celebrated by Social Credit organizations throughout the Province, the day being styled "Democracy Day." Mr. Aberhart and his Cabinet colleagues participated in the celebration at Edmonton, the Prime Minister claiming the Government had accomplished more in three years than other Governments in a quarter of a century. He proposed to drive ahead towards objectives in the next two years, indicating that no election would be held before 1940.

What was described as an interim plan for giving effect to Social Credit aims was announced in September. The plan provided for the opening of credit houses in the Province and by Order-in-Council \$200,000 was appropriated for the purpose. Persons operating accounts in these credit houses would be entitled to a consumers' bonus on goods purchased which the Government claimed would increase purchasing power and add to the return of producers. Five credit houses were opened at the end of the month. Under the plan merchants would receive "transfer vouchers" drawn by the purchaser on his account in the credit house and the bonuses and discounts would be applied to products of the Province. It was stated that the operation of the plan would make possible a \$3,000,000 rural road improvement project. At the

end of October Mr. Aberhart issued a list of 108 merchants in Edmonton and Calgary who had signed agreements to participate in the credit house programme. It was revealed in December that the Government were asking civil servants to accept 50 per cent. of their salaries in Treasury vouchers.

Near the close of 1938 Mr. Aberhart told a Social Credit meeting that he might work another year at full speed and then ask the people to let him retire.

### **By-Elections of 1937 and 1938**

For a By-Election in Edmonton, on Oct. 7, 1937, occasioned by the death of G. H. Van Allen, Liberal Member, there were five candidates. Mr. Gray, the Liberal Leader, ran as a Liberal with the backing of Conservatives and the People's League. Joseph A. Clark, Mayor of Edmonton, ran as a "People's Front" candidate, terming Mr. Gray a "Financial Front" man. Margaret Crang, Edmonton Alderman, was a Labour-Progressive candidate, Jan Lakeman was a Communist candidate and Rice Sheppard an Independent. Mr. Gray obtained a substantial majority over the combined votes for all the other candidates, the votes being: Gray, 17,788; Clark, 10,000; Lakeman, 1,779; Crang, 1,275; Sheppard, 257. A few days before the By-Election the Medicine Hat Branch of the People's League issued a statement advocating that the Dominion Government should dissolve the Legislature and appoint a Commission to take over the administration of the affairs of the Province.

Early in September, 1937, H. E. Wight, Social Credit Member for Lethbridge, resigned from the Legislature. In the ensuing By-Election on Dec. 2, A. J. Burnap, Social Credit, was opposed by Dr. Peter M. Campbell, Unity candidate. Dr. Campbell held that the issue was the overthrow of the Aberhart Government. In the campaign, Mr. Aberhart declared that the fight was a crisis between the people and money. The Unity candidate was supported by Liberals, Conservatives and some members of the U.F.A. and by the People's League. Members of the Government campaigned for the Social Credit candidate. The Unity candidate won with 4,099 votes, as against 3,279 for the Social Credit candidate. This was a decline of eight per cent. in the Social Credit vote from the previous Election.

In a By-Election in Athabaska on Nov. 7, 1938, occasioned by the death of the sitting Member, C. C. Ross, a former Minister of Lands and Mines in the Aberhart Cabinet, Social Credit retained the seat, its candidate, Clarence H. Tade, defeating the only other candidate, Charles J. R. Whiteley, Liberal, by 1,743 votes to 1,479. Mr. Tade had carried the constituency in the 1935 General Election by a vote of 1,764, against 950 for a Liberal and 315 for a Conservative. He had resigned to open a seat for Mr. Ross on his entering the Government.

### **Court Cases and Judgments, 1937 and 1938**

Besides the Acts of the Legislature disallowed by the Dominion Government during this period a number of other Acts and certain Orders-in-Council were tested as to their validity in the courts, some of them being found invalid.

On Feb. 19, 1937, Mr. Justice A. F. Ewing in the Supreme Court of Alberta found that The Reduction and Settlement of Debts Act passed at a Special Session of the Legislature in September, 1936, was unconstitutional. An appeal from this judgment taken by the Alberta Government was heard by the Alberta Appellate Division on May 20-21 and on June 4 the Court unani-



mously upheld the lower court. Prior to the rendering of judgment, Mr. Aberhart had stated that in the event of such a finding the Government would proceed in the Legislature with a Bill to cut the principal of debts in half.

An action brought by the Independent Order of Foresters against the Lethbridge Northern Irrigation District to recover full interest on \$181,000 of bonds of the District came before Mr. Justice W. C. Ives in the Supreme Court of Alberta on Feb. 15, 1937, interest having been tendered at reduced rates under The Alberta Securities Interest Act of the previous year. Judgment on Feb. 23 declared the Act unconstitutional, notwithstanding that the Act provided for denying the right of action against its provisions, the claim for interest in full being allowed.

Following this judgment The Securities Interest Act was repealed by the Legislature on Motion of the Government and replaced by three new Acts, The Provincial Securities Interest Act, the Provincial Guaranteed Securities Interest Act, and The Provincial Guaranteed Securities Proceedings Act. Action brought by the Independent Order of Foresters designed to test the validity of the two last-named Acts came before Mr. Justice Ewing on Oct. 9, 1937, and his judgment on Nov. 1 held the Provincial Guaranteed Securities Interest Act *ultra vires* and the Provincial Guaranteed Securities Proceedings Act invalid as it affected the case on which judgment was given. The court awarded a writ of execution for collection of the claim for interest against the Irrigation District. The Government filed notice of appeal against these judgments on Dec. 10.

On Oct. 20, 1937, Mr. Justice Ives rendered judgment to the effect that an Order-in-Council prohibiting the entering of claims questioning the validity of Alberta statutes was invalid. The Order-in-Council had been passed on Sept. 25 and was designed to serve the purpose of certain amendments to The Judicature Act which the Dominion Government had disallowed on Aug. 17. Mr. Justice Ives gave judgment in \$1 against the clerk of the court who had refused, in compliance with the Order-in-Council, to enter a statement of claim.

On Nov. 2, 1937, it was announced by the Dominion Government that three measures passed by the Legislature of Alberta in Special Session in September-October following Dominion disallowance of previous legislation would be referred to the Supreme Court of Canada as to their validity. (See pp. 10-64).

On Mar. 1, 1937, the Supreme Court of Canada, Mr. Justice H. H. Davis dissenting, reversed judgments of Mr. Justice Ives of the Alberta Supreme Court and the Alberta Appeal Court under which a verdict of a jury before Mr. Justice Ives in 1934 awarding damages of \$10,000 to Vivian MacMillan in a seduction case against John E. Brownlee, former Prime Minister of Alberta, was rejected. The judgment restored the jury's verdict which Mr. Justice Ives, later upheld by the Appeal Court, had refused to enter. On June 17 the Judicial Committee of the Privy Council in London granted Brownlee special leave to appeal. (See *The Canadian Annual Review, 1935 and 1936*).

The Appellate Division of the Supreme Court of Alberta refused an application on Oct. 25, 1938, to reconsider its former finding that The Alberta Reduction and Settlement of Debt Act was *ultra vires*.

Hearing began before the Appellate Division of the Supreme Court of Alberta on Jan. 21, 1938, of an appeal brought by the Province from a judgment of Mr. Justice Ewing of the Supreme Court holding The Provincially Guaranteed Securities Interest Act and The Provincially Guaranteed Securities

Proceedings Act *ultra vires*. On May 23 judgment was given upholding the former judgment. On Sept. 19, 1938, the Appellate Division granted leave to the Province to appeal the judgment to the Privy Council.

On Jan. 19, 1938, hearings began before the Appellate Division of appeals brought by Unwin and Powell against their conviction on defamatory libel charges. On Feb. 7 the appeals were dismissed in unanimous judgments. Two days later Mr. Aberhart, the Prime Minister, appealed to the Minister of Justice of Canada for full remission of the sentences on the ground of the disturbed condition of public opinion and its effect on the public peace. On Feb. 10 the convicted men entered Fort Saskatchewan jail. At various times they were visited in the jail by Members of the Legislature. Thereafter repeated efforts were made to have the men released through Dominion action, including requests by the Legislature and petitions by the Social Credit Group in the House of Commons. Eventually both were released after serving approximately half of their respective terms. Unwin returned to the Legislature and received a warm welcome, after which he instigated further efforts for the release of Powell. The latter returned to England after his release.

On May 10, 1938, Mr. Justice Ewing gave judgment in favour of the plaintiff in an action challenging the right of the Province of Alberta to collect income tax on income of a citizen of the Province received and spent outside the Province. He held that such income was not taxable by the Province and that The Alberta Income Tax Act of 1932 was beyond the constitutional powers of the Province insofar as it purported to affect such income. On Dec. 9 a majority judgment of the Appellate Division reversed this judgment, Chief Justice Horace Harvey dissenting. Counsel announced intention to appeal to the Supreme Court of Canada.

The crucial stage in the constitutional controversy over the validity of Alberta legislation aiming at the establishment of Social Credit was reached on Jan. 5, 1938. (See pp. 10-14).

In Alberta, Mr. Aberhart stated that the position in respect of the credit regulation and press control measures would not seriously interfere with the Social Credit programme.

On May 2 a Pulitzer bronze plaque was awarded in New York to the *Edmonton Journal* for its leadership in defence of the freedom of the press in the Province of Alberta in the legal fight against the press control legislation, the plaque being presented to John M. Imrie, vice-president and managing director of the newspaper at an anniversary dinner of the Columbla University Pulitzer Graduate School of Journalism. It was announced at the same time that engraved certificates would be presented to five other daily newspapers and 90 weekly newspapers of the Province.

On June 7, 1938, the Alberta Government asked the Appellate Division of the Alberta Supreme Court to rule on the validity of The Agricultural Land Relief Act which had been passed at the regular session of the Legislature in 1938 and was not to be proclaimed until after such a ruling had been given. This Act proposed to levy a 7 per cent. collection on all Alberta agricultural produce sold to primary dealers in the Province. On Sept. 24 judgment was delivered in this reference. It held the legislation *ultra vires* on the ground that it created an indirect tax, power to impose which was vested exclusively in the Dominion Parliament.

## The 1937 Session of the Legislature, Feb. 25 to June 17

The Third Session of the Eighth Legislative Assembly of the Province of Alberta opened on Feb. 25, 1937. The Speech from the Throne was read by the Hon. Horace Harvey, Chief Justice of the Province and Administrator of the Government of Alberta. Reference was made to the abdication of His Majesty King Edward VIII and the accession of Their Majesties King George VI and Queen Elizabeth. In the early stages of the Debate on the Address-in-Reply to the Speech from the Throne, J. J. Bowlen, Liberal Party House Leader, called for the resignation of the Government in the light of the Prime Minister's admission of failure to carry out his undertakings. D. M. Duggan, Conservative Leader, moved a no-confidence Amendment to the Address, in which the Government were charged with failure to implement their undertakings and to evolve policies for meeting existing conditions. This Motion was defeated, 52 to 7. The Address was adopted without a division.

### Public Accounts, Estimates, the Budget, 1937

Public Accounts for the fiscal year ended Mar. 31, 1936, as tabled in the Legislature showed Revenue on income account as \$17,027,301, which was \$385,473 less than had been estimated, and Expenditure as \$18,966,896, which was \$505,643 more than estimated, the deficit being \$1,939,595. Estimates for the fiscal year ending Mar. 31, 1938, tabled in the Legislature, placed Revenue in Income Account at \$18,945,928 and Expenditure at \$16,980,358; these figures were exclusive of the Alberta Government Telephones account. Further Supplementary Estimates for the year ended Mar. 31, 1936, covering expenditures on Income Account by Special Warrants, amounted to \$286,907. Supplementary Estimates for the fiscal year ended Mar. 31, 1937, of expenditure on Income Account amounted to \$1,796,758.

In his Budget Speech, delivered in the Legislature on Mar. 12, 1937, the Treasurer of the Province, the Hon. S. E. Low, reviewed the position of the Provincial finances. He pointed out that the deficit of the Alberta Government Telephones for the fiscal year ended Mar. 31, 1936, was \$288,797, as compared with \$343,710 for the previous year, and that the total deficit of \$1,939,595 included provision for Sinking Funds of \$847,929. The Net Funded and Unfunded Debt totalled \$158,081,000, as against which stood income-producing assets of \$30,187,000, the balance being the Net General Debt, which was \$7,480,000 more than it was a year before. The Interim Financial Report for the 10 months of the fiscal year 1936-37 to Jan. 31, 1937, showed an excess of Receipts over payments on Income Account of \$2,252,847 before Unemployment Relief was met. The net cost of the Province's share of Unemployment Relief, which had been charged to Income Account since Apr. 1, 1936, amounted for the 10 months to \$1,980,926. The Provincial Treasurer reported a total increase in Receipts for the 10 months over the corresponding period of the previous year of \$2,219,054, of which \$354,000 was due to an increase in the Income tax rates; \$806,000 to a new Sales tax; \$175,000 to an increase in the Social Service tax; \$207,000 to the widened scope of the Gasoline tax; \$505,000 to increased profits from the Liquor Board; \$188,000 to increased collections of various fees and \$119,000 to larger returns from automobile licences and other sources. There was a net decrease of \$544,000 in payments for the period, largely due to decreases in payments on debt charges and sinking fund reserves. Mr. Low placed the net Funded and Unfunded Debt of the Province as at Jan. 31, 1937, at \$159,807,075, an increase of \$1,725,725 from Mar. 31, 1936.



The Treasurer stated that the Estimates for the year 1937-38 reflected the determination of the Government to adhere to the policy of keeping expenditures in balance with receipts. The Estimated Surplus of \$1,965,570 was arrived at by providing for payment of interest on the debenture debt at reduced rates of interest currently in effect and deleting the usual provision for sinking funds. Estimated relief expenditure of \$2,161,435 was included. He stated that receipts from the Sales tax had been \$1,000,000 less than estimated, and Dominion Subsidy payments had been \$239,000 less. In these circumstances, provision was being made to secure additional revenue. Taxes on banks were being increased \$150,000, on railways \$118,157, on insurance companies \$80,000, on gas and power companies \$47,000, on miscellaneous companies \$130,000, and increased licence fees were expected to produce \$40,000 more revenue. An extra \$450,000 was expected from the sales tax, \$300,000 from liquor profits, and, owing to a change in the licence year, \$607,000 from motor licences. The Estimated Expenditures showed a net decrease of \$1,585,813 from the current fiscal year after allowing for an Estimated Increase of \$663,768 in relief expenditure. Provision for interest on Public Debt was decreased by \$2,487,087 in keeping with the policy of tendering payment at the rates authorized by Order-in-Council of May 30, 1936. Provision of \$50,000 was made for the administration of the Alberta Credit Act, which was to be presented during the Session as a definite step towards establishment of a new economic order.

The Treasurer trusted that as a result of representations to the Dominion Government for a survey of the Province's financial position by the Bank of Canada and of the appointment of a Royal Commission to investigate Dominion and Provincial Taxation progress would be made towards lessening the burden of debt charges and restoring the value of Provincial securities.

The Government met what was interpreted as their first defeat in the Legislature on Mar. 25 when a Motion by Dr. Brown to adjourn the Budget Debate was carried, 27 to 25. The insurgents were critical of the orthodox character of the Budget and demanded legislation for a new economic order. The Budget Debate was resumed on June 14 when it was approved and Estimates passed.

### **Legislation and Incidents, 1937**

On Mar. 17, 1937, the Legislature adjourned for a day as an expression of tribute to the Hon. Philip C. Primrose, Lieutenant-Governor of the Province, who had died that day. On Mar. 22 the Dominion Government appointed Mr. J. C. Bowen to the vacant post. Owing to constitutional questions as to the power of the Legislature to transact business while the office of Lieutenant-Governor was vacant, the Legislature remained adjourned until the new appointment was made.

The Alberta Social Credit Act, 1937, Chapter 10, adopted at this Session was considered by the Government to be one of its most important measures and to constitute a long step toward putting the Social Credit programme into operation. Coming into force on Apr. 14, 1937, it replaced The Alberta Social Credit Measures Act and The Alberta Credit House Act of the previous Session. Part I of the Act constituted a Board and a Commission. This Act came into force on Apr. 14, 1937.

The Alberta Debt Adjustment Act, 1937, which came into force on June 17, 1937, repealed the Alberta Debt Adjustment Act of 1936 and provided for the appointment of a Debt Adjustment Board which was declared to be a

body corporate with power to appoint agents and delegate authority. It divided debts into two classes, those existing prior to July 1, 1936, and those incurred after that date. Under this Measure no legal action could be taken for the collection of any debt incurred prior to July 1, 1936. Farmers were to be protected against foreclosure and the Board could postpone the performance of agreements under certain conditions. No chattel mortgage to secure any past indebtedness given by a farmer on or after May 1, 1934, was to be considered valid unless approved by the Board within sixty days after its execution. The mortgagor was to be allowed to sell mortgaged goods and chattels to provide the farmer with necessities.

The Alberta Guaranteed Securities Proceedings Act, 1937, Chapter 11, related to actions and other proceedings against persons liable to the payment of money secured by guaranteed securities. It prohibited the taking or continuing of any such proceedings without the Government's consent. For the purposes of this Act a "guaranteed security was defined as any debenture guaranteed by the Province except an issue of debentures of the Alberta and Great Waterways Railway Company."

Another Act assented to (Apr. 14, 1937) was the Postponement of Debts Act, which empowered the Government to postpone the settlement of financial obligations and to prohibit the issuing of legal processes in relation thereto.

The Alberta Guaranteed Securities Interest Act, 1937, Chapter 12, had to do with the interest on debentures guaranteed by the Province other than an issue of debentures of the Alberta and Great Waterways Railway Company for the sum of \$7,400,000 at 5 per cent. per annum. The Measure provided that the interest payable in respect of guaranteed securities should be at the rate of one-half of the stipulated rate of interest as from June 1, 1936. This Measure which went into force on Apr. 14, 1937, had the effect of cutting interest rates of such guaranteed securities by 50 per cent. The Alberta Securities Interest Act, 1937, Chapter 13, came into force on Apr. 14, 1937. This Measure reduced by 50 per cent. the stipulated rate of interest due on all debenture stocks. Trustees and fiduciaries were authorized to accept payments of interest at the reduced rate, and no action was to be laid against them for so doing. It repealed The Alberta Securities Interest Act of 1936. (On Mar. 5, 1940, these two Acts were declared unconstitutional by a judgment of the Imperial Privy Council, thus upholding the findings of the Canadian Courts).

### **The 1937 Session of the Legislature Aug. 3 to Aug. 6**

On Aug. 3, 1937, the Eighth Legislature of Alberta met in Special Session to enact legislation based upon the recommendation of the two representatives of Major Douglas who had come out from England to assist the Social Credit Planning Board in the elaboration of a Social Credit plan. The Speech from the Throne stated that the Legislature had a mandate from the people to ameliorate and remedy the existing distressful economic conditions. The Address-in-Reply was adopted after a few criticisms from the Leaders of the Opposition Parties. The new Social Credit legislation forthwith introduced by the Government proved to be of a drastic and far-reaching nature. The most arresting features of this legislation were designed to place all banks, bank officials, and bank employees in the Province under the control of the Social Credit Board and compel them to co-operate with the Board in the establishment of the proposed Social Credit System. The three Acts were entitled: (1) "An Act to Provide for the Regulation of the Credit of the

Province of Alberta."—The preamble set forth that bank deposits and bank loans were made possible mainly or wholly as a result of the monetization of the credit of the people, which credit was the basis of the credit of the Province; that the extent to which property and civil rights might be enjoyed depended upon the principles governing the monetization of credit and the means whereby such credit was made available; and that it was expedient that the business of banking in Alberta should be controlled with the object of attaining for the people the full enjoyment of property and civil rights; (2) "An Act to Provide for the Restriction of the Civil Rights of Certain Persons"—provided for the licencing of every banker carrying on business in the Province; an unlicensed banker should be barred from commencing or maintaining any action in any court in the Province in respect of any claim in law or in equity; (3) "An Act to amend The Judicature Act." Other Acts were:

An Act provided for the removal of the 2 per cent. Sales tax or Ultimate Consumers Tax as from Dec. 1, 1937. The removal of this tax was described by the Provincial Treasurer as an issue of a credit dividend to the people. An Act to Amend the Alberta Social Credit Act authorized the Social Credit Board to create a Provincial Credit Commission and develop methods of distributing Provincial credit.

All of these Measures looking to the establishment of a full-fledged Social Credit system were rushed through all stages of the Legislature during this Special Session which lasted only three days, and received the Royal Assent on Aug. 6, 1937.

### **The 1937 Session of the Legislature, Sept. 24-Oct. 5**

A Fifth Session of the Eighth Legislature met on Sept. 24, 1937, to overcome the disallowance by the Dominion Government of Certain Social Credit legislation enacted at the August Session. The Speech from the Throne at the opening of the Session, read by the Lieutenant-Governor, the Hon. J. C. Bowen, stated that grave difficulties must be overcome if the mandate of the people was to be implemented. Legislation was to be presented for the purpose of liberating credit facilities in order to enable the people to enjoy the full benefit of their own production.

One of the first moves of the Government after the opening of the Session was the introduction of a Resolution by the Minister of Municipal Affairs to the effect that whereas the Dominion Government had presumed to disallow Acts of the Legislature, namely, The Alberta Credit Regulation Act, The Bank Employees' Civil Rights Act, and The Judicature Amendment Act of 1937, and whereas the Provincial Government had notified the Dominion Government that the right of such disallowance no longer existed and that it was the intention of the Provincial Government to proceed with the implementation of the allegedly disallowed legislation, therefore the Legislature accepted the declaration of the Provincial Government and approved of its course. Subsequently, an Amendment proposed by the Prime Minister to the effect that the Legislature endorsed the intention of the Government to have the right of disallowance decided by the courts was adopted and the Resolution as amended carried.

The Social Credit legislation submitted by the Government and passed through all its stages included three Measures, (1) An Act respecting the Taxation of Banks, (2) An Act to amend and consolidate The Credit of



Alberta Regulation Act, and (3) An Act to ensure the publication of Accurate News and Information—commonly known as a Measure for the control of the Press. On the last day of the Session, the Lieutenant-Governor, after assenting to other Measures, refused to assent to these three Bills, reserving them “for the signification of his Excellency the Governor-General's pleasure thereon.”

### **The 1938 Session of the Legislature, Feb. 10 to Apr. 8**

The Sixth Session of the Eighth Legislature began on Feb. 10, 1938. In the Speech from the Throne, read by the Lieutenant-Governor, the Hon. J. C. Bowen, reference was made to the death of the Hon. W. E. Walsh, former Lieutenant-Governor. It was stated that the current year might be notable as indicating the probable success of the new economic order being created in the Province. Additional legislation was forecast to protect home owners, none of whom had been dispossessed through tax sales. Satisfaction was expressed at progress made in the betterment of conditions of labour and of business practices.

Two new Members, returned in By-Elections, took their seats—Edward L. Gray for Edmonton and Dr. Peter McGregor Campbell for Lethbridge. Mr. Gray had recently been chosen Leader of the Liberal Party, and in the Legislature he replaced Mr. Bowen as House Leader. After a short debate the usual Motion for an Address-in-Reply to the Speech from the Throne was adopted, a Liberal no-confidence Motion being defeated.

### **Public Accounts, Estimates, the Budget, 1938**

Public Accounts for the fiscal year ended Mar. 31, 1937, showed net Revenue on Income Account of \$19,493,552 and Expenditure of \$19,415,699, leaving a surplus of \$77,853 instead of the deficit of \$265,778 which had been anticipated. Estimates for the fiscal year ending Mar. 31, 1939, placed Revenue on Income Account at \$18,141,131, a decrease from the previous year of \$804,797, and Expenditure at \$17,191,125, an increase of \$210,767. Supplementary Estimates for the year ended Mar. 31, 1938, amounted to \$375,516 on Income Account. In his Budget Speech delivered in the Legislature on Feb. 25, 1938, the Hon. S. E. Low, Provincial Treasurer, gave the net Funded and Unfunded Debt of the Province as at Mar. 31, 1937, as \$158,730,941, an increase for the year of \$649,591, the smallest increase since the early days of the Province. Deduction of realizable or income-producing assets of \$29,453,359, including \$15,862,967 for the Alberta Government Telephones, left a Net General Debt of \$129,277,582.

For the nine months of the fiscal year to Dec. 31, 1937, Revenue on Income Account was \$16,985,398 and Expenditures, including \$1,961,847 for Unemployment Relief, \$14,402,772. The Provincial Treasurer stated that the loss of estimated revenue for the fiscal year ended Mar. 31, 1938, through the suspension of the Sales tax on Aug. 10, 1937, would be largely offset through increased revenue from other sources. He estimated the over-all deficit at approximately \$1,500,000, which included \$1,000,000 in redeemed savings certificates, leaving \$500,000 to be added to the Debt.

Mr. Low stated that the over-all deficit of \$1,567,571 together with the carryover from the deficit of the current fiscal year would require financing of \$2,000,000. The substantial increase in taxation provided for in bank

taxation legislation depended on the decision of the courts and the Dominion Government. There was no way of meeting defaulted debenture debts.

The Budget Estimates were based on continuance of interest payments of Alberta securities at half the coupon rate. New taxes imposed were a tax on mineral lands and a two per cent. tax on securities. The Wild Lands tax was being restored and increases were being made in the Income tax, Succession Duties and Unearned Increment tax.

## Legislation and Incidents of the Session

An unusually large volume of legislation was enacted during the Session which continued until Apr. 8, much of it of outstanding significance. Taxation and debtor-protection measures were featured. One enactment—the Agricultural Land Relief Act was designed to shift part of the tax burden from property to production. This provided that seven per cent. of all agricultural produce should become vested in the Province. The primary dealer buying such produce was required to account for the Province's share. This measure was not to be proclaimed until after the question of its validity should be decided by the courts. This enactment, together with increases in taxes on banks and other corporations and a new tax on mortgages, constituted a programme designed by the Government for adjusting the burden of taxation. The tax on mortgages was placed at two per cent. of the amount owing on account of principal on first, second or third mortgages on land, the returns to be made by persons entitled to receive payments on such principal and such persons being prohibited from recovering the amount of the tax from any other person notwithstanding any contract or agreement. Limitations were provided on the total amount of the tax in relation to taxable income. An Act to provide for the Temporary Increase of Taxes on Banking Corporations raised the taxes on banks by 50 per cent. of the taxes payable in 1938 and 1939, this being intended to increase revenue by \$105,000. The Mineral Taxation Act (1938) imposed a levy of one-third of one cent an acre on lands in which certain mineral rights were granted, certain exemptions and penalties being provided. By the Wild Land Tax Act 1938 the Wild Lands tax abandoned in 1936 was restored at the rate of two cents an acre. Additional levies on loan and trust companies; revision of the schedule of Income taxes applying to corporations; increase in the surtax under the Succession Duties Act, 1938, were designed to produce in all additional revenue of about \$250,000. The rate of the tax on the unearned increment in the value of land was raised from 5 per cent. to 10 per cent. The Pipe Line tax and the Electric Power tax were increased. About \$600,000 of additional revenue was expected from all taxation increases.

The Alberta Social Credit Act of 1937 was repealed and replaced by The Alberta Social Credit Realization Act, the new measure being designed to overcome constitutional objections which resulted in the former Act being ruled invalid in the courts. It was also designed to fill gaps in the Social Credit programme which were left when certain measures passed by the Legislature in 1937 failed to secure the assent of the Lieutenant-Governor. The Social Credit Board was assigned certain powers, subject to the approval of the Lieutenant-Governor-in-Council, including power to take measures for providing the public with information on policies of the Board and to counteract influences likely to jeopardize the realization of Social Credit aims.

The Oil and Gas Conservation Act (1938) provided for the setting up of a body to be known as the Petroleum and Natural Gas Conservation Board

and having wide powers for limiting the production of petroleum products and combatting wastage of natural gas and otherwise regulating and controlling oil and gas production.

Legislation in respect of debts included a number of enactments. The Limitation of Actions Act (1938) prohibited any action to enforce debts created on or before July 1, 1936, between the time the legislation should be proclaimed and Mar. 1, 1939; and provided that certain actions in respect of debts incurred prior to July 1, 1936, must be commenced before July 1, 1940, and that action to recover such debt could be commenced after the latter date only if the debtor had entered into a new agreement for payment between the two dates. The Home Owners' Security Act prohibited foreclosure actions on rural homes under mortgages executed before Mar. 1, 1938, and similarly on urban homes unless \$2,000 should be deposited for the benefit of the home-owner in the event of foreclosure being permitted. The Debt Proceedings Suspension Act granted a moratorium on private debts between Mar. 1, 1938, and Mar. 1, 1939.

The Legislature rejected Mr. Duggan's Motion that a Brief should be submitted by the Government to the Royal Commission on Dominion-Provincial Relations and it was resolved to file a brief directly with the Dominion Government.

### **The 1938 Session of the Legislature, Nov. 15 to Nov. 28**

A Special Session of the Legislature was held from Nov. 15 to Nov. 22, 1938, mainly to implement the policy of oil and gas conservation for which provision had been made in legislation at the last regular Session. The calling of the Session followed legal action by certain oil

companies operating in the Province to challenge the validity of orders of the Petroleum and Natural Gas Conservation Board set up under the original conservation legislation. The Speech from the Throne at the opening of the Session, read by the Lieutenant-Governor, the Hon. J. C. Bowen, stated that a recommendation made by this Board would require attention and that, in addition, a few Amendments to other Acts would be submitted.

The Oil and Gas Conservation Bill, which was to replace the original legislation of the last regular Session (1938) conferred very wide powers on the Conservation Board and made these powers final in respect of all matters relating to conservation. The Bill permitted appeal to a judge of the Supreme Court of Alberta from assessments of the Board for revenue, the ruling of the judge to be final. In all other respects it gave the Board exclusive jurisdiction and no action, decision or order of the Board was to be subject to question or review by any court and no proceeding of or by or before the Board was to be subject to restraint by injunction or other process. The Board was to have authority to shut down wells or take them over together with the books and other property of the owner appertaining thereto and to shut down the same or operate them until its orders were complied with. Employees of the owner were to be required to carry out the orders of the Board upon its taking possession of any property and the Board could deal with or dispose of any petroleum produced in a well taken over as it saw fit. Penalties were provided up to \$1,000 for any contravention of the Act and in the event of the offence being continued, up to \$500 a day. The Board was to have authority to purchase, by arbitration if necessary, any well. It was authorized to regulate and control pro-



duction. The Bill as a result of Committee hearings, was amended in the House, provision being made for the preparation by the Board of a compensation scheme within six months after the legislation came into force, the scheme to be subject to final decision by the Lieutenant-Governor-in-Council. A further Amendment provided that while orders of the Board should not be subject to appeal in the courts, they could be appealed to the Lieutenant-Governor-in-Council. As amended, this measure received the Royal Assent on Nov. 22, 1938, and came into force at once.

A measure (An Act to Amend the Debt Adjustment Act, 1937) was passed providing that debt agreements between debtors and creditors should not have effect until they had been submitted for review to the Debt Adjustment Board. At the last regular (1938) Session the debt adjustment statute had been amended to provide that certain debts should be cancelled after 1940 unless new agreements had been executed, and the new Amendment covered such new agreements. The law as amended gave further protection to the debtor against foreclosure.

Another measure authorized was an Act to provide for the Establishment of branches of the Provincial Treasury Department in the Province of Alberta to operate as Credit Houses in which the public might deposit money. The Provincial Treasurer, Mr. Low, stated that nine such branches had been established and others would be set up, together with agencies in intervening territories.

An analysis of Public Accounts for the fiscal year ended Mar. 31, 1938, was tabled in the Legislature, showing that Revenue on Income Account amounted to \$24,127,805 and Expenditure to \$21,359,739. Net Capital Expenditure of \$1,684,572 left an over-all surplus of \$1,083,494. Net Unemployment Relief Expenditure was given as \$2,059,784, being \$558,340 less than for the previous year. Total Relief Expenditure, including cost of relief work and direct relief, from Oct. 4, 1930, to Mar. 31, 1938, amounted to \$40,851,930, of which the Dominion contributed \$15,459,361, the Province \$17,169,793 and the Municipalities \$8,222,775. Of the total \$13,172,089 was for relief works.

An interim report on financial operations of the Government for the six months ended Sept. 30, 1938, was issued showing an over-all surplus for the period of \$1,159,085, as compared with \$913,712 for the previous corresponding period. Revenue on Income Account was given as \$12,206,167 and cash payments on Ordinary Services as \$8,841,993 and Relief Payments as \$845,085. The revenue represented a decrease of \$187,659 from the previous corresponding period, the total surplus on Income Account being \$2,519,090 and Net Capital Account Expenditure \$1,360,005. From Succession duties there was a decrease in revenue of \$995,272, from the Sales tax (suspended Aug. 10, 1937) a decrease of \$450,276, while there were increases of \$107,654 from the Gasoline tax, \$348,253 from the Income tax (including taxes on corporations), \$91,805 from the increased tax on banks and other corporations, and a new revenue of \$46,590 from the Mineral tax. The Net Funded and Unfunded Debt of the Province was given as \$156,217,571 as of Sept. 30, a decrease of \$797,846 from Mar. 31. On Nov. 18 Mr. Aberhart stated that he planned to go to Ottawa to discuss debt refunding with the Dominion Government. The Provincial Government had engaged J. J. Sousa and H. B. Leeds of Los Angeles to investigate possibilities of debt refunding.

**Agriculture:  
Reports for  
1937—1938**

The value of agricultural production in Alberta in 1937 was substantially in advance of 1936, according to the Annual Report of the Department of Agriculture. The field crop was below the average of several preceding years, but improvement in grain prices was carried over from 1936. In production and price levels the year was favourable in all branches of the dairy industry. So said the Report of the Dairy Commissioner, who noted an all-time record in creamery butter production, a 26.6 per cent. increase in the output of cheese and a total value of all dairy production of \$17,137,900, as compared with \$15,505,800 in 1936. The Live Stock Branch reported a cattle population of 1,536,200 with an approximate value of \$29,246,000 for 1937. Approximately \$10,000,000 worth of live stock passed through the stockyards at Edmonton and Calgary. The Poultry Commissioner reported that the poultry population at the end of 1937 was about the same as the previous year.

According to the Annual Report for 1938, agricultural conditions improved substantially that year. Wheat production amounted to 143,000,000 bus. with an average yield of 17.9 bus. per acre, as compared with a production of 75,700,000 bus. and an average yield of 9.7 bus. in 1937. A splendid growth of pasture and hay crops was recorded, resulting in ample supplies of winter feed. The dairy industry again made progress, the output of dairy butter increasing by 18 per cent. and that of cheese by 33 per cent., but toward the close of the year prices declined. Production conditions in the live stock industry were favourable but were offset by lowered prices, and marketing and export of Alberta cattle dropped off. The Poultry Commissioner reported that the sale of eggs and poultry brought a return in the Province of more than \$6,000,000 for 1938 and that the industry was of great importance to Alberta. He advocated legislation to overcome disorganized marketing conditions.

The area, yield and value of field crops in 1937 and 1938, according to the Monthly Bulletin of Agricultural Statistics, January, 1939, were as follows:

Crop	Year	Area	Yield	Total	Average	Gross
			Per Acre	Production	Farm	Farm
			Bush.	Bush.	Price	Value
					Per Bush.	
Spring Wheat	1937	7,834,000	9.7	75,700,000	\$1.02	\$77,214,000
	1938	7,969,000	17.9	143,000,000	0.58	82,940,000
Oats	1937	2,789,000	27.6	77,000,000	0.35	26,950,000
	1938	2,885,000	35.0	101,000,000	0.15	15,150,000
Barley	1937	995,300	22.2	22,100,000	0.45	9,945,000
	1938	1,125,000	26.0	29,200,000	0.20	5,840,000
Fall Rye	1937	80,000	8.5	681,000	0.65	442,000
	1938	99,000	17.4	1,725,000	0.24	414,000
Spring Rye	1937	75,000	6.7	504,000	0.65	328,000
	1938	59,000	16.5	975,000	0.24	234,000
All Rye	1937	155,000	7.6	1,185,000	0.65	770,000
	1938	158,000	17.1	2,700,000	0.24	648,000
Peas	1937	700	20.3	14,000	1.65	23,000
	1938	800	27.5	22,000	1.30	29,000
Beans	1937	900	19.0	17,000	2.40	41,000
	1938	700	16.7	12,000	1.90	23,000
Mixed Grains	1937	18,000	17.3	311,000	0.45	140,000
	1938	19,100	25.1	480,000	0.22	106,000
Flaxseed	1937	20,000	6.2	124,000	1.50	186,000
	1938	31,000	8.1	250,000	1.10	275,000

Crop	Year	Area	Yield	Total	Average	Gross
			Per Acre	Production	Farm	Farm
			Cwt.	Cwt.	Per Cwt.	Value
Potatoes	1937	31,000	90.0	2,790,000	0.75	2,093,000
	1938	28,200	74.0	2,087,000	0.37	772,000
Turnips, etc.	1937	2,700	116.0	313,000	0.63	197,000
	1938	2,700	107.0	289,000	0.50	145,000
			Tons	Tons	Per Ton	
Hay and Clover	1937	356,500	1.23	438,000	8.50	3,723,000
	1938	365,600	1.49	545,000	6.00	3,270,000
Alfalfa	1937	83,000	1.88	156,000	10.50	1,638,000
	1938	85,600	2.30	197,000	7.00	1,379,000
Fodder Corn	1937	2,700	5.55	15,000	6.25	94,000
	1938	3,100	5.00	16,000	6.00	96,000
Grain Hay	1937	1,100,000	1.50	1,650,000	6.00	9,900,000
	1938	900,000	1.75	1,575,000	4.00	6,300,000
Sugar Beets	1937	20,200	11.53	233,000	6.50	1,515,000
	1938	19,700	12.74	251,000	5.30	1,330,000

The Annual Reports of the Fish and Game Commissioner showed that fur-producing animals to the number of 2,068,118, an increase of about 800,000 from the previous year, and having a pelt value of \$2,200,000, were taken in the year ended June 30, 1937; in 1937-38 the number taken was 1,476,698 and the value about \$1,250,000. Animals pelted on fur farms in the former year had a pelt value of \$81,778 and in the latter year, \$517,515. In both years the Department was supporting and carrying on of game conservation and rehabilitation efforts. Production of commercial fish in the year ended Mar. 31, 1937, amounted to 6,029,857 lb., with a value to fishermen of \$252,773 and a market value of \$385,364. Production in 1937-38 amounted to 6,201,917 lb. and the value to fishermen was \$252,771 and the value at the market was \$464,842. The Report for the latter year gave the value of fish used by fur farmers as \$519,732.

### Agricultural Organizations

At the Annual Convention of the United Farmers of Alberta held at Calgary in January, 1937, the President, Mr. Robert Gardiner, in his Annual Address, pointed to a large decline in membership. The total number of members for 1936 was 5,822, there having been a decrease of 4,198 in the year, making a total decrease for two years of 9,040. The Report of the Board of Directors for the year 1936 showed that the co-operative activities of the organization had been extended and that its own oil distributing facilities were being established. The Report stated that it was for the Convention to determine whether the U.F.A. should engage in political activity. The organization met in Annual Convention in Edmonton in January, 1938. Mr. Gardiner, in his Presidential Address, stated that membership was somewhat higher in November, 1937, than a year before. Activities, however, were curtailed by financial stringency and there had been a slight deficit on the previous year's operations. Co-operative activities were expanding in a healthy manner. Mr. Gardiner pointed out that the Dominion Government had again restrained the Wheat Board from buying wheat while the price remained at or above 90 cents. He reported that he had presented a brief on behalf of the organization to the Turgeon Commission of Inquiry into Wheat Marketing in which was advocated a permanent Wheat Board to handle all grain and the closing of the Grain Exchange and other proposals. The Report of the Board of Directors for the year 1937 reviewed steps taken by the U.F.A. in conjunction with



representatives of the Alberta Wheat Pool and the United Grain Growers looking to the amalgamation of the two last named organizations and stated that the project was still being explored. The President, Mr. Gardiner, had travelled through the Province making addresses, strengthening interest in the Organization, and clarifying its economic and political position.

### **The Alberta Wheat Pool**

The Annual Report of the Alberta Wheat Pool for the crop year 1936-37 showed that 27 of its elevators were closed for the entire season owing to unsatisfactory crop conditions and an additional 32 houses were closed for part of the season. Receipts of all grain through the elevators and over the platform amounted to 19,455,220 bus., as compared with 27,109,040 bus. during 1935-36. The operating deficit for the year amounted to \$371,696, to which had to be added depreciation of \$266,899 and one year's interest of \$246,884 paid to the Province in connection with the 1929 Pool Overpayment, making the net deficit \$885,479, which was charged in the balance sheet to undistributed elevator earnings. The Report of the Directors stated that it was a matter of congratulation that reserves had been so built up that the loss could be met without undue embarrassment. The Annual Report for the year 1937-38 covered the period from July 16, 1937, to July 31, 1938, the Board of Directors having decided to synchronize the organization's fiscal year with the Government crop year; previously the year had closed on July 15. In the handling of the 1937 crop 59 elevators were closed during the entire season and an additional 28 houses for a part of the season. Receipts of grain through elevators and over the platform during the 1937-38 crop season amounted to 23,266,279 bus. Net operating earnings amounted to \$335,420. Depreciation was provided for in the amount of \$264,564 as well as one year's interest to the Province in connection with the 1929 Pool Overpayment, amounting to \$243,531, leaving a net deficit of \$172,675, which was charged in the balance sheet to undistributed elevator earnings. In a "Record of Progress" Report it was pointed out that at the commencement of the 1931-32 season the Alberta Wheat Pool's obligations to the Province arising out of the 1929 Pool Overpayment amounted to \$5,649,000 and a bank loan on the Pool terminal at Vancouver, to \$1,750,000, making a total indebtedness in connection with capital structure of \$7,399,000. As a result of operations over the succeeding seven years, the debt to the Province had been reduced as at July 31, 1938, to \$4,487,000 and the bank loan had been paid in full, in addition to which the Pool had paid interest to the Province of \$1,816,000 and interest to the banks of \$320,000. Furthermore, after payment on Sept. 1, 1937, in cleaning up the terminal elevator loan and providing for the principal due the Province on Sept. 1, 1938, the Pool's liquid assets showed an improvement of \$500,000, as compared with July 15, 1931.

### **Education: Reports for 1937—1938**

The Annual Reports of the Department of Education showed an enrolment of 167,950 pupils in the schools of the Province for the year 1936-37 and 166,664 for the year 1937-38. The Reports for both years reviewed and stressed the success attending the carrying out of the plan of enlarged school administrative units recommended by a Committee of the Legislature in 1935. Early in 1937, 11 school divisions comprising 744 rural schools began operating, each division being under a Superintendent and a Secretary-Treasurer, with Boards meeting monthly.

Among results achieved in the first year were lowered costs in every district, increases in teachers' salaries and in some cases the payment of arrears, reduction in administration expenses and saving on the cost of supplies, and improved and enlarged facilities for high school education. The Report for 1938 pointed out that approximately 90 per cent. of the rural schools had been organized into 44 divisions, leaving only 350 schools to operate as individual units in 1939. During the year a commencement was made in the broadcasting of programmes to the schools, with lessons in international relationships and music. A new development was the co-operative establishment of dormitories or high school centres where rural pupils might live, thus making it possible for many pupils to receive training who otherwise would have found it impossible. During the year 100 new schools were built. The Report stated that through the Youth Training Scheme, carried out under agreement with the Dominion Government, very valuable service had been rendered to approximately 5,000 young people.

The University of Alberta had an enrolment of 2,148 students for the year 1936-37 and 2,096 for the year 1937-38. At the Annual Convocation in May, 1937, diplomas were conferred on 33 students, degrees on 353, and diplomas and High School teaching certificates on 38. At the Convocation in May, 1938, diplomas were conferred on 34 students, degrees on 374, and High School teaching certificates on 33.

### **Lands and Mines for 1937-1938**

The Annual Reports of the Department of Lands and Mines gave oil production as 1,447,661 barrels for the fiscal year 1936-37 and 3,680,099 barrels for the fiscal year 1937-38. The outstanding development in the Alberta oil industry during the former year was the bringing into production of the Turner Valley Royalties well which was regarded as a successful conclusion to the search for large scale recoveries of high grade crude oil. Within a few months five additional wells were brought into satisfactory production of crude oil. The feature of the latter year was the enactment of legislation for the conservation of oil and gas and the setting up of the Petroleum and Natural Gas Conservation Board. (See Sessions of the Legislature, 1938). The oil industry was coming to be regarded as highly important in the economy of the Province. A system of proration of wells followed increased production beyond the capacity of marketing facilities. Natural gas consumption in 1936-37 was 18,727,496 cu. ft. and in 1937-38 rose to 29,212,267 cu. ft.

Coal production in the calendar year 1936 amounted to 5,696,375 tons with a valuation of \$14,720,004 and in the year 1937, to 5,551,682 tons with a valuation of \$14,434,969.

Homestead entries and soldier land grants numbered 1,432 with an approximate acreage of 229,120 for 1936-37 and 1,600 with an approximate acreage of 256,000 in 1937-38. The number of land patents granted in 1936-37 was 2,231 covering an acreage of 325,615,379 and the number in 1937-38 was 2,266 covering an acreage of 382,382,437. During the two calendar years, 1936 and 1937 the Province suffered disastrous fire losses, the loss in the former year being \$1,549,930 and in the latter year, \$1,088,465. The year 1936-37 was described by the Forestry Branch as very favourable in respect of timber operations and Departmental revenue and the following year, 1937-38, as satisfactory if considered in relation to general conditions throughout the country. Depression in the construction industry was reflected in demand for timber.

## Miscellaneous Services in 1937 and 1938

The Annual Reports of the Department of Public Works showed that in the year 1936-37, 3,532 miles of main highway were maintained and \$404,874 expended for construction and maintenance of district highways and local roads, \$272,773 of this being expended under the Prosperity Certificate Plan. Approximately 109 miles of standard earth grade, 153 miles of gravel surfacing and 54 miles of new asphaltic oil surfacing were completed during the year. During the following fiscal year the mileage of main highway maintained was 3,502 and \$188,444 was expended on district highways and local roads. Approximately 131 miles of standard earth grade, 194 miles of gravel surfacing and 103 miles of new asphaltic oil surfacing were completed.

On May 1, 1936, the Highway Traffic Board came into being under the Public Service Vehicles Act of that year. The first Report of the Board showed that in the calendar year 1936 the mileage operated by bus services in the Province was 95.5 per cent. of the possible schedule. The number of passenger miles covered by 91 licensed buses with an aggregate carrying capacity of 1,316 was 40,167,229 on gravel surfaced roads and 5,353,106 on dirt roads. In the following year the passenger mileage over gravel surfaced roads was 52,875,123 and over dirt roads 6,175,219, the number of licensed buses being 94 with an aggregate carrying capacity of 1,650.

The Reports of this Department gave the average daily population of the Provincial Gaol at Fort Saskatchewan for the year 1936-37 as 240, an increase of 20 over 1935-36, and for 1937-38, 290. The average daily population of the Provincial Gaol at Lethbridge for the former year was 141.89 and for the latter year, 147.98.

Annual Reports of the Department of Public Health gave vital statistics for the years 1937 and 1938, respectively, as follows: birth rate per 1,000 of population—20.40 and 20.3; marriage rate—8.2 and 8.9; and death rate—8.00 and 7.5. Heart disease was still the most frequent cause of death, the rate being 108 per 100,000 population in 1937 and 114.3 in 1938. The death rate for all forms of tuberculosis, including the Indian and Métis population, was 43.7 per 100,000 population in 1937 and 35.8 in 1938. The infantile mortality rate was 63 in 1937 and 51 in 1938. The average rate for the five-year period 1934-38 was 58.8. During 1938, 63 operations were performed for sterilization, making the total number of operations 643 under the Act of 1929. At Dec. 31, 1937, there were 86 approved hospitals with a total bed capacity of 4,515. The figures for 1938 were 93 and 4,754, respectively. The total expenditure for all activities of the Department of Public Health for the fiscal year ended Mar. 31, 1937, was \$1,574,573 and for 1937-38, \$2,360,784. The 1937-38 figure includes expenditure in connection with the Child Welfare and Mothers' Allowances Branches.

Children taken care of under The Child Welfare Act during 1938, numbered 306, as compared with 337 during 1937, according to the Report of the Superintendent. During 1938, 593 children were placed in foster homes and a final order of adoption was granted in 198 cases. Figures for 1937 were 490 and 220 respectively. The Juvenile Court dealt with 795 cases of which 750 were boys and 45 girls in 1938, as compared with 606 cases of which 576 were boys and 30 girls in 1937. A total of \$622,837 was paid to 2,304 widows under The Mothers' Allowance Act, as compared with \$613,564 for 2,317 widows in 1937. Cases handled under The Children of Unmarried Parents Act numbered 668 in 1938 and 561 in 1937.



Although The Department of Trade and Industry Act was passed in 1934, the first Annual Report of the Department was for the fiscal year 1937-38. The original Act provided for the introduction of business codes. The Department was charged with the administration also of The Tradesmen's Qualification Act, The Fuel Oil Licensing Act, The Male Minimum Wage Act, The Minimum Wage Act (Female), The Hours of Works Act, The Industrial Standards Act, The Labour Disputes Act, The Co-operative Associations Act and supplementary Acts.

The Department's Report recorded that under the Business Codes and Licenses Branch the following businesses and industries had been granted codes upon petition up to Mar. 31, 1938: the retail trade, the wholesale trade, the cleaning and dyeing industry, the barber shop trade, the photo finishing industry, the automotive industry, and the commercial printing trade. Licenses had been granted to the four largest groups in the following numbers: retail trade, 6,946; restaurants, 2,913; automotive trade, 957; and wholesale trade, 401. On Apr. 1, 1937, the administration of The Fuel Oil Licensing Act was placed under the Department of Trade and Industry.

The Co-operative Activities Branch of the Department of Trade and Industry reported that 97 co-operative organizations were in operation for the year 1937, 20 such organizations having been approved for registration during the year.

The Publicity and Statistical Branch of the Department reported that from returns received there appeared to be increases in trade for the year, 1937-38, as compared with the previous year as follows: retail trade, 9.88 per cent.; wholesale trade, 11.19 per cent.; and manufacturing, 6.07 per cent.

The Workmen's Compensation Board in its Annual Reports made returns for the calendar years 1937 and 1938, respectively, as follows: accidents reported, 13,177 and 13,377; assessments collected, \$1,055,770.88 and \$1,118,470.35; compensation paid, \$446,716.29 and \$468,626.82; capitalized cost of pensions awarded, \$417,483.01 and \$738,168.09; and payments from pension fund, \$458,589.37 and \$484,008.54. During the former year 43 fatal accidents were reported and 103 claims involving major or minor degrees of permanent disablement; during the latter year 51 fatal accidents were reported and 112 claims involving permanent disability. The Report for the year 1938 recorded a deficiency in the accident fund, in part due to costs being carried over from previous years and in part to adverse accident experience. In line with the Report of the Special Committee of the Legislature several classes of industry had been amalgamated into larger insurance groups with a view to a more stable basis of rate-making. New actuarial tables had been adopted, with interest at 3 per cent. This had resulted in increased capital cost of pensions. A rehabilitation centre had been established at Banff designed to lessen the degree of remaining disability from accident. Special attention had been given to accident prevention effort.

The Old Age Pensions Department of the Workmen's Compensation Board had 9,755 pensioners on its rolls at Dec. 31, 1937, and 10,142 at Dec. 31, 1938. During the year 1937, \$2,049,545 was paid to pensioners residing in the Province and \$51,617 to pensioners residing in other Provinces. During the year 1938, \$2,181,853 was paid to pensioners residing in Alberta and \$58,013 to those residing in other Provinces.

Pensions for the blind became effective in Alberta on Apr. 1, 1938, and during the year 181 applications were received of which 139 were granted and at Dec. 31, 1938, 136 persons were on the roll.

The Annual Reports of the Superintendent of Insurance and Fire Commissioner gave the following figures for the calendar years 1937 and 1938:

	1937	1938
Companies licensed as at Dec. 31 .....	284	288
Premiums written (exclusive of life insurance).....	\$5,148,585.79	\$5,505,398.91
Losses incurred .....	2,505,889.93	2,478,215.21
Life insurance premiums .....	9,793,034.43	9,935,868.72
Life insurance disbursements .....	8,172,928.98	8,040,694.77
Life insurance written .....	34,153,584.00	35,787,239.00
Number of fires .....	1,506	1,471
Loss from fires .....	\$1,578,569.50	\$1,456,127.89

During the calendar year 1937 80,797 licences for passenger automobiles and 17,583 for trucks were issued. The Motor Vehicle Branch adopted the fiscal year during 1937. The licenses issued from Apr. 1, 1937, to Mar. 31, 1938, numbered 81,365 for passenger cars and 18,080 for trucks.

The Alberta Liquor Control Board's Annual Reports showed gross sales for the fiscal years 1936-37 and 1937-38, respectively, as \$7,660,709 and \$8,194,271; net income as \$2,331,869 and \$2,532,751.

The Annual Reports of the Department of Municipal Affairs for the calendar years 1937 and 1938 recorded tax collections and tax arrears for the two years as follows:

	1937		1938	
	Tax Collections	Tax Arrears	Tax Collections	Tax Arrears
Cities .....	\$8,390,200	(*)	\$8,312,752	(*)
Towns .....	889,537	\$2,126,468	911,055	\$2,173,672
Villages .....	276,141	677,159	301,498	712,762
Municipal Districts .....	2,614,860	6,775,585	3,017,652	6,521,190

\* Not tabulated for Cities.

In the month of December, 1937, there were in Alberta 38,175 persons benefiting from urban relief and 26,901 from agricultural assistance, these including actual relief recipients and their dependants. For December, 1938, the number in the case of urban relief was 35,580 and in that of agricultural assistance 12,156. Calgary had 13,040 persons (including dependants) on relief in December, 1937, and 10,725 in December, 1938, the numbers for other principal cities for the two periods respectively being: Edmonton, 11,720 and 12,378; Lethbridge, 1,496 and 1,194; Medicine Hat, 601 and 523.

## The Province of Alberta

(As at Dec. 31, 1938)

Lieutenant-Governor .....The Hon. J. C. Bowen

### The Aberhart Ministry\* (Social Credit)

(As at Dec. 31, 1938)

Prime Minister, President of the Council, Minister of Education and Attorney-General.....The Hon. William Aberhart  
 Provincial Treasurer .....

Speaker of the Legislative Assembly.....The Hon. the Rev. Peter Dawson

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Deputy Provincial Treasurer .....	J. F. Percival
Deputy Attorney-General .....	George B. Henwood
Deputy Minister of Agriculture .....	J. R. Sweeney
Deputy Minister of Education .....	Dr. G. Fred McNally
Deputy Minister of Public Works .....	G. H. N. Monkman
Deputy Minister of Health .....	Dr. M. R. Bow
Deputy Minister of Telephones .....	J. D. Baker
Deputy Minister of Municipal Affairs .....	A. R. Soutter
Deputy Minister of Lands and Mines .....	John Harvey
Deputy Provincial Secretary .....	E. Trowbridge
Deputy Minister of Trade and Industry .....	W. D. King
Provincial Auditor .....	C. M. Lang (Acting)
Clerk of the Executive Council and Clerk of the Legislative Assembly .....	R. A. Andison
Legislative Counsel and Law Clerk .....	R. A. Smith
Civil Service Commissioner .....	A. L. Sweeney
Provincial Librarian .....	A. R. McKee (Acting)
King's Printer .....	A. Shnitka
Director of Fisheries .....	G. M. Spargo
Director of Forestry .....	T. F. Blefgen
Director of Water Resources .....	L. C. Charlesworth
Game Commissioner .....	W. H. Wallace
Superintendent of Child Welfare .....	T. R. Blaine
Superintendent of Insurance .....	E. Trowbridge
Administrator of Estates of the Mentally In- competent .....	H. J. Wilson
Chairman, Liquor Control Board .....	J. A. King
Chairman, Board of Public Utility Commissioners .....	A. A. Carpenter
Chairman, Workmen's Compensation Board and Old Age Pensions Board .....	Dr. V. W. Wright
Chairman, Board of Industrial Relations .....	Clayton Adams
Superintendent of Income Tax .....	E. C. Shaughnessy
Commissioner of Relief and Public Welfare .....	A. A. Mackenzie
Registrar of Vital Statistics .....	Donald Mackie

\*NOTE.—No changes occurred in the Ministry between Dec. 31, 1938, and Dec. 31, 1939.



## THE PROVINCE OF BRITISH COLUMBIA

### Provincial Affairs of 1937-1938

The outstanding event in British Columbia during the two-year period was the General Election in 1937, when the Liberal Government was returned to power. The complexion of the membership of the Legislature at Dissolution on Apr. 15 was as follows: Liberal (Government), 33; Social Constructive, 4; Co-operative Commonwealth Federation, 3; Independent (non-partisan), 2; Independent, 2; Labour, 1; Unionist, 1; and vacancies, 2. The Prime Minister, the Hon. T. D. Pattullo, in an election address at Chilliwack, described the Liberal Party as a truly democratic organization whose members were free to stand up in the Legislature and vote as their conscience dictated. He endorsed the Health Insurance Act and pledged his Party to take over the Yukon Territory.

Following the General Election on June 1 (1937) the new Legislature was constituted as follows: Liberal, 31; Conservative, 8; C.C.F., 7; Independent, 1, and Labour, 1. The Election marked the revival of the Conservative Party, (which had virtually been wiped out in the General Election of 1933), as the Official Opposition. The Conservatives gained five seats from the Liberals, one from the Unionists, one from the Independents and one from the Social Constructives. It was a curious Election campaign throughout. Of the 186 candidates contesting 48 seats only 91 represented the old established Parties, the Liberal and Conservative. The Co-operative Commonwealth Federation managed to present an orderly front but the remainder of the candidates put forward all the fantastic creeds and quack cures in the calendar.

The Government, following their return to power, adopted a policy of watchful waiting, basing their postponements of several promised reforms on the outcome of the Report of the Royal (Rowell) Commission. The deferring of the Health Insurance Bill proved a bitter disappointment in Liberal Party circles and almost led to the resignation of the Hon. G. M. Weir, Provincial Secretary, the founder of the Act. It was put forward during the General Election campaign as one of the strong points in the Government's policy and the Provincial Secretary proceeded to expend large sums of money to implement the measure. It was recognized later that the Royal Commission on Dominion-Provincial Relations had little to do with the collapse of the Health Insurance scheme which had been approved by a majority of 44,198 of the electors in the Plebiscite taken during the General Election. It was the fact that the Doctors of British Columbia refused to accept the law and the disinclination of the Attorney-General to take drastic steps to enforce it that resulted in its being side-tracked. The Act was set up at the beginning of 1936 with a Commission headed by Dr. Allon Peebles as Chairman at a salary of \$6,000 per annum, a Vice-Chairman at \$5,000 a year and supported by a large staff of workers.

*The Gazette* of Montreal, on Oct. 22, 1937, dealing with the matter said: "British Columbia's Health Insurance Act, described as the first of its kind in North America, has suffered yet another setback. The Prime

Minister (Mr. Pattullo) announces that the Government's policy is to postpone any action until such time as the Royal Commission to investigate Dominion-provincial relations has reported. There is speculation now as to what will happen to the Health Insurance Commission appointed a couple of years ago and which is costing a good many thousands of dollars annually. The presumption was that the Commission would continue to negotiate with the medical profession as to remuneration and as to the people that will come under the provisions of the Act. The law was to have gone into force shortly before the last General Election, but was postponed because of differences with the medical profession and dissatisfaction on the part of a section of the public with some of its terms. Numerous municipalities protested that they were not in a position for the erection of hospitals called for by the Health Insurance Act, and there were protests because indigents were not included in its scope. The present question which the Commission is considering is the maximum wage or salary which a prospective beneficiary should be earning in order to qualify for health service. Some argue that the maximum should be \$1,800, others that it should be no higher than \$1,500. This may occupy the Provincial Commission until such time as the Royal Commission Report is issued, which perhaps will be a year or more from to-day."

Another matter of concern to the Pattullo Government was the fate of British Columbia's "Natural Products Marketing Act" held to be invalid by the Supreme Court of British Columbia and valid by the Appeal Court. It was decided that the question would have to go to the Privy Council for a final test. A Privy Council decision in Jan. 1937 declared The Dominion Marketing Act *ultra vires*. British Columbia had put through ancillary legislation and under it and the Dominion Act certain levies were made. A judgment of the British Columbia Courts held members of the Board accountable for repayment of one levy, which was contested. An indemnifying act was to be sought by the Province. Much bitterness had been engendered between white vegetable growers and Chinese growers, the former charging the latter with "bootlegging" potatoes and other garden truck. It was claimed that a small group of Chinese commercial overlords were conspiring to defeat agricultural marketing legislation.

Doukhobor outbreaks of more than unusual violence contributed to the troubles of the Pattullo Government during the Spring and Summer of 1937. On Apr. 5 a wave of burnings and a bombing swept through six settlements in the West Kootenay district destroying seven buildings. Three community halls and four schools were razed and three other halls were damaged by fire and a school by a bomb. The Named Doukhobors, known as the better behaved of the colony, would give no help to the authorities in rounding up the offenders said to be a group of fanatics known as the Sons of Freedom. The schools under fire were attended by Canadian and Doukhobor children and the Canadians of the district had made a demand for Separate Schools. Following the outrages special guards were placed on C.P.R. bridges between Nelson and Midway as the result of Doukhobor threats. The Prime Minister asked for assistance from the Dominion Government but later said that steps would have to be taken to settle the problem on a permanent basis. Peter Veregin Jr., Spiritual Leader of the 20,000 Doukhobors, was appealed to but his response was so casual that subsequently he was arrested on a charge of vagrancy and sentenced to six months in gaol. At Grand Forks work was

checked on the Federal Government's new airway radio beam station, being built on land expropriated from the Doukhobors, by threats of violence to workmen made by a group of Doukhobors. Mr. Pattullo arranged to meet the problem by making the Doukhobors conform to the laws of the Province. Further disregard of laws would bring sharp reprisals he said. Cancellation of relief, timber rights and rights to hold public office were among the penalties prescribed by the Prime Minister. About 450 Doukhobors and dependents were receiving Government relief allowances and many were working timber rights.

A conference was held on Sept. 25, 1937, in Ottawa attended by the Hon. T. A. Crerar, the Hon. Ian Mackenzie, the Hon. Norman Rogers, the Hon. J. L. Ilsley, the Hon. J. E. Michaud of the Dominion Government and the Hon. T. D. Pattullo, Prime Minister of British Columbia, and his Ministers, Messrs. Hart, Wismer, Weir and Pearson. Mr. Pattullo said his Government favoured the exclusion of Orientals from British Columbia. This did not include, he explained, those already in the Province. The British Columbia's Government Research Bureau estimated that according to a survey of a period of fifteen years the Japanese population of the Province had increased by 65 per cent. while in the same period the Chinese population had dropped about five per cent., having decreased at the rate of about 1,000 a year while the Japanese population had increased at the rate of approximately 700 a year. The total Japanese population in 1937 was estimated at 25,875 of which 11,214 were women. Of the estimated Chinese in British Columbia only 2,525 were women. British Columbia had 90.9 per cent. of the entire Japanese population of Canada.

Labour troubles among the unemployed in British Columbia in 1937 were partially met by the opening of forestry camps in co-operation with the Federal Government for single unemployed men. A riot broke out in Vancouver gaol on Oct. 25 among unemployed men held for court arraignment on charges arising out of mass begging on the city streets. These men known as "tin canners" had their sentences commuted at the request of the Provincial Government and were put to work in camps. It was stated that nearly 90 per cent. of the "tin canners" arrested in Vancouver came from Ontario.

During 1937 the Hon. Gordon Wismer was appointed Attorney-General, a position filled temporarily by the Prime Minister following the appointment of the Hon. Gordon Sloan as Justice of the High Court. Hon. W. J. Asselstine became Minister of Mines in succession to the Hon. G. S. Pearson who became Minister of Railways and Labour.

On Nov. 15, 1937, the Pattullo bridge over the Fraser river at New Westminster, which was constructed at a cost of \$4,000,000, was formally opened by the Prime Minister. Some 5,000 people took part in the ceremony. Members of the Provincial Cabinet and mayors of many British Columbia towns and cities were present. The schedule of tolls for the new bridge was announced as follows: Passenger cars, 25 cents each with no charge for passengers; commutation tickets, at the rate of 7 tickets for \$1; all pedestrians, bicyclists, animals, horses and buggies, farmers with "K" licences on their cars, mail trucks, buses or cars carrying school children, ambulances, fire engines and cars carrying industrial workers to be exempt from tolls; auto trailers attached to passenger cars, two wheelers, 10 cents; four wheelers, 25 cents; trucks, 25 cents; horse-drawn vehicles up to 3 tons, 25 cents; buses, 50 cents; motorcycle or tricar, 10 cents; freight, per



ton, 10 cents; per half ton or fraction, 5 cents with no charge for less than 100 pounds; and commutation tickets for freight, \$5 for 100 tons.

## 1938

The Administration with Mr. Pattullo as Prime Minister was relieved of much of its financial worries in 1938 by record-breaking revenue collections of \$31,036,942, leaving a surplus over expenditures which fell only \$335,341 short of meeting the Province's share of direct relief costs. While unemployment relief continued to be a perplexing problem the situation would be more easily dealt with as the Province's contribution in 1938 was expected to be \$2,496,559 less than it was in 1937.

One feature of a most vexing nature, according to the Minister of Finance, was that created by the large proportion of disbursements made on behalf of transients who properly were a responsibility of either the Dominion or other provinces.

In the brief presented by the Government of British Columbia to the Royal Commission on Dominion-Provincial Relations an urgent plea was made for a readjustment of fiscal relations between the Province and the municipalities. Particular stress was placed on the fact that the cost of a number of services rendered by municipal governments had expanded at a rate out of all proportion to revenues from the somewhat fixed field of taxation of real property; that taxes on real property formed the bulk of municipal revenue and that the present rate of imposts was excessive. It was felt that remedial measures should be forthcoming which would enable the Province to readjust its fiscal relations with the municipalities and ease greatly the tax burden which now fell upon real property owners in organized territory. While a start had been made toward obtaining a balanced Budget the introduction of a comprehensive refunding measure was necessarily deferred.

Groundwork for handling British Columbia's major financial problem, maturity of about \$57,000,000 of debt in the next three years, was laid in a bill introduced as an amendment to the Revenue Act. This permitted the Minister of Finance to refinance the Pacific Great Eastern Railway bonds when they matured. It also gave him authority to refinance any maturing bonds regardless of whether the full amount for them was in the Sinking Funds, which now amounted to \$37,000,000.

An Amendment to the Income Tax Act providing for a 15 per cent. tax on undivided or undistributed profits of corporations in the Province was a new departure in taxation in British Columbia. The Bill was designed to prevent the setting up of holding companies outside the Province, to which excess profits could be sent for the purpose of evading super-taxes. The Amendment also provided that the Government might tax Insurance Companies operating in the Province at a rate of 3¼ per cent. of the gross amount of premiums. A bill authorizing Credit Unions was adopted and it was hoped this measure would do much towards curbing the operations of loan sharks. The bill provided that the capital of Credit Unions should consist of an unlimited number of \$5 shares, the liability of a member to be limited to the unpaid amount owing on his shares. A Credit Union may make loans only to its members and only for a provident, productive or merchandizing purpose.

A bill had been introduced in the Session of 1937 and was finally enacted in 1938 providing for a commission of three men to control Public Utilities within the Province.

Dr. W. A. Carrothers, professor of Economics in the University of British Columbia, was appointed a one-man board to administer the "Coal and Petroleum Products Control Board Act." On Oct. 21, 1938, the Government passed an Order-in-Council on the recommendation of Dr. Carrothers providing for the sale of gasoline at prices ranging from 3 to 6 cents a gallon lower than the prevailing prices of standard fuel. On Oct. 25, 1938, the gasoline interests obtained an injunction restraining the Government from putting the reduction into effect. The whole question as to the validity of the Act went before the Courts, and the Prime Minister, the Hon. T. D. Pattullo, stated that when the power to enforce the reduction in price was ensured he would make the measure retroactive.

Mr. Pattullo reported progress on his plan for amalgamation of the Yukon with British Columbia and the still greater project of an international Highway from Seattle through Canada to Fairbanks, Alaska. In May, 1938, the Prime Minister visited Washington and conferred with Hon. Harold Ickes, United States Secretary of the Interior, suggesting that the United States lend \$15,000,000 to British Columbia to finance the Province's share of the project, as more than 1,000 miles of the proposed road would have to be constructed in Canada. Mr. Pattullo also visited Ottawa in regard to the Highway and outlined the worth of the venture as an instrument in opening Alaska, British Columbia and the Yukon Territory to further settlement. As an earnest of its intentions the 1938 Session of the British Columbia Legislature passed a vote of \$25,000 to be spent on a preliminary survey of the proposed Alaska Highway.

In respect to the settlement plan of Sir Henry Page-Croft looking to the placing of 10,000 British families on unoccupied agricultural lands in the interior of British Columbia, Mr. Pattullo said on Aug. 24, 1938, that the British Columbia Government were prepared to make a free grant of lands necessary to a British settlement scheme provided suitable arrangements could be made between all parties concerned.

The Opposition reinforced by C.C.F. members attacked the Government over their failure to bring into effect an actuarially sound, progressively applied scheme of Health Insurance. Mr. Pattullo declared that Health Insurance was one of the most important and most difficult measures ever before the Legislature. "This Government are not going to put into effect a measure that will not work out as intended," he said. "The Rowell Commission is not an excuse, but it is a reason for not doing a number of things." He stated that the Commission had already prepared a number of reports some of which were in the hands of the Government confidentially.

The Hon. G. M. Weir, Provincial Secretary, speaking in the Legislature with some feeling to the collapse of the municipal employees pension fund in moving second reading of the "Municipal Employees' Superannuation Act." He stated there was a shortage of \$1,700,000 in the funds and that the reserves set up for future payments were almost gone. He unfolded the story of the breakdown of the scheme upon which so many former employees of municipalities, especially in Vancouver and Victoria, were dependent. Pensions had to be slashed to fractional proportions. Those who were contributing to the superannuation fund to-day saw their money being used to maintain pensions already granted leaving nothing for themselves when their time for retirement came. One of the reasons for the debacle in municipal superannuation funds was an increase of

nearly 50 per cent. in pension schedules made in 1929. To put the scheme on a sound actuarial basis at that time pensions should have been decreased. Hon. John Hart, Minister of Finance, said the Government would stand behind the re-established fund, making direct grants and advancing money without interest until the scheme was well under way. The cost to the Treasury next year would approximate something between \$350,000 and \$400,000. They were endeavouring to make the new act actuarially sound. The Minister expressed the hope that, in addition to the new pension schedules to be established by the Act, the municipalities might see their way clear to give special assistance to cases where the need was great.

During the 1938 Session Hon. W. J. Asselstine, who became Minister of Mines succeeding Hon. G. S. Pearson who became Minister of Railways and Labour, introduced Amendments to the British Columbia Mineral Act designed to encourage prospectors, discourage speculation in claims and promote mining development work.

The Government provided for a loan of \$350,000 to build a preventive health institute at the University of British Columbia.

## The 1937 Session of the Legislature

The First Session of the Nineteenth Legislative Assembly of British Columbia was opened on Oct. 26, 1937, by the Lieutenant-Governor, the Hon. Eric W. Hamber. The Speech from the Throne, which stressed general improvement in business conditions reflected in record Provincial Revenues of \$28,102,612 during the fiscal year, stated that a new Department of Trade and Industry would be established to co-ordinate activities now carried on by various departments. It would concentrate upon development of the tourist industry and assist industry generally in expanding business and in expanding trade. Amendments would be made to various mining Acts and administration of the Securities Act would be improved.

In moving the Address-in-Reply to the Speech from the Throne, Mr. Fred Crone (Lib., Vancouver) favoured the raising of additional Provincial Revenues if they were levied for the express purpose of helping the various municipalities. He pointed out that while relief problem would grow smaller each year the indigency problem would increase and that, together with education and hospitalization, every municipality would require revenues adequate to cope with them. Mr. Cecil Bull (Lib., South Okanagan) said in seconding the Motion that absorption of people from the drought stricken districts of the Prairie Provinces by British Columbia should be encouraged, although he felt the financing of this was definitely a Dominion matter.

In the Debate Mr. Herbert Anscomb (Cons., Victoria) attacked the Government's handling of the unemployment problem and stated that Government's manoeuvres over the New Westminster bridge was an attempt to set tolls that would not cover the cost of the project, leaving the taxpayers to carry the difference. He declared himself in favour of immediate financial aid to municipalities and vigorously opposed amalgamation of British Columbia and the Yukon. Mrs. D. G. Steeves (C.C.F., N. Vancouver) urged the need for a revised constitution better suited to the people's 20th century conditions. Among the suggestions advanced was that the Doukhobors should be removed to the Peace River country and



confined to farming and industrial activity within their own borders. Dr. Lyle Telford (C.C.F., Vancouver E.) demanded Government distribution of gasoline; complete Government manufacture and sale of liquor and Government operation of public utilities.

### **Public Accounts, Estimates, the Budget of 1937.**

Public Accounts for the fiscal year ended Mar. 31, 1937 showed Revenue in Current Account of \$26,267,015 and total Revenues of \$28,102,662 and Total Expenditures (charged to Income) of \$25,413,589. Of total revenues \$25,413,589 was spent on ordinary expenditures and \$2,689,023 in relief. This left unprovided for out of current revenue another \$1,706,503 indirect relief costs and \$2,467,230 in deferred sinking funds. In addition there were capital expenditures of \$6,156,157. The Government's Balance Sheet showed an increase in the Gross Debt of the Province of \$5,020,700. Assets increased by \$13,230,180 and liabilities by \$11,644,197.

Estimates for the fiscal year ending Mar. 31, 1939, provided for Revenue accruals of \$28,065,341 as against Expenditures of \$27,985,158 leaving a revenue surplus amounting to \$80,182. The said total of \$28,065,341 of Revenues estimated to accrue to the Province from all sources during the fiscal year 1938-39 was \$1,596,000 greater than that estimated for 1937. It was expected that the main increases would be contributed by liquor profits, Land Registry fees, Motor-vehicle Act, Gasoline Act, Income tax, Races tax, rural district school taxes, land taxes, timber sales and traffic control.

The Minister of Finance (the Hon. John Hart) in the Budget Speech, delivered in the Legislature on Nov. 10, 1937, stated that no increase in taxation was proposed and he hoped that the Current Revenue would yield a Surplus sufficient to provide, if not all, at least the greater portion of direct relief costs.

Dealing with the financial position of the Province the Minister gave the Gross Debt as at Oct. 1, 1937 as \$187,181,404. He gave the Net Debt of the same date as \$151,162,657, an increase for the year of \$5,547,738. The value of Sinking Fund investment on Oct. 1, 1937 was placed at \$36,018,746, an increase for the year of \$1,324,198. During the twelve months ended Oct. 1, 1937, the Province sold debentures amounting to \$5,000,000. The gross cost of unemployment relief in British Columbia during the fiscal year 1936-37 amounted to \$10,218,825 of which the Dominion contributed \$3,724,646, the Province, \$5,645,578 and the municipalities, \$848,800. Of the total sum of \$10,218,825, \$2,590,534 was for works programmes and \$7,628,291 for direct relief. The Minister pointed out that at the end of September, 1937, the total expenditures for unemployment relief amounted to \$63,342,615 exclusive of the amount spent in British Columbia by the Dominion in connection with single men in National Defence Camps. Of the total expenditure the Dominion contributed \$21,844,389, the Province, \$32,951,681 and the municipalities, \$6,236,039. Mr. Hart stated that the total liability of the Pacific Great Eastern Railway Company to the Province amounted to \$77,809,577 (including \$20,160,000 of bonds and stock guaranteed by the Province) and that the railway had an operating surplus of \$151,191 in 1936 without allowance for interest due the Province. With interest in default the full liability of the railway to British Columbia was placed, as at March, 1937, at \$86,776,447. The Minister stated that the increase in the Debt of the Province during the period of Nov. 1, 1933 to Oct. 1, 1937 amounted to \$20,182,809. He also

intimated that for the ensuing year Capital borrowings would be confined mainly to works projects in connection with unemployment relief.

The Budget was subjected to severe criticism by Opposition Members. Dr. F. P. Patterson, Opposition Leader, declared that the Government had raised operating costs by their extravagance by \$7,000,000 a year. They were \$12,430,000 short in their sinking fund appropriations, so that despite record Revenues there was a Deficit of \$2,500,000 in current financing and an increase of \$5,000,000 in the Debt in the previous year. He asked how the Government proposed to finance debts of \$117,000,000, maturing within five years with only \$36,000,000 in Sinking Funds in hand. If existing policies were to continue, he stated, the cost of refunding those debts would be enormous. Mr. Herbert Anscomb (Cons., Victoria) in attacking Government extravagance suggested that a Dominion non-political loan council might conduct the fiscal affairs of British Columbia better. Dr. Lyle Telford (C.C.F., Vancouver E.), in denouncing the Budget said that at the existing rate of spending bankruptcy was not far off.

### Legislation and Incidents of the 1937 Session

The forty-five-day Session of the Nineteenth Legislature, which was prorogued on Dec. 10, 1937, saw the adoption of 81 Bills. Among the important measures were: a Trades Union Act which recognized the right of employees and employers to organize and set up a system of conciliation and arbitration designed to settle labour disputes peaceably; an Act to Regulate the Coal and Petroleum Industries of the Province, setting up a three-man Control Board with power to set prices and license distributors; an Act setting up a new Department of Trade and Industry which increased the size of the Cabinet to nine members; an Amendment to the Motor Vehicles Act, providing for examination of all drivers for physical fitness and ability to handle their cars and setting a speed limit of 30 miles an hour in all cities, towns and villages.

Other measures provided for compulsory arbitration of disputes between teachers and school boards; established a licensing system and strong regulation for private welfare institutions; authorized and experimental establishment of the Borstal system for youths convicted of first offences; moved municipal election dates forward from January to December; and liberalized mothers' pensions.

Legislation embodied in Amendments to the existing Securities Act was designed to maintain confidence in the investment market. One provision required a company to advise the Securities Board of any change in its set up. Under this Amendment if a company failed to strike expected ore bodies it would have to report the fact. Stock salesmen, under the new Act, were prevented from canvassing residents either by telephone or by calling at their homes. The Act provided a maximum penalty of \$25,000 fine and six months' imprisonment for an individual convicted of fraudulent practices. The Government was empowered to publish a corrected version of any false information published by a company. The Act empowered the Government to halt the sale of any security either on the Stock Exchange or outside it and also required brokerage houses to submit to the Government an audit of their books or examination of records at any time.

A Resolution proposed by Mrs. D. G. Steeves (C.C.F., N. Vancouver) urging that the Dominion Government should be asked to place an embargo on shipments of war materials was rejected by the Legislature.

Hon. K. C. MacDonald, Minister of Agriculture, advocated a central milk marketing agency and protection against "dumping" of dairy products in British Columbia.

The Government decided to increase their contribution to the forest protection fund by \$40,000 under the new legislation which sets up heavy penalties for logging operators who failed to observe the wishes of the forestry service in the disposal of slash on cut-over lands so as to leave them reproductive. With the \$40,000 granted to the fund the timber industry would be taxed 4 cents an acre instead of 3½, making an increased contribution of \$20,000. This gross increase will bring the total protection fund up to \$750,000.

The Prime Minister's proposed measure for the amalgamation of the Yukon with British Columbia was not pressed.

The Members of the Legislature voted themselves increases of \$400 each in their Sessional indemnities. Cabinet Ministers received an increase of \$1,900 each. This has cost the Province \$32,360 annually. Several Opposition Members voiced disapproval but there was no formal division.

The Hon. G. M. Weir, Provincial Secretary, assured the Legislature that the Government had not abandoned the Health Insurance Act, that enlargement of the Statute was contemplated and that a satisfactory solution of the entire problem was expected by his Department.

On the Motion of the Prime Minister the Legislature endorsed a proposed Amendment to The British North America Act giving the Dominion Government authority to institute national unemployment insurance.

## The 1938 Session of the Legislature

The Second Session of the Nineteenth Legislative Assembly of British Columbia was opened on Oct. 25, 1938, by the Lieutenant-Governor, the Hon. Eric W. Hamber. The Speech from the Throne stated that while business conditions in the Province had continued on a stable basis, the unemployment problem remained as a matter of concern. In presenting the case for British Columbia to the Royal Commission on Dominion-Provincial relations the Government were endeavouring to co-operate fully with the other Provincial Governments and with the Dominion Government to bring about the requisite changes. The Speech stated that the Public Utilities Board under the "Coal and Petroleum Provincial Control Board Act," passed by the Legislature in 1937, had, with the approval of the Government, fixed a maximum base price for the sale of gasoline. A measure would be submitted for the creation of a Public Utilities Board.

One new Member was introduced, Mr. D. W. Strachan, Liberal, who had been returned in the By-Election in Dewdney, occasioned by the death of Dr. Frank P. Patterson, the Conservative Opposition Leader.

In moving the Address-in-Reply to the Speech from the Throne, Mr. W. T. Straith (Lib., Victoria) stated that as an evidence of the Province's enhanced credit, life insurance companies had increased their holdings of British Columbia bonds by 1,500 per cent. during the previous year. Although more people were employed in the Province than at any time in its history, yet unemployment, to a large extent, remained. This, Mr. Straith attributed to an influx of 100,000 people into the Province in the



previous ten years. These people, he said, came mostly from the Prairies and were a splendid type of citizen but created a serious problem for the Government in their efforts to meet the unemployment situation. British Columbia trade, he asserted, had suffered to a considerable extent from the Sino-Japanese conflict. He hoped that, during the life of "this Legislature," he would see the Alaska Highway well on its way to completion with the Yukon part of British Columbia. Mr. Louis Le Bourdais (Lib., Cariboo) in seconding the Motion, found ground for gratification in the appointment of a special officer to investigate the standing of Land Settlement Board operations.

In the Debate, Mr. R. L. Maitland, K.C., the new Leader of the Opposition, challenged the Government on their policy in general and their unemployment relief, in particular. One of the great existing needs in the Province was, he declared, a practical government. There should be an abandonment of the haphazard and unrelated manner of carrying on public affairs as they existed in the Province. He advocated handing back to the municipalities the grants taken from them in the crisis of 1932-33. He also favoured a Highway Commission. A new policy respecting unemployment relief was needed, he declared. Millions had been expended with little to show for it. He moved an Amendment to the Motion to Address a Reply to the Speech from the Throne which was lost by a margin of 29 to 16, two C.C.F. Members and the Labour Member voting with the Opposition. Mr. A. L. Shepherd (C.C.F., Delta) deplored the decrease in the consumption of milk and of the decrease in use of eggs of 80,000,000 dozen a year. He described the average milk consumption in Vancouver as being a little more than half of that formerly absorbed. The reason was reduced family income. He queried why an Okanagan farmer got one cent a pound for apples which sold on the Coast for five cents. Mr. George Murray (Lib., Lillooet) favoured the settlement of 10,000 Britishers in central British Columbia instead of permitting that part of the country to absorb so many Japanese. Mr. Colin Cameron (C.C.F., Comox) and Mr. Harold Winch (C.C.F., Vancouver E.) attacked the Government on their administration of the Provincial Police Force and charged members of the Force with attempted bribery, drunkenness, and beating of prisoners. Mr. Winch introduced an Amendment which was lost on a division, seven C.C.F. Members and the Labour Member voting for it. Mr. Rolf W. Bruhn (Cons., Salmon Arm) stated that works, not relief, would constitute a remedy for much of the stagnation, privation and internal disintegration in Canada to-day. Mr. Bruhn, who was elected as an Independent, said he had aligned himself with the Conservatives as he agreed with the policies of that Party and admired its new Leader. He referred to the difficulties of being an Independent in a country where Party lines were still distinctly drawn. The Prime Minister (Mr. Pattullo) denied the charges made against the Police and said that nothing had been brought forward that called for a judicial inquiry.

#### **Public Accounts, Estimates, the Budget of 1938.**

Public Accounts for the fiscal year ended Mar. 31, 1938, showed Revenue on Current Account of \$28,276,916 and total Revenue of \$31,036,042 and Expenditures on Current Account of \$26,819,060, leaving a Surplus of Revenue over Expenditures of \$3,364,899.

Estimates for the fiscal year 1939-40 provided for Revenue Receipts of \$28,820,641 and Expenditures of \$28,765,457, leaving an anticipated

Surplus of \$55,183. The anticipated Revenue for 1939-40 exceeded the Estimate for the current year by \$755,300 and foreshadowed increased yields from the Game Act, Liquor Act, Land Registry fees, Motor Vehicle Act, Gasoline tax, timber licences, timber sales and water rentals. The total Estimated Expenditures for 1939-40 exceeded the Estimate for the current year by \$89,218.

Mr. Hart, in his Budget Speech of Nov. 9, 1938, stated that there would be no changes in taxation. Dealing with the financial position of the Province, the Minister drew attention to the Balance Sheet as at Mar. 31, 1938. He disclosed that Assets amounted to \$262,010,512, as against Liabilities of \$242,731,960. Surplus Assets totalled \$19,278,551. Mr. Hart stated that the collections for the fiscal year ended Mar. 31, 1938, amounted to \$31,036,942 and exceeded the Estimated Revenue Collections by \$4,567,601. The Revenue Collections exceeded the all time high record in 1936-37 by \$2,934,330. The Surplus of Revenues over Expenditures amounted to \$3,364,899 and was applied towards the cost of unemployment relief, which only fell \$335,341 short of meeting the Province's share of direct relief costs. For each of the four years ended Mar. 31, 1938, the Government had been able to show Surpluses on Operating Account. These Surpluses aggregated \$9,837,273 and enabled Debt retirement amounting to \$3,712,244 and Expenditures on unemployment relief amounting to \$5,841,677. On Oct. 1, 1938, the Gross Debt of the Province amounted to \$186,424,198 or \$757,206 less than in 1937. The value of the Provincial Sinking Fund was \$37,344,109 which made the Net Debt, \$149,080,089 or a reduction of \$2,082,568 since Oct. 1, 1937. Dealing with the Pacific Eastern Railway Company (whose liability to the Province stood at \$80,529,839) he said the railway had shown during 1937 a net operating profit of \$63,230.

At the end of September, 1938, the total expenditures for unemployment relief amounted to \$70,681,118 apportioned as follows: Dominion's share, \$24,130,608; Province's share, \$37,364,655; and the share of the municipalities, \$9,185,855. The gross cost of unemployment relief in British Columbia during the fiscal year 1937-38 amounted to \$8,722,266 or \$2,496,559 less than was spent in the preceding year. The cost was shared as follows: Dominion, \$2,911,417; Province, \$5,154,261; and municipalities, \$656,587. The Minister stated that the Province would press for better terms with the Dominion Government. He pointed out that the 80 cents *per capita* grant from the Dominion for certain services since Confederation totalled \$14,399,008 while the cost of those services to British Columbia amounted to \$230,129,461. The income tax field was invaded by the Dominion in 1918. The Province collected from income tax during 1937-38 \$7,343,237 while the Dominion collected during the twelve months ended Sept. 30, 1938, \$11,274,674 or 54 per cent. more than the Province. He stated that 750,000 people in British Columbia paid as much Income tax to the Dominion as 3,500,000 people in Prairie and Maritime Provinces.

In the Budget Debate Mr. Herbert Anscomb (Cons., Victoria) said that the Budget was not balanced. There was no more balance to a Provincial Budget when even a part of the cost of unemployment relief and provision for Sinking Funds or any other expenses of any nature was not provided for than there would be in his own personal expenses if the rent or light bill were left unpaid. Mr. Anscomb declared that

there was no such thing as treasury control in British Columbia and denied that the credit of the Province was as sound as the Finance Minister would have the House believe. Private industry was able to borrow at better rates than the Government. Just prior to the previous Election Mr. Hart had had as a weapon to hold over the heads of financial interests the fear that if a loan were not forthcoming a Communist Government would gain power in British Columbia and repudiate the public debts. Later, he said, when the Government were in power the Finance Minister had sought another loan of \$5,000,000 and returned with empty pockets. He claimed the Government should deal with the unemployment problem in a constructive way. Recalling the Government's effort to control the price of gasoline he condemned the general attitude and the issuing of Hitler-like edicts and declared the Government had made an intolerable mess of the whole problem. Mr. Harold Winch (C.C.F., Vancouver E.), moved a surprise Amendment, regretting that the Government had made no provision in the Budget for further aid to municipalities or announced additional taxation of corporations. The Amendment was ruled out of order and, on an appeal to the House, the Speaker was sustained by a vote of 28 to 13. In the course of his speech Mr. Winch said there were companies doing business in British Columbia which had depreciation reserves larger than their capital structure; these should be investigated by the Department of Finance. Mr. Thomas King (Lib., Skeena) declared that the Government of British Columbia should legislate to allow the sterilization of those found to be mentally deficient and should force those suspected of suffering from tuberculosis to undergo clinical examination with a view to placing them in proper institutions. Mr. L. A. Shepherd (C.C.F., Delta) called for the removal of the burden of education costs from farm lands, immediate examination of spread in prices between producer and consumer, reduction of annual motor licence fees to farmers and planned experiments by the Government for the relief of British Columbia agriculture.

### Legislation and Incidents of the 1938 Session

The Legislature, after a Session lasting seven weeks, was prorogued on Dec. 10, 1938. The most important Bill to receive the Royal Assent was the Public Utilities Act which gave the Government power to set up a three-man board to control power and light companies, transportation facilities, telephone and telegraph facilities in so far as they came under Provincial jurisdiction, water supply services and a few other facilities. The Coal and Petroleum Products Control Board Act, under which a reduction of from three to six cents a gallon in the retail price of gasoline throughout the Province was amended. The Amendment was intended to deal only with industries in the Province. A suit was pending in the courts to determine the validity of the Act.

The House voted 28 to 14 in recording its opposition to Oriental immigration into the Province, offered as an Amendment to an Opposition Motion which asked exclusion of Japanese through abrogation of the Gentlemen's Agreement between Canada and Japan under which 150 Japanese enter the Dominion annually.

Two important Amendments for Labour were passed: one raised benefits under the Provincial Workmen's Compensation Act from 62½ per cent. of the workmen's regular pay to 66⅔ per cent., and the other increased widow's allowance from \$35 to \$40 per month.



The Industrial Conciliation and Arbitration Act was amended so that it was not required that employee representatives should themselves be employees, thus permitting union leaders to represent employees before conciliation boards.

The Department of Finance was given power to levy up to 15 per cent. tax on undistributed profits of family corporations.

The Marriage Act was amended to enable the Government to compel medical examination of all applicants for marriage licences.

A Redistribution Act abolished The Islands riding. Alberni was made a separate riding instead of being included in Alberni-Nanaimo, and one of Victoria's four seats was made into a separate riding, Oak Bay. No change was made in the Legislature's membership of 48.

One of the highlights of the 1938 Session was the charge of graft made by Dr. Lyle Telford (C.C.F., Vancouver E.) in connection with the building of the Pattullo bridge. He declared that there had been overpayment of \$300,000 on the steel used in the construction of the bridge. The matter was referred to the Public Accounts Committee and after a day-long investigation the Committee adopted a unanimous Report which found that there was no foundation for the charges of graft. Dr. Telford withdrew his accusation, saying they had been based on information supplied by a business man of Vancouver. Following the collapse of Dr. Telford's charges there was talk of the C.C.F. group repudiating him but no action resulted although Dr. Telford went so far as to threaten to resign his seat.

In June, 1938, the single unemployed men held a sit down strike in Vancouver. They invaded the Art Gallery and the Post Office and refused to leave. After a few days they had to be forcibly ejected. Mr. Pattullo stated that his Government would not give relief to single unemployed transients declaring that there were subversive influences at work urging the men to be disorderly. After the flare up in Vancouver, 700 of the Relief Project Workers Union invaded the Government Buildings at Victoria, but the Prime Minister declined to see them. Finally, the transients agreed to quit the Province before Aug. 15 if furnished with transportation expenses. To the men storming the Parliament Buildings it was decided to advance \$6.40 each, the equivalent of two days' work. This was intended to maintain them for ten days after which, they promised, they would seek employment.

### **The Departments During 1937 and 1938; Education**

Enrolment in the schools of British Columbia increased during the school year ended June 30, 1938, from 118,431 in 1936-37 to 120,360 in 1937-38 and the average daily attendance increased from 104,044 to 106,515. The percentage of regular attendance was 88.49 in 1937-38, as compared with 87.85 in 1937. In addition enrolments in correspondence classes, night schools, adult educational classes, recreational and physical classes, Normal Schools, Victoria College and the University of British Columbia numbered 38,946 in 1937-38, as compared with 29,899 in 1936-37.

The University of British Columbia had a registration of 2,049 students for the year 1936-37 and 2,481 for 1937-38. On Oct. 27, 1937, the University of British Columbia conferred the Honorary degree of LL.D. on the Hon.

T. D. Pattullo, Prime Minister of the Province. On May 12, 1938, the Honorary degree of LL.D. was conferred on Mrs. Helen G. MacGill, Judge of the Juvenile Court of Vancouver. At a Special Convocation on Aug. 19, 1938, the Honorary degree of LL.D. was conferred on the following: Sir Lyman P. Duff, Chief Justice of Canada; the Rt. Hon., the Viscount Finlay of Nairn, Judge of the High Court of Justice; Prof. Arthur T. Vanderbilt, Professor of Law in New York University Law School; and Senator J. W. deB. Farris, President of the Canadian Bar Association. On Oct. 2, 1937, the new stadium was formally opened and on Apr. 2, 1938, the University celebrated the 20th Anniversary of Dr. R. E. McKechnie as Chancellor. In December, 1938, the Department of Commerce was established.

### **Public Works, 1937 and 1938**

The programme of reconstruction work in 1937-38 was carried out with a view to making the main highways suitable for hard surfacing. Progress was made in extending the Hope-Princeton Road and also the Northern Trans-Provincial Highway. Considerable improvement and reconstruction was undertaken on the Southern Trans-Provincial Highway, including the reconstruction of several bridges. Bituminous surfacing carried out during 1937-38 comprised 112 miles of mulch and 188 miles of spray coat. In addition new work in improvement and renewal of existing surface was carried out on 288 miles of road. The following work was also undertaken: 112 miles of new construction, 560 miles of major reconstruction and improvements, 220 miles of new gravel surfacing, 253 miles of gravel surfacing renewed. During the winter months 8,245 miles of road were kept open by snow ploughing, involving a total of 102,754 snow plough miles. In 1936-37 a total of 61 miles of new bituminous surfacing was undertaken. During June, 1936, the Department of National Defence closed down the camps which for three years had been operated by the Department for relief of single homeless men. By an arrangement with the Dominion Government an expenditure of \$2,150,000 in works projects for the relief of unemployed was provided for, the Dominion's share of the work amounting to \$1,150,000.

### **Labour, Relief and Welfare, 1937 and 1938**

While the statistical survey of labour conditions in British Columbia revealed a marked improvement in 1937 over 1936 the figures for 1938 showed a marked falling off. The total payroll of the Province for the calendar year 1937 amounted to \$162,654,234, as compared with \$158,026,375 in 1938, a decrease of \$4,627,859 in 1938. The largest decrease occurred in the lumber industry resulting from the closing of the logging camps for an extended period, due to the exceptionally dry Summer season and toward the close of the year to world market conditions. Wages in the pulp and paper industry fell short of the 1937 total by one and one-half million dollars.

The average weekly wage for male employees stood at \$26.70 in 1938 and \$26.64 in 1937. Of the total of 120,416 employees reported under nationalities in 1937, 76.72 per cent. were from English-speaking countries and of the total of 119,492 employees, in 1938, 77.20 per cent. were English-speaking.

Under the re-registration of relief recipients commenced in 1934 a total of 85,234 applications had been received up to Dec. 31, 1937, and 93,772 up to Dec. 31, 1938. In December, 1937, 61,731 persons were receiving relief and in December, 1938, 68,836.

Industrial strikes occurring in the Province numbered 16 in 1937 and 11 in 1938; the number of employees affected in 1937 being 1,188 and 837 in 1938.

Inspectors of the Board of Industrial Relations in British Columbia in 1938 made 15,223 inspections and as a result adjustments were made for arrears of wages for the sum of \$53,202 of which \$38,251 represented payments made to male employees and \$14,943 turned over to women and girls whose wages had not equalled the amounts required under the respective Orders of the Board. In addition \$2,371 was ordered paid to employees as a result of court actions. In 1937 inspections totalled 13,212 and collections, \$57,028. The average weekly wage in 1938 for employees over 18 years or experienced was \$18.20, and for 1937, \$15.14. For those under 18 years or inexperienced, the average weekly wage, in 1938 was \$11.87 and in 1937, \$10.17. The average working week in 1938 was 46.84 hours and in 1937, 47.25 hours.

Accidents under the Workmen's Compensation Act of British Columbia for the calendar year 1938 totalled 31,505 and of the number 159 were fatal. In 1937 the number of accidents reported was 35,005 of which 181 were fatal. In addition nearly 2,000 minor injuries were reported but were treated with first aid only. Claims reported during the past 22 years that the Act has been in force to the end of 1938 totalled 560,448 or an average of 25,475 a year. Of that number 4,295 were claims with respect to fatal accidents or an average of 195 per year. At the end of 1938 there were on the pension list, as a result of fatal cases, 981 widows, 842 children, 127 dependant mothers, 33 dependant fathers, and 17 other dependants. Permanent, partial or total disability resulted in 13,239 cases during the past 22 years. At the end of 1938, 2,130 workers were in receipt of pensions for such disabilities.

At the end of the fiscal year 1937-38 there were 11,639 Old Age Pensioners in British Columbia and pensions paid during the year amounted to \$2,622,770. In the fiscal year 1936-37 the number of pensioners was 10,828 and the sum paid out during the year was \$2,441,320.

Total expenditures under the Mothers' Allowance Act in British Columbia during the fiscal year 1937-38 were \$748,272 and in 1936-37, \$682,588. At the 1937 Session of the British Columbia Legislature a new "Mothers' Allowance Act" was passed replacing the former "Mothers' Pension Act."

The number of girls on the roll of the British Columbia Industrial School for Girls on Mar. 31, 1937, was 41, as compared with 51 on Mar. 31, 1938. The net cost of inmates maintenance to the Government was \$16,010 in 1937 and \$24,950 in 1938.

The number of boys in the British Columbia Industrial School for Boys on Mar. 31, 1937, was 43 and on Mar. 31, 1938, 56. The cost to the Government for the school was \$37,368 in 1937 and \$48,061 in 1938. The number of boys released in 1937 was 37 and the number on parole 85, while, in 1938, 90 were released and 38 let out on parole.



## Agriculture, 1937 and 1938

The total value of agricultural production in British Columbia for the calendar year 1938 was estimated at \$47,782,012, according to the Report of the Department of Agriculture, as compared with \$49,972,542 for 1937. The total values for the two years, 1937 and 1938, respectively for the various classes of agricultural products were: live stock \$18,765,000 and \$18,986,000; poultry products, \$3,069,000 and \$3,108,000; dairy products, \$12,842,650 and \$13,203,589; fruits and vegetables, \$10,130,310 and \$9,729,944; field crops, \$16,613,250 and \$14,083,000; and miscellaneous, \$1,888,332 and \$1,802,479.

## Mines, Fisheries and Lands, 1937 and 1938

The British Columbia Minister of Mines gave the total mineral production of the Province for all years from 1852 up to and including 1938 as \$1,618,306,191. The number of men employed in the industry in 1938 was 16,027, as compared with 16,129 in 1937. The number of shipping mines increased from 185 in 1937 to 211 in 1938 and those shipping 100 tons decreased from 113 to 92 in 1938. Dividends decreased from the all-time record in 1937 of \$15,085,293 to \$11,992,316 in 1938. The quantity and values of all mineral products for 1937 and 1938 are shown in the following table taken from the Report of the Minister of Mines for 1938:

Description	Mining Industry		1938	
	Quantity	Value	Quantity	Value
Gold, placer* .....oz.	54,153	\$1,558,245	57,759	\$1,671,015
Gold, lode* .....oz.	460,781	16,122,727	557,522	19,613,624
Silver .....oz.	11,308,685	5,075,451	10,861,578	4,722,288
Copper .....lb.	46,057,584	6,023,411	65,769,906	6,558,575
Lead .....lb.	419,118,371	21,416,949	412,979,182	13,810,024
Zinc .....lb.	291,192,278	14,274,245	298,497,295	9,172,822
Coal .....tons, 2,240 lb.	1,444,687	6,139,920	1,309,428	5,565,069
Structural materials .....		2,098,337		1,975,249
Miscellaneous metals and minerals..		1,766,617		1,396,885
Totals .....		\$74,475,902		\$64,485,551

\*Canadian funds.

According to the 1938 Report of the Dominion Bureau of Statistics on the fisheries of British Columbia the value of the production of the fishery industry of the Province in 1938 was \$18,725,591, as compared with \$16,155,439 in 1937. The value of the British Columbia salmon production as marketed in 1938 was \$14,544,126, an increase over 1937 of \$2,636,221. Chief among the products of the salmon fishery is canned salmon which totalled 1,707,830 cases valued at \$12,267,765 in 1938 or an increase of 199,253 cases and a value increase of \$3,005,477 over 1937. The exports of canned salmon in 1938 amounted to 488,400 cwt. valued at \$7,128,194, as compared with 591,793 cwt. valued at \$7,533,648 in 1937. The total capital invested in the fishing industry in British Columbia in 1938 amounted to \$15,065,019, as compared with \$11,771,130 in 1937. There were 75 establishments in operation in 1938, as against 85 in 1937, and the total employees in 1938 numbered 10,314, as compared with 11,184 in 1937.

The Annual Report of the Department of Lands for British Columbia showed revenue from land sales, land revenue operations under The Coal and Petroleum Act and sundry receipts as \$455,849 in the calendar year 1937, and \$454,540 in 1938. In the 1937 Report two features were noted, an increase in general business and a decrease in revenue. This was

accounted for as effects of legislation authorizing lower deposits, lower interest rates and providing for third-class land, lowering the minimum price of agricultural land from \$2.50 to \$1.00 per acre.

According to the Report of the Forest Branch of British Columbia for the calendar year 1938 the local world of forestry and forest industry presented a reasonably well balanced account. The water-borne timber trade of the Province in 1938 reached a total of 1,192,195,677 board feet, as compared to 1,107,377,000 board feet in 1937. In 1938 in water-borne trade the United Kingdom continued to be the bright spot with largely increased sales wiping out the slight falling off in 1937. A growing interest in raw log export was evidenced in 1938. The total log scale reached a figure of 2,779,033,998 f.b.m., 14.2 per cent. below the 1937 total. The shingle trade and, to a lesser extent cedar log sales, continued to be dominated by the United States import quota. Export of shingles to the United States for each half year in turn since 1936 had been limited to 25 per cent. of the United States market during the period of six months. Quotas were:

	Squares	
	First half-year	Second half-year
1936.....		1,419,747
1937.....	1,048,262	892,273
1938.....	916,246	864,881

The annual value of forest industries, including loading and freight, within the Province was estimated at \$67,122,000 in 1938 and \$80,872,000 in 1937.

## Economics and Statistics

In Dec. 10, 1937, the Economic Council under Dr. W. A. Carrothers was dissolved and was replaced by the Bureau of Economics and Statistics. The Research Department of the Economic Council was transferred to the new Bureau. Mr. G. Neil Perry, Senior Assistant to Dr. Carrothers on the Economic Council, was appointed Director on Jan. 25, 1938, and the appointment of other permanent officers of the Bureau followed on Apr. 1. Organization of the Bureau was not actually commenced until June. Between January and May of 1938 all members of the staff were attached to the secretariat assisting Dr. Carrothers in preparing factual material for the Provincial Government's submission to the Royal Commission on Dominion-Provincial Relations. Upon the termination of this special work a programme of routine and research activities as well as of organization was initiated. Although the powers and duties of the new Bureau are in general similar to those of the former Economic Council, the Bureau in addition is expected to collect and compile statistics under its own authority in conjunction with other Provincial Departments and also with the Dominion Bureau of Statistics. It is moreover instructed to provide a co-ordinated and integrated system of Provincial Statistics.

## Health, 1937 and 1938

The Report of the Provincial Board of Health for British Columbia for the calendar year 1937 stressed the progress made in the establishment of various Branches of the Department to meet the advances in the application of the principle of prevention as applied to Public Health work. Much success, it was stated, had attended the formation of the Metropolitan Health Unit in the City of Vancouver and surrounding

districts. In the head office the Board had carried on the direction of the Public Health nursing work. The Tuberculosis Division carried on an active campaign. The number of known cases of tuberculosis in the Province was 5,188 and there were 1,827 new cases recorded during 1937 with 590 deaths. During 1937 a Venereal Disease Division was formed. The Report for 1938 stated the Division of Tuberculosis Control continued to function in an efficient and thorough manner. In this particular field every attempt had been made to co-ordinate the Division's work with other health and welfare activities and new health and welfare developments throughout the Province, such as the Greater Vancouver Metropolitan Health Board, the Welfare Field Service, and the Vancouver Social Service Department. In regard to Indian work a co-operative plan had been put into effect between the Division of Tuberculosis Control and the Indian Affairs Branch whereby the Division undertook to work for the Indian Affairs Branch on requisition. The Division of Venereal Disease Control reported marked progress during 1938. The Report of the Chief Sanitary Inspector showed a continuance of the close inspection of lumber, mining and fishing industries as well as auto tourists camps and Summer resorts. The Spring of 1938 saw the beginning of a Sylvatic Plague and Rocky Mountain Spotted Fever Survey in British Columbia. The work was in the nature of a co-operative effort between the Provincial Board of Health and Dominion Department of Pensions and National Health.

Provincial Mental Health Hospitals had 4,255 inmates at Mar. 31, 1938, as compared with 4,067 in Mar. 31, 1937. During the year ended Mar. 31, 1938, 404 patients were discharged. The number discharged in 1936-37 was 378.

The Report of Vital Statistics for the years ended 1938 and 1937 gave the following:

Year	Births	Deaths	Marriages
1938.....	13,812	7,455	6,158
1937.....	13,033	7,981	6,232

The infantile mortality rate of the Province was 55.8 in 1937 and 44.6 in 1938.

### Municipal Affairs; Liquor Control Board, 1937 and 1938

The Municipalities of British Columbia, owing to the reduced assessments since the boom days of 1912 and the amount of property acquired through tax sales proceedings for non-payment of taxes, have had a rather trying situation to face. However, in 1937 and 1938 there were no further defaults and during the two years no municipality was placed under a Commissioner. In 1937 the taxable land assessment for cities and districts in British Columbia, including Vancouver, was \$397,538,547 and in 1938 this had been reduced to \$223,730,000. The tax sale proceedings for nonpayment of taxes presented a grave factor affecting municipal revenue. In 1924, the first year for which figures were available, the amount was approximately \$8,470,000 and at Dec. 31, 1938, it was more than \$10,440,000. These figures represented not the assessed value of the lands but the upset price at which the municipalities acquired such properties. The Annual Reports of the Department of Municipal Affairs noted improvement in the general position of the municipalities for 1937 and 1938. Arrears of taxes for 33 cities, 28 districts and 17 villages of the Province amounted to \$8,848,826 in 1937 and \$6,634,681 in 1938.



The Union of British Columbia Municipalities in Convention at Nanaimo on Sept. 8, 1937, urged the Provincial Government to give financial aid to sorely pressed municipalities until the finding of the Royal Commission and the financial and administration relations were known. The Convention also supported a Resolution opposing the imposition of tolls on any Government bridge which was part of any public highway. Meeting at Nelson on Sept. 15, 1938, the Union of British Columbia Municipalities adopted a Resolution that while recognizing that unemployment relief should be a Dominion responsibility they urged the Provincial Government to assume its cost if the Dominion Government failed to take action. The Provincial Government were also urged to take over the entire burden of educational costs.

The Liquor Control Board of British Columbia for the year ended Mar. 31, 1937, had a profit on Trading Account of \$3,494,444 with sales of \$12,746,783, and with revenue from licences, a net profit of \$3,555,429. For the year ended Mar. 31, 1938, profit on Trading Account amounted to \$3,977,667, with sales of \$14,110,158, and the net profit was \$4,042,626.

## The Province of British Columbia

(As at Dec. 31, 1938)

Lieutenant-Governor .....The Hon. Eric W. Hamber, LL.D.

### The Pattullo Ministry\* (Liberal)

(As at Dec. 31, 1938)

Prime Minister and President of the Executive Council .....The Hon. T. D. Pattullo, K.C., LL.D.  
 Provincial Secretary and Minister of Education .....The Hon. G. M. Weir, M.A., D.P.A.E.D.  
 Attorney-General .....The Hon. G. S. Wismer, K.C.  
 Minister of Finance .....The Hon. John Hart  
 Minister of Lands and Minister of Municipal Affairs .....The Hon. A. W. Gray  
 Minister of Railways, Minister of Labour and Commissioner of Fisheries .....The Hon. G. S. Pearson  
 Minister of Agriculture .....The Hon. K. C. MacDonald, D.D.S.  
 Minister of Public Works .....The Hon. F. M. MacPherson  
 Minister of Mines and Minister of Trade and Industry .....The Hon. W. J. Asselstine

Speaker of the Legislative Assembly .....The Hon. N. W. Whittaker, K.C.

### Heads of the Administrative Services

(As at Dec. 31, 1938)

Deputy Provincial Secretary .....P. Walker  
 Deputy Attorney-General .....Col. Eric Pepler  
 Deputy Minister of Lands .....H. Cathcart  
 Deputy Minister of Finance .....H. N. Wright  
 Deputy Minister of Agriculture .....J. B. Munro, B.S.A.  
 Deputy Minister of Mines .....Dr. J. F. Walker  
 Deputy Minister of Public Works .....A. Dixon  
 Deputy Minister of Railways .....G. P. Napier  
 Deputy Minister of Labour .....Adam Bell  
 Deputy Minister of Education .....S. J. Willis, LL.D.  
 Deputy Minister of Trade and Industry .....E. G. Rowebottom  
 Assistant to the Commissioner of Fisheries .....G. J. Alexander  
 Comptroller-General .....J. A. Craig  
 Deputy Minister of Municipal Affairs .....E. H. Bridgman  
 Administrator of Unemployment Relief .....E. W. Griffith

\*NOTE.—For purposes of reference the changes which took place in the Cabinet between Dec. 31, 1938 and Dec. 31, 1939, are given herewith: Mr. Pearson relinquished his Portfolio of Railways; Capt. C. S. Leary was appointed Minister of Public Works and Minister of Railways; and Mr. MacPherson was no longer in the Cabinet.



# CANADIAN BOOKS OF 1937 and 1938

COMPILED BY

CHARLES R. SANDERSON

Chief Librarian, Toronto Public Libraries

The following lists contain Canadian books and pamphlets of 50 or more pages, except in the Poetry and Drama sections where the minimum is 25 pages. A selection of documents of Dominion and Provincial Governments is included. Elementary school texts, and also books written in other countries which have been merely reprinted in Canada without change, have been omitted. Anyone interested will find them listed in the *Canadian Catalogue of Books* which is published annually by the Toronto Public Libraries.

Each list is headed by the year of publication. Under this the titles are grouped by subject, with the subjects arranged alphabetically. Prices quoted are those of original publication and under existing conditions must be accepted as being subject to variation.

## 1937

### Agriculture

- Canada. Dept. of Agriculture.** The British Market and the Canadian Farmer; a Report. 85p. diags. Seventeenth Annual Market Review, 1936. 165p. maps. Ottawa, the Department. 50c.
- Canada. Dominion Bureau of Statistics. Agric. Br.** Live Stock and Animal Products Statistics, 1936. 99p. diags. 25c. Report on the Grain Trade of Canada for the Crop Year ended July 31 and to the Close of Navigation, 1936. 218p. maps, diags. 50c. Ottawa, King's Printer.
- Canada. Dominion Bureau of Statistics. Dairy Br.** Statistics of Dairy Factories, 1935. 104p. il. diags. Ottawa, King's Printer. 25c.
- Canada. National Research Council.** Bibliography on the Influence of Mineral Deficiencies on Growth and Reproduction of Farm Animals, by Muriel E. Whalley, Division of Research Information. 89 l. Ottawa, the Council.
- Canada. National Research Council and Dept. of Agriculture.** Collected Papers of the Associate Committee on Grain Research, containing papers no. 76 to no. 110, v. 4, 1935-37. Ottawa, the Council.
- Canadian Agricultural Economics Society.** Proceedings of the Ninth Annual Meeting, at the University of Saskatchewan, Saskatoon, June, 1937. vi, 125p. Saskatoon, the University.
- Canadian Grain Trade Year Book, 1936-37.** v. XVII. 115p. diags. Winnipeg, Sanford Evans Statistical Service. \$1.50.
- Cook, W. H. and Halferdahl, A. C.** Chemical Weed Killers. (Canada. National Research Council. Bul. 18). 111p. Ottawa, the Council. 25c.
- Gooderham, Charles Benjamin, 1883—.** Bees and How to Keep Them. 62p. il. Ottawa, the Dept. of Agriculture.
- Hind, Ella Cora, 1861—.** Seeing for Myself; agricultural conditions around the world. xxii, 347p. port. maps. Toronto, Macmillan. \$1.50.
- Hopkins, Edward Stanley, 1890—.** Palmer, A. E. and Chepil, W.S. Soil Drifting Control in the Prairie Provinces. 51p. il. maps, diags. (Ottawa, Dept. of Agriculture).
- Keith's Florist Directory and Horticultural Guide.** 132p. Toronto, Keith Pub. Co. \$2.
- McArthur, I. S.** An Economic Study of Potato Production in New Brunswick. 70p. map, diags. Ottawa, the Dept. of Agriculture.
- Madill, Alonzo James, 1874—.** History of Agricultural Education in Ontario. Rev. ed. 316p. plan. Univ. of Toronto Press \$2.
- Preece, William Hugh Arthur, 1894—.** North American Rock Plants; illus. with photographs by A. Nicholls. xv, 204p. il. N.Y. Macmillan. \$3.50.
- Ruddick, John Archibald, 1862—, and others.** The Dairy Industry in Canada, by J. A. Ruddick, W. M. Drummond, R. E. English, J. E. Lattimer; ed. by H. A. Innis. (Carnegie Endowment for International Peace). xxxii, 299p. Toronto, Ryerson. \$3.75.
- Shoemaker, James Sheldon, 1898—, and Adamson, Robert M.** Gladiolus Culture. 65p. il. diags. Edmonton, the University of Alberta (Extension).
- Sinclair, Robert David.** Swine Production in Alberta. 103p. il. plans, diags. Edmonton, the University of Alberta (Extension).



**Wright, Lawrence E. 1885—, and Hammond, H. S.** Manures, Fertilizers and Soil Amendments, their Nature, Function and Use. 70p. il. Ottawa, the Dept. of Agriculture.

**Wyatt, Frank Archibald, 1887— and others.** Soil Survey of Rainy Hills Sheet, by F. A. Wyatt, J. D. Newton, W. E. Bower and W. Odynsky; with Appendix by J. A. Allan. vi, 56p. il. maps. Edmonton, the University of Alberta (Extension).

## Art, Music and Architecture

**Frey, Hugo, ed.** Canada Sings; community song book for schools, clubs, fraternities, homes and community singing. 144p. music. Toronto, Gordon V. Thompson. 35c.

**International Nickel Co. of Canada, Limited.** Nickel Coins. 2d ed. 243p. il. N.Y. Caxton Press.

**MacAskill, Wallace R.** Out of Halifax; a collection of sea pictures, with an introd. by George Matthew Adams. 202p. front. il. N.Y. Derrydale Press. \$15.

**MacMillan, Sir Ernest Campbell, 1893—, comp.** Canadian Song Book; melody ed. with music. 112p. music. Toronto, Dent. 45c.

**Nobbs, Percy Erskine, 1875—.** Design; a treatise on the discovery of form. ix, 412p. il. pl. plans, diags. London, Oxford. 30/—.

**Sociability Songs; "Songs for Everybody".** Can. ed. 128p. music. Toronto, Gordon V. Thompson. 35c.

**Summer Cottages.** 78p. il. plans. Toronto, Building in Canada, 177 Jarvis St. \$1.

**Yokum, John H.** An Introduction to Music Enjoyment and Appreciation. 2v. ix, 83; ix, 102p. fronts. il. ports. diagr. music. Toronto, Ryerson. 40c each.

## Bibliography and Librarianship

**Canada. Dept. of Public Printing and Stationery. Division of Documents.** Catalogue of Official Publications of the Parliament and Government of Canada, June, 1937. 114p. Ottawa, King's Printer.

**Canada. Parliament. Library.** Annual Supplement to the Catalogue of the Library of Parliament; classified list of all books and pamphlets added to the library from Jan. 1st to Dec. 31, 1936. ix, 175p. Ottawa, King's Printer.

**McKim, A. Limited.** McKim's Directory of Canadian Publications, 30th ed., 1937. 480p. Montreal, McKim. \$3.

**Toronto. Public Libraries.** The Canadian Catalogue of Books published in Canada, about Canada, as well as those written by Canadians, with imprint of 1936; No. 15. 48p. Toronto, Public Libraries. 50c.

## Biography

**Acland, Eric.** The Princess Elizabeth. ix, 118p. front. pl. ports. Toronto, Winston. \$1.

**Acland, Eric, and Bartlett, Ernest Henry, 1903—.** The House of Windsor, Geo. V-Geo. VI. viii, 391p. front. pl. ports. Toronto, Winston. \$2.

**Alderton, Haddon.** One Man's Meat. 288p. front. London, Long. 15/—.

**Buchan, John, 1st Baron Tweedsmuir, 1875—.** Augustus. 356p. front. pl. ports. map. London, Hodder & Stoughton. 21/—.

**Christian, Edgar Vernon, 1908-1927.** Unflinching; a Diary of Tragic Adventure; with an introd. and conclusion by B. Dew Roberts and a preface by Major Hon. J. J. Astor. xi, 156p. front. pl. ports. map, facsimis. London, Murray. 6/—.

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- ## Business, Finance and Trade
- Automobile Insurance Handbook, 1937,** by Lillian D. Millar. 98p. il. diags. Toronto, the Author, 131 Bloor St. W. \$1.
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Reports of the Superintendent of Insurance of the Dominion of Canada: Loan and Trust Companies for the year, 1935. xxxiv. 162p. 50c.; Small Loan Companies for the year, 1936. 128p. 50c.; Insurance Companies other than Life for the year, 1936. cccxlix, 1310p. \$1.75; Life Insurance Companies for the year, 1936, cccclxxiii, 1051p. \$1.25. Ottawa, King's Printer.
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- Citizens' Research Institute of Canada.** Financial Statistics—Canadian Governments, Municipal, Provincial and Federal statistics, 1937. v. 18. Toronto, the Institute, 137 Wellington St. W. \$25.
- Cornish, George Augustus, 1872—.** Geography of Commerce for Canadians. 2d ed. rev. x, 480p. il. maps, diags. Toronto, Pitman. 80c.
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- Morrison, Neil F.** A Commercial and Economic Geography. Rev. ed. xv, 557p. front. il. maps, diags. Toronto, Ryerson. 80c. An Economic Geography of Canada. v, 162p. il. maps, diags. Toronto, Ryerson. 35c.
- Morton, Nelson Whitman, 1910—.** Individual Diagnosis; a manual for the employment office; with a foreword by Leonard C. Marsh. xvii, 123p. il. Montreal, McGill Univ. and Toronto, Oxford. \$1.75.
- Pitman Shorthand.** Canadian Centennial ed. viii, 165p. 85c. Shorthand Dictation Course; with review of principles. vi, 432p. Toronto, Pitman. \$1.50.
- Russell, Harold J.** Russell Shorthand. 128p. Toronto, Nelson. \$1.
- Speicher, Paul.** Financial Security Through Life Insurance. 58p. Toronto, Ryerson.
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- The Annual Financial Review.** Canadian, July, 1937. Comp. by W. R. Houston; v. XXXVII. 1216p. Toronto, Houston's Standard Publications. \$15.
- Thompson, Alan C.** How to Succeed in Business and How to Choose an Occupation. iv, 88p. Toronto, Greenway Press. \$1.
- ## Children's Books
- Coatsworth, Elizabeth Jane (Mrs. Henry Beston Sheahan) 1893—.** Sword of the Wilderness; illus. by Harvé Stein. xii, 160p. front. il. N.Y. Macmillan. \$2.

- Corbett, Sidney, 1891**— The Cruise of the Gull-flight. vi, 367p. front. il. N.Y. Longmans. \$2.
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- Prentice, J. D.** Teddy's Story; illus. by Stephen Spurrer. xv, 356p. il. Toronto, Macmillan. \$2.
- Sullivan, Alan (Sinclair Murray, pseud.) 1868**— Brother Blackfoot. 256p. il. Brother Eskimo. 256p. il. London, Pitman. 3/6 each.
- United Church of Canada.** Songs for Little Children. 100p. music. Toronto, United Church Pub. House. \$1.50.
- Wheeler, Benson and Purdy, Mrs. Claire Lee.** My Brother was Mozart; illus. by Theodore Nadejen. 209p. il. music. N.Y. Holt. \$2.50.
- Willison, Marjory (MacMurchy), Lady, d. 1938.** The Longest Way Round. 325p. Toronto, Macmillan. \$2.

## Education

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- Canada. Dominion Bureau of Statistics. Education Statistics Br.** Annual Survey of Education in Canada, 1935. xlvi, 185p. Ottawa, King's Printer. 50c.
- Canadian Education Association.** Proceedings of the 17th Convention, at Regina, Oct. 19-21, 1936. 221p. Toronto, the Assoc. Secr. W. J. Karr, Legislative Bldgs.
- Conway, Clifford B.** Hearing Abilities of Children in Toronto Public Schools. 132p. diagrs. Univ. of Toronto Press. 75c.
- Keenleyside, Hugh Llewellyn, 1898**—, and **Thomas, Andrew Frank, 1895**— History of Japanese Education and Present Educational System. xiv, 365p. Tokyo, Hokuseido Press; Chicago, Argus. \$4.
- Lodge, Rupert Clendon, 1886**— Philosophy of Education. 328p. N.Y., Harpers. \$2.
- Loudon, William James, 1860**— Studies of Student Life, v. 7. 190p. front. Toronto, the Author, 9 Woodlawn Ave. E. \$2.
- McFatrige, Winifred, comp.** A Documentary Study of Early Educational Policy. (Nova Scotia. Public Archives). 60p. Halifax, the Archives.
- Ontario. Dept. of Education.** Programme of Studies for Grades 1 to IV of the Public and Separate Schools, 1937. 164p. Toronto, the Dept.
- Ontario. Dept. of Education.** Schools and Teachers in the Province of Ontario, Elementary Public and Separate Schools, Nov., 1937. 612p. Toronto, King's Printer. 50c.
- Ontario Secondary School Teachers' Federation.** Training for Life's Work; short talks on how best to prepare in school for specific occupations. 56p. Toronto, the Federation, 30 Bloor St. W. 10c; 5c for 20 or more copies.
- Putnam, John Harold, 1866**— Schoolmasters Abroad; a 1937 diary. 98p. Toronto, Clarke Irwin. \$1.
- Sandiford, Peter, 1882**—, and **others.** Forecasting Teaching Ability. 93p. Univ. of Toronto Press. 50c.
- Schreibels, Charles D. 1894**— Pioneer Education in the Pacific Northwest (1789-1847). 94p. Portland, Ore., Metropolitan Press. \$2.25.

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- Amy, William Lacey (Luke Allan, pseud.)** Ghost Murder. 316p. Man on the Twenty-fourth Floor. 312p. London, Jenkins. 7/6 each.
- Baird, Mrs. Irene.** John. 235p. Philadelphia, Lippincott. \$2.
- Buchan, Susan Charlotte (Grosvenor) Baroness Tweedsmuir, 1882**— The Scent of Water. 336p. London, Hodder & Stoughton. 7/6.
- Cahill, James.** Flying with the Mounties; illus. by A. Sindall. viii, 248p. front. pl. London, Black. 3/6.
- Callaghan, Morley Edward, 1903**— More Joy in Heaven. 278p. Toronto, Macmillan. \$2.50.
- Campbell, William, 1880**— The Scarlet Riders, a story of the Royal Canadian Mounted Police. 264p. Milwaukee, Bruce Pub. Co. \$2.
- Child, Philip Albert, 1898**— God's Sparrows. 319p. London, Butterworth. 7/6.
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- Cunningham, Louis Arthur, 1900**— Moon over Acadie. 310p. Philadelphia, Penn Pub. Co. \$2.



- De la Roche, Mazo, 1885**— Die Familie auf Jalna; übertragen von Lulu von Strauss und Torney. Bd. III, Finch im Glück. 412p. Jena, Eugen Diederichs Verlag. R.M. 5.80.
- De la Roche, Mazo, 1885**— Beside a Norman Tower; illus. by A. H. Watson. New ed. 230p. 3/6. The Master of Jalna. New ed. 339p. 3/6. The Very House. 257p. 7/6. Young Renny. New ed. 277p. 3/6. London, Macmillan.
- Dix, Maurice Buxton.** Beacons of Death. 288p. The Kidnapped Scientist; an adventure of the trio of Mount Street. 287p. 7/6 each. London, Ward Lock.
- Ewach, Honore, 1900**— The Call of the Soil; a short novel of life in Canada. 92p. Winnipeg, Ukrainian Pub. Co. Text in Ukrainian; Ukrainian title, "Holos Zemli."
- Foley, Pearl (Paul De Mar, pseud.)** The Yellow Circle. 315p. Toronto, Macmillan. \$2.
- Grey Owl, "Washaquonasin", 1888-1938.** Der Heilige Baum; Erlebnisse aus dem kanadischen Norden. (Kosmos Bändchen, 149). 78p. il. port. Stuttgart, Kosmos, Gesellschaft der Naturfreunde.
- Grey Owl, "Washaquonasin", 1888-1938.** The Tree. 63p. il. port. Toronto, Macmillan. 75c.
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- Hémon, Louis, 1880-1913.** Maria Chapdelaine; tr. and with an introd. by W. H. Blake, with a foreword by Hugh Eayrs. xv, 263p. Toronto, Macmillan. 40c.
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- Hubbard, LaFayette Ronald, 1911**— Buckskin Brigades. 316p. N.Y. Macaulay. \$2.
- McKechnie, Neil Kenneth, 1873**— The Saddleroom Murder. 307p. plan. Philadelphia, Penn Pub. Co. \$2.
- Macpherson, Donald, pseud.** Men are like Animals. 322p. London, Faber. 7/6.
- Mowery, William Byron, 1899**— The Black Automatic. 284p. Boston, Little Brown. \$2.
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- Packard, Frank Lucius, 1877**— The Dragon's Jaws; a million-dollar ransom in diamonds. vii, 310p. Garden City, Doubleday. \$2.
- Rennie, J. Alan.** The Trail of the Wendigo. 271p. map. London, Frederick Muller. 7/6.
- Roberts, Kenneth Lewis, 1885**— Northwest Passage. 709p. \$2.75. Northwest Passage. 2v. 709; 199p. Garden City, Doubleday. \$10.
- Robins, Mrs. Denise (Klein) 1887**— The Tiger in Men. 250p. London, Nicholson & Watson. 2/6.
- Salverson, Mrs. Laura Goodman, 1890**— The Dark Weaver. 415p. Toronto, Ryerson. \$2.
- Scott, Sir Walter, 1st bart., 1771-1832.** Quentin Durward; with suggestions and questions by Ethel M. Sealey; illus. by Paul Hardy. 623, xxix p. front. pl. Toronto, Copp Clark. 45c.
- Seton, Ernest Thompson, 1860**— Biography of an Arctic Fox. 126p. front. il. pl. N.Y., Appleton-Century. \$2. Mainly about Wolves. 335p. London, Methuen. 8/6.
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- Sprigge, Elizabeth (Mrs. Mark Napier) 1900**— The Son of the House. 315p. Toronto, Macmillan. \$2.25.
- Stoddard, Charles.** North of the Stars. 256p. N.Y., Dodge. \$2. Trooper Maclean. 247p. N.Y., Caslon. \$2.
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- Booth, Sydney Scott, 1880**— Stumblebugs. Hamilton, the Author, 167 Rosslyn Ave. 25c.
- Brown, Thomas Kite, 1895**—, and **Alexander, Henry, eds.** The Winston Simplified Dictionary for Home, School and Office. x, 629p. il. Toronto, Winston. \$1.25.
- Wilson, Richard Albert, 1874**— The Birth of Language; its place in world evolution and its structure in relation to space and time. xii, 202p. il. London, Dent. 8/6.
- Winnett, F. V.** A Study of the Lihyanite and Thamudic Inscriptions. 58p. pl. map, facsim. Univ. of Toronto Press. \$1.

## History

- Armstrong, Elizabeth Howard.** The Crisis of Quebec, 1914-18. xiii, 270p. N.Y., Columbia Univ. Press. \$3.
- Averill, Esther.** The Voyages of Jacques Cartier; illus. by Feodor Rojankovsky. 95p. front. il. maps. N.Y., Domino Press. \$3.
- Brebner, John Bartlett, 1895**— The Neutral Yankees of Nova Scotia; a marginal colony during the revolutionary years. xvi, 388p. map. N.Y., Columbia Univ. Press. \$4.
- Burt, Alfred Le Roy, 1888**— The Romance of Canada. 400p. il. ports. maps. Toronto, Gage. 70c.

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- Creighton, Donald Grant, 1902—.** The Commercial Empire of the St. Lawrence, 1760-1850. (Carnegie Endowment for International Peace.—Relations of Canada and the United States). ix, 441p. maps. Toronto, Ryerson. \$5.
- Crockett, Walter Hill, 1870—.** A History of Lake Champlain, a Record of more than Three Centuries, 1609-1936. xvi, 320p. pl. port. map. Burlington, Vt., McAuliffe Paper Co. \$2.50.
- Cruikshank, Frederick David and Nason, Joseph.** History of Weston; with introd. by J. C. Boylen. 162p. front. pl. ports. Toronto, the Authors, 371 Bay St. \$1.50.
- Elgin, James Bruce, 8th Earl of, 1811-1863, and Grey, Henry George Grey, 3d Earl, 1802-1894.** The Elgin-Grey Papers, 1846-1852; ed. with notes and appendices by Sir Arthur G. Doughty. (Canada. Public Archives. Publications). v, 1-2: xx, 448; 449-899p. pl. Ottawa, King's Printer. \$5.
- Gilroy, Marion, comp.** Loyalists and Land Settlement in Nova Scotia; a list comp. by Marion Gilroy, under the direction of D. C. Harvey, Archivist. (Nova Scotia. Public Archives. Pub. 4). 154p. Halifax, the Archives. \$1.50.
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- Kalm, Pehr, 1716-1779.** The America of 1750; Peter Kalm's travels in North America, v, 1-2; rev. and ed. by Adolph B. Benson. xviii, 797p. pl. maps, facsim. N.Y., Wilson-Erickson. \$12.50.
- Kamloops. High School. Junior Historical Club.** Kamloops, 1812-1937; a history. v, 107p. il. Kamloops, B.C., the Club.
- Kannawin, John M.** History Speaks; historical reminiscences by a radio columnist; foreword by Hector Charlesworth. 224p. Toronto, Thorn Press. \$2.
- Laughlin, J. E.** Canadian Social History Pictures: 1, Loyalist Pioneers; 11, Early Social and Commercial Life. 2 sets. Toronto, Clarke Irwin. \$1.25 each set.
- McCoy, James Comly, 1862-1934, comp.** Jesuit Relations of Canada, 1632-1673; a bibliography; with an introd. by Lawrence C. Wroth. xvi, 346p. port. facsim. Paris, Arthur Rau. 225 fr.
- McGee, Thomas D'Arcy, 1825-1868.** 1825—D'Arcy McGee—1925; speeches and addresses; together with a complete report of the centennial celebration of the birth of the Hon. Thomas D'Arcy McGee at Ottawa, Apr. 13, 1925; selected and arranged by the Hon. Charles Murphy. xv, 366p. front. port. Toronto, Macmillan. \$2.75.
- Masters, Donald Campbell, 1908—.** The Reciprocity Treaty of 1854. xxiv, 267p. London, Longmans Green. 10/6.
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- Murray, William Waldie, 1892—, ed.** The Epic of Vimy. 2d ed. 223p. front. il. pl. ports. Ottawa, Legionary Library, box 355. \$2.50.
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- Ryerson, Stanley Brébaut.** 1937, the Birth of Canadian Democracy. 136p. front. map. Toronto, Francis White. \$1.
- Stone, Mrs. Maud (Morrison).** This Canada of Ours; illus. by J. Stuart Morrison. New ed. xv, 376p. front. il. maps, ports. facsim. Toronto, Musson. \$1.25.
- Taylor, Ernest Manly, 1848—.** History of Brome County, Quebec, from the Dates of the Grants of Land therein to the Present Time with records of some Early Families. v.2, xvi, 297p. Montreal, Lovell.
- Uttley, William Velores, 1865—.** A History of Kitchener, Ontario. 434p. il. pl. ports. plan. Elmira, Ont., the Author, 11 Park St. \$3.50.
- Wagner, Henry Raup, 1862—.** The Cartography of the Northwest Coast of America to the Year 1800. 2v. maps. Berkeley, Univ. of California Press. \$20.

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**Davidson, Daniel Sutherland, 1900—**. Snowshoes. (Amer. Philosophical Soc. Memoirs, v. VI, 1937). x, 207p. il. maps, diags. Philadelphia, the Society. \$2.50.

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- MacIver, Robert Morrison, 1882—**. Society; a textbook of sociology. xii, 596p. diags. N.Y. Farrar and Rinehart. \$3.75.
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- Maxwell, James Ackley.** Federal Subsidies to the Provincial Governments in Canada. xi, 284p. Cambridge, Harvard Univ. Press. \$3.
- Michell, Humfrey, 1883—**. Outlines of Economic History. x, 365p. il. maps, diags. Toronto, Pitman. 80c.
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- Saskatchewan.** A Submission by the Government of Saskatchewan to the Royal Commission on Dominion-Provincial Relations prepared under the direction of the Hon. T. C. Davis, Attorney-General for Saskatchewan. iv, 434p. Regina.
- Schlie, Hans.** Die Britische Handelspolitik seit Ottawa und ihre weltwirtschaftlichen Auswirkungen. (Probleme der Weltwirtschaft, Schriften des Instituts für Weltwirtschaft an der Universität Kiel; herausgegeben von Andreas Predöhl, Band 59). xvi, 241p. Jena, Fischer. RM 12.
- Shotwell, James Thomson, 1874—**. At the Paris Peace Conference. x, 444p. front. pl. ports. maps, facsim. diags. N.Y. Macmillan. \$4.
- Strange, William, 1902—**. Canada, the Pacific and War; pub. under the auspices of the Can. Inst. of Int. Affairs. xi, 220p. map. Toronto, Nelson. \$1.75.
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- Wrenshall, Charles Monck, 1875—**. Municipal Administration and Accounting; with a foreword by E. A. Horton. xiv, 281p. facsim. diags. Toronto, Pitman. \$5.

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- Arnup, Jesse Henry, 1881—**. A New Church Faces a New World. xv, 259p. Toronto, United Church of Canada. 50c; bd. 75c.
- Barr, Alfred Tennyson, 1890—**. New Light from Old Lamps; sermons for the times. 127p. Toronto, Thorn Press. \$1.
- Bull, William Perkins, 1870—**. From Strachan to Owen; how the Church of England was planted and tended in British North America. 454p. il. pl. ports. maps, facsim. Toronto, Perkins Bull Foundation. \$5; de luxe \$10.
- Church of England in Canada.** The Year Book and Clergy List, 1937. 212p. pl. ports. map. Toronto, General Synod of the Church of England in Canada. 75c.
- Cowan, Hugh.** The Great Drama of Human Life; an historical survey of the progress of the world Christward during the last half-century. v.1. 128p. port. Toronto, Religious Progress Assoc., 89 Kendal Ave.
- Davies, Trevor Hughes, 1871—**. To Live is Christ. x, 250p. Toronto, Oxford. \$2.
- Falconer, Sir Robert Alexander, 1867—, ed. and tr.** The Pastoral Epistles. viii, 164p. Oxford, Clarendon Press. 12/6.
- Fraser, James Macdonell, 1882—, comp.** St. Mungo's Centennial, 1836-1936; the story of one hundred years at Cushing—with the Church of Scotland, the Presbyterian Church in Canada, and the United Church of Canada. 72p. il. ports. Cushing, Que., St. Mungo's Church. 35c.
- Griffiths, Isabel.** Landing Fields; sketches of the United Church of Canada, and young people around the world. 121p. Toronto, United Church of Canada. 50c; 75c. with project material included.

- Laberge, Damase, 1900**— Fr. Petri Joannis Olivi, O.F.M.; Tria scripta sui ipsius apologetica annorum 1283 et 1285. 154p. Quaracchi-Firenze, Collegio S. Bonaventura.
- Love and Worship**, rev. and reprinted. Toronto, Church of England. \$1.
- Luxton, George Nasmith, 1901**— Preparation for a Happy Marriage: a companion to the Marriage Service of the Church of England in Canada. Toronto, Church of England. 50c.
- Maclean, John Brown**. The Lord of All. 63p. Toronto, Thorn Press. 75c.
- McNicol, John, 1869**— The Christian Evangel. 193p. N.Y. American Tract Soc. \$1.50.
- Maddox, David Crisp**. For God and Peace. 62p. Ottawa, the Author, 167 Faraday St. 50c.
- Parker, Stuart Crawford, 1888**— Jesus Asks a Question. 126p. Toronto, Thorn Press. \$1.
- Pratt, Mrs. Viola Leone (Whitney)**. One Family. 96p. il. maps. Toronto, United Church of Canada, W.M.S. 75c.
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- Religious Education Council of Canada. Leadership Training Committee**. Toward the Understanding of Youth. 87p. Toronto, the Council, 21 Dundas Sq.
- Roman collar, pseud.** The Parson Hits Back. 126p. Toronto, Thorn Press. \$1.
- Seton, Ernest Thompson, 1860**—, comp. The Gospel of the Redman: an Indian Bible; comp. by Ernest Thompson Seton, assisted by Julia M. Seton. xvi, 108p. London, Methuen. 3/6.
- Thomas, Ernest**. Christian Life in a Changing World. 98p. Toronto, Ryerson. 35c.
- United Church of Canada**. Year book, 1937. x, 608p. Toronto, the Church.
- Wallace, Archer, 1884**—, The Silver Lining. viii, 94p. Toronto, Ryerson. \$1.
- Wasson, Joseph**. The Light of Love. 128p. Toronto, Thorn Press. \$1.
- Canada. National Research Council**. Handbook of Scientific and Technical Societies and Institutions of Canada. Ottawa, the Council. 50c.
- Cooke, Harold Caswell, 1884**—, Thetford, Disraeli, and Eastern Half of Warwick map-areas, Quebec; with chapters on the Beauceville, St. Francis, and Lake Aylmer series, by T. H. Clark. vi, 160p. pl. maps, diags. Ottawa, King's Printer. 50c.
- Fraser, Charles McLean, 1872**—, Hydroids of the Pacific Coast of Canada and the United States. 209p. pl. Univ. of Toronto Press. \$2.50.
- Fry, F. E. J.** The Summer Migration of the Cisco, *Leucichthys Artedi* (Le Sueur), in Lake Nipissing, Ontario. 91p. il. maps, diags. Univ. of Toronto Press. \$1.
- Gunning, Henry Cecil, 1901**—, Cadillac Area, Quebec. 80p. pl. maps, diagr. Ottawa, King's Printer. 25c.
- Hayes, Albert Orion, 1882**—, and **Howell, Benjamin Franklin, 1890**—, Geology of Saint John, New Brunswick. (Geol. Soc. of Amer.). ix, 146p. il. pl. maps. N.Y. the Society. \$1.25.
- Junek, Oscar Waldemar**. Isolated Communities, a study of a Labrador fishing village; foreword by Clark Wissler. xxiii, 131p. front. il. maps, diags. N.Y. American Book Co. \$2.50.
- Keith's Pet Directory** of birds, dogs, pets, gold fish, tropical fish, pet shops, pet dealers, associations, veterinaries, magazines, buyers' guide, foods, remedies, supplies; pub. annually. 54p. Toronto, Keith Pub. Co. \$2.
- McGrath, J. R.** Introduction to the Use of Mathematical Formulas with Answers. 93p. il. Montreal, Renouf. \$1.25.
- MacLulich, Donald A.** Fluctuations in the Numbers of the Varying Hare (*Lepus Americanus*). 136p. il. maps, diags. Univ. of Toronto Press. \$1.25.
- Montgomery, Royal Harp**. Bench Marks in Ontario east of Toronto and North Bay. 88p. 25c. Bench Marks in Ontario west of Toronto and North Bay. 89p. 25c. (Canada, Geodetic Survey). Ottawa, King's Printer.
- Munro, J. A., and Clemens, Wilbert Amie, 1888**—, The American Merganser in British Columbia and its Relation to the Fish Population. (Canada. Biological Board). 50p. il. maps, diags. Ottawa, the Board.
- Rice, Harington Molesworth Anthony, 1900**—, Cranbrook Map Area, British Columbia. v, 67p. pl. map. Ottawa, King's Printer. 25c.
- Rockley, Alicia Margaret (Tyssen-Amherst) Cecil, baroness**. Some Canadian Wild Flowers. xi, 107p. pl. Toronto, Macmillan. \$2.
- Ross, J. E. R.** Triangulation in Northern Quebec. 171p. il. maps, diags. Ottawa, King's Printer. \$1.
- Royal Canadian Institute**. Proceedings, ser. IIIA, v, 11, 1937. 116p. Toronto, the Institute, 198 College St. Transactions, v, 21, pt. 2, Oct. 1937. p. 153-362. pl. maps, diags. Univ. of Toronto Press. \$2.
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## Science

- Betz, William, 1879**—, **Robinson, George, and Shortliffe, Delbert Llewelyn**. Algebra for Today; second course. 320p. il. Montreal, Ginn. \$1.25.
- Black, Newton Henry, 1874**—, and **Conant, James Bryant, 1893**—, New Practical Chemistry; fundamental principles applied to modern life. x, 347p. front. il. ports. diags. Toronto, Macmillan. \$1.15.
- British Polar Year Expedition**. Fort Rae, N.W. Canada, 1932-33. v. 1, Discussion of Results; meteorology, terrestrial magnetism and aurora, atmospheric electricity. v. 11, Tables. 2v. xiv, 336; x, 228p. London, British National Committee for the Polar Year, Royal society, Burlington House.
- Bull, William Perkins, 1870**—, From Spring to Autumn; favourite wild flowers found in the meadows and copses of Ontario's keystone county. 62p. il. pl. ports. Toronto, Perkins Bull Foundation. \$1.



- Synge, John Lighton, 1897**— Geometrical Optics: introd. to Hamilton's method. ix. 110p. diags. London, Cambridge Univ. Press. 6/6.
- Tate, Herbert.** Elements of the Mathematical Theory of Interest. 2d ed. rev. and enl. 131p. Toronto, Pitman.
- Taylor, Thomas Griffith, 1880**— Environment, Race, and Migration. xv. 483p. front. pl. maps, diags. Univ. of Toronto Press. \$3.50.
- Tobey, Wilmot Maxwell, 1877**— Geodetic Position Evaluation, rev. and enl. by J. E. R. Ross. 63p. diags. Ottawa, King's Printer. \$1.50.
- University of Toronto. Dept. of Physics. McLennan Laboratory.** Communications from the Low Temperature Division, nos. 81 to 93 inclusive. 13 pt. paged separately. diags. Univ. of Toronto Press. \$1.
- Young, R. K.** Description of the Buildings and Equipment. (Pub. of the David Dunlap Observatory, v. 1, no. 1). 56p. Univ. of Toronto Press.

## Sport

- Bowman, Robert T.** On the Ice, by Bob Bowman. 82p. il. London, Barker. 3/6.
- Canadian Welfare Council.** Recreation and Leisure Time Services in Canada. 72p. Ottawa, the Council. 15c.
- Snider, Charles H. J.** Annals of the Royal Canadian Yacht Club, 1852-1937. 362p. front. pl. ports. Toronto, Rous & Mann. \$7.50.

## Statistics and General Works

- Canada. Dominion Bureau of Statistics.** Vital Statistics, 1935; 15th Annual Report. 440p. Ottawa, King's Printer. \$1.
- Canada, 1937;** the official handbook of present conditions and recent progress. 191p. front. il. pl. ports. facsim. diags. Ottawa, Dominion Bureau of Statistics. 25c.
- The Canada Year Book, 1937;** the official statistical annual of the resources, history, institutions and social and economic conditions of the Dominion. xlii. 1126p. fronts. pl. ports. maps, facsim. diags. Ottawa, King's Printer. \$1.50; free to libraries.
- The Canadian Almanac** and Legal and Court Directory for the year 1937; ed. by Horace C. Corner. 681p. map. Toronto. Copp Clark. \$6.
- Canadian Pacific Railway Company.** Canadian Pacific foundation library. 10v. Montreal, the Company. \$2 to employees; \$5 to others.
- 5000 Facts About Canada;** 1937 annual ed. 34th year. vi. 90p. Toronto, Ontario Pub. Co. 35c.
- Hurd, W. Burton.** Racial Origins and Nativity of the Canadian people. (Dominion Bureau of Statistics). xvii. 292p. Ottawa, King's Printer. 35c.
- Robbins, J. E.** Dependency of Youth. (Dominion Bureau of Statistics). 71p. Ottawa, King's Printer. 35c.
- Statistical Year Book, Quebec, 1936.** xxxii. 450p. diags. Quebec, King's Printer.
- Wallace, William Stewart, 1884**—, ed. The Encyclopedia of Canada. v. 5-6. fronts. pl. maps, facsim. diagr. Toronto, University Associates of Canada. Morocco \$72; fabrikoid \$55.50, for complete set.
- The World Book,** British Empire ed. Harold Shelton, general ed. 10v. il. pl. ports. maps, plans, facsim. diags. music. Toronto, Quarrie. \$49.50.

## Transportation

- Canada. Dept. of Transport.** Navigation Conditions on the Hudson Bay Route from the Atlantic Seaboard to Port Churchill; season of 1936. 105p. pl. map. Ottawa, King's Printer. 10c.
- Canada. Dept. of Transport. Civil Aviation Division.** Information circulars to air engineers and aircraft owners, Jan. 1, 1928, to June 30, 1937. 50p. diags. Ottawa, King's Printer.
- Canada. Dominion Bureau of Statistics. Transportation and Public Utilities Br.** Statistics of Steam Railways of Canada, for 1935. 206p. Ottawa, King's Printer. 50c.
- Canadian Transit Association.** Proceedings, 1936-1937. xiv. 132p. port. Toronto, the Assoc., 35 Yonge St.
- Felker, John A., comp.** Canadian Shipmaster's and Mate's Guide; first ed. 1937. 216p. il. maps, diags. Toronto, the Author, 19 Laws St. \$3.50.
- Gibbon, John Murray, 1875**— The Romantic History of the Canadian Pacific, the Northwest Passage of today. New ed. 423p. front. il. pl. ports. maps, facsim. music. N.Y. Tudor Pub. Co.
- Guillet, Edwin Clarence, 1898**— The Great Migration; the Atlantic crossing by sailing-ship since 1770. xii. 284p. front. pl. Toronto, Nelson. \$4.
- Kimball, Francis P.** New York—The Canal State; the story of America's great water route from the lakes to the sea, builder of east and west, with a discussion of the St. Lawrence Treaty; introd. by Hon. William W. Woollard. xx. 105p. il. pl. port. maps. Albany, N.Y. Argus Press. \$1.75.
- Swanson, William Walker, 1879**— Rail, Road and River. viii. 121p. map. Toronto, Macmillan. \$1.50.
- Victoria, Australia. County Roads Board.** Report, by W. T. B. McCormack, chairman, on his investigation of road problems in the United States of America and Canada in 1937. vi. 250p. il. map. Melbourne, Aust. Govt. Printer.
- Wilgus, William John**— The Railway Interrelations of the United States and Canada. (Carnegie Endowment for International peace). xvi. 304p. maps. New Haven, Yale Univ. Press. \$3.

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- Armstrong, Nevill Alexander Drummond.** After Big Game in the Upper Yukon. 287p. front. il. pl. ports. maps. London, Long. 18/-.
- Bethune, William Clark, 1896**—, comp. Canada's Western Northland; its history, resources, population and administration; assembled by W. C. Bethune. 162p. il. maps. Ottawa, King's Printer. 50c.
- Brinley, Kathrine Gordon (Sanger).** Away to Quebec; a gay journey to the Province; twenty-four drawings by D. Putnam Brinley. 286p. front. il. pl. Toronto, McClelland & Stewart. \$2.75.

- Campbell, A. B.** With the Corners Off; My Adventurous Life on Land and Sea. 291p. port. London, Harrap. 8/6.
- Carrel, Frank, 1870—.** Touring South Africa. 77p. Quebec, Chronicle-Telegraph Pub. Co.
- Clarke, John Mason, 1857-1925.** The Heart of Gaspé. New ed. xiv, 292p. front. pl. maps. N.Y. Macmillan. \$2.50.
- Crad, Joseph.** White Hell of the North. xi, 212p. front. pl. London, Sampson Low. 12/6.
- Cross, Austin Fletcher, 1898—.** Snobs and Spires. 342p. Toronto, Ryerson. \$2.50.
- Davis, Robert Hobart, 1869—.** Canada Cavalcade; the Maple Leaf Dominion from Atlantic to Pacific. xiii, 411p. pl. N.Y. Appleton-Century. \$3.
- Dennis, Clara.** More About Nova Scotia; illus. with photographs taken by the author. xii, 412p. front. pl. Toronto, Ryerson. \$2.50.
- Garvin, Mrs. Amelia Beers (Warnock) (Katherine Hale, pseud.).** This is Ontario; with photographic illustrations by "Jay" and an endpaper map by Stanley Turner. ix, 241p. pl. Toronto, Ryerson. \$2.50.
- Gould, Margaret.** I Visit the Soviets. xvi, 166p. Toronto, Francis White. \$1.
- Grant, Mrs. Christina (Phelps).** The Syrian Desert, Caravans, Travel and Exploration. xvi, 410p. front. pl. maps, diagr. London, Black. 20/—.
- Grimley, O. B.** The New Norway. 159p. il. pl. ports. maps. Oslo, Griff-Forlaget.
- Grunau, Werner von.** Die Letzten Inseln; Student und Goldsucher in Kanada. 239p. Leipzig, Paul List.
- Hallam, Mrs. Lillian Gertrude (Best).** When You Are in Halifax. v, 83p. Toronto, Church of England. 50c.
- Harrington, Mrs. Rebbe.** Cinderella Takes a Holiday in the Northland; Journeys in Alaska and Yukon Territory. 269p. pl. map. N.Y. Revell. \$3.
- Irwin, David, 1911—.** Alone Across the Top of the World; foreword by Sir E. R. G. R. Evans. New ed. 254p. il. London, Hale. 10/6.
- Jenkinson, Sir Anthony Banks, 13th bart., 1912—.** Where Seldom a Gun is Heard. viii, 247p. London, Barker. 8/6.
- Johnston, Henry S.** The Thousand Islands of the St. Lawrence River; with descriptions of the scenery and historical quotations of events, and reminiscences, with which they are associated. 142p. il. port. map. Boston, Christopher Pub. House. \$1.50.
- Leacock, Stephen Butler, 1869—.** My Discovery of the West; a discussion of East and West in Canada. 272p. Toronto, Allen. \$2.
- Lions Club, Timmins.** The Book of Timmins and the Porcupine; official publication of the celebration of Timmins silver jubilee and Porcupine old home week, 1937. 111p. il. maps, plan. Timmins, the Club, \$1.
- Ontario Motor League.** Road Book, 1937; ed. by F. J. Reeve. 296p. il. maps, plans. Toronto, the League, 6 Adelaide St. E. \$1.
- Ottawa, Industrial and Publicity Bureau.** Tourist Guide, 1937-1938. 80p. il. maps. Ottawa, the Bureau. Free.
- Parham, H. J.** A Nature Lover in British Columbia; illus. with photographs and drawings. 292p. front. pl. ports. London, Witherby. 8/6.
- Phillips, Walter Joseph, 1884—, and Niven, Frederick John, 1878—.** Colour in the Canadian Rockies. 125p. front. il. pl. Toronto, Nelson. \$3.
- Price, Mrs. Bertha M. (Weston), 1872—.** Legends of Our Lakes and Rivers; photographic views by the author, line drawings by Dorothy Houle; rev. ed. 58p. il. Massawippi, Que., the Author. \$1.
- Robinson, Frank Alfred, 1874—.** Friendly Letters from F.A.R. Away. 176p. Toronto, Mundy-Goodfellow. \$1.25.
- Shackleton, Edward Arthur Alexander.** Arctic Journeys: the story of the Oxford university Ellesmere land expedition, 1934-5; with a preface by the Rt. Hon. the Lord Tweedsmuir. 372p. front. il. pl. ports. map. London, Hodder and Stoughton. 21/—.
- Siegfried, André, 1875—.** Canada; tr. from the French by H. H. Hemming and Doris Hemming. 315p. maps, diagr. London, Cape. 10/6.
- Smith, Mrs. Amy Armour.** Inn Fires and Laughter; gypsying in the British Isles; with 20 illus. by Leon A. Shafer. 350p. front. il. N.Y. Putnam. \$3.

## French-Canadian Books

- L'Académie Canadienne Saint-Thomas d'Aquin.** Sixième Session, 9 et 10 octobre, 1935. 267p. Québec, l'Action Catholique. \$1.
- Almanach de la Langue Française, 1937.** 84p. il. maps. Montréal, Éditions de l'A.C.-F. 25c.
- Almanach de Saint François.** 80p. il. pl. ports. map, music. Montréal, Impr. des Franciscains.
- Almanach du Peuple Beauchemin pour 1937.** 480p. Montréal, Beauchemin. 25c.
- Angers, Félicité (Laure Conan, pseud.), 1845-1924.** La Sève Immortelle. Nouv. éd. 190p. Montréal, Éditions de l'A.C.-F. 60c.
- Asselin, Joseph François Olivar, 1874-1937.** Pensée Française, pages choisies. 215p. Montréal, Éditions de l'A.C.-F. \$1.
- Association Canadienne-Française pour l'Avancement des Sciences.** Annales. v.3. 271p. Montréal, l'Association, Secr. Jacques Rousseau, 1265 rue St. Denis.
- Barbeau, Charles Marius, 1883—.** Québec Où Survit l'Ancienne France; illus. de Marjorie Borden. vii, 176p. Québec, Garneau. \$1.50.  
Romancero du Canada. 254p. music. Montréal, Beauchemin. \$2.25; bd. \$3; Toronto, Macmillan. bd. \$2.75.
- Barbeau, Victor, 1896—.** Pour Nous Grandir, essai d'explication des misères de notre temps. 243p. Montréal, le Devoir. \$1.
- Bastien, Hermas, 1897—.** Bilinguisme et Education. 280p. Montréal, Éditions du Zodiaque.
- Beauchemin, Félix, 1904—.** Il Sapere al Servizio dell'Amore. Parma.
- Baudin, Jean Charles.** Autour du Monde (rêves et réalités d'un voyage). 340p. pl. Montréal, Beauchemin. \$2.

- Beaulieu, Marie Louise.** Du Bornage et de l'Action en Bornage. Montréal, Wilson & Laflaur. \$6.
- Bellegarde, Dantès, 1877—.** La Résistance Haïtienne (l'occupation Américaine d'Haïti). 177p. map. Montréal, Beauchemin. \$1.
- Benoit, Emilc.** Un Moteur et des Ailes. Montréal, Centrale Jociste. 50c.
- Benoit, Pierre.** Vie Inspirée de Jeanne Mance. Nouv. éd. 192p. il. Montréal, Editions de l'A.C.-F. 75c.
- Bernard, Mme.** Le Récit d'une Mère; ou, Messe Mystique; biographie, Annette Bernard de Saint-Jude, Saint-Hyacinthe, Province de Québec, 1912-1932. 178p. ports. Montréal, Beauchemin. 75c.
- Bernard, Harry, 1898—.** A B C du Petit Naturaliste Canadien. 5v. 64p. each. il. Montréal, Lévesque. 25c each. Montcalm se fâche. Nouv. éd. 160p. il. Montréal, Editions de l'A.C.-F. 60c.
- Bible. Ancien Testament. Apocryphes. Tobie.** Un Beau Mariage (le Livre de Tobie); tr. d'après les versions grecques et latines par l'abbé Georges-Léon-Pelletier. 64p. Montréal, Propagande Catholique Romaine de la Bible. 10c.
- Birket-Smith, Kaj, 1893—.** Moeurs et Coutumes des Esquimaux; avant-propos et traduction du dr. George Montandon; avec 1 carte et 16 gravures hors texte; préface de Diamond Jenness. (Bibliothèque scientifique). 282p. pl. map. Paris, Payot.
- Bois, Anselme.** La Découverte de Soi-Même. 264p. Montréal, Institut Psychologique, 660 ouest, rue St. Catherine. \$1.
- Boismenu, Léo.** Le Canada Eucharistique. 189p. il. Montréal, Editions de l'A.C.-F. \$1.
- Bolduc, Evelyn.** Manuel de l'Etiquette Courante Parmi la Bonne Société Canadienne-Française. 130p. Ottawa, l'Auteur, 191 rue Macleod.
- Boucher, Georges Alphonse, 1865—.** Je Me Souviens, Poèmes. 111p. port. Montréal, Beauchemin. \$1.
- Boulanger, Jean Baptiste, 1922—.** Napoléon Vu par un Canadien; préface de René Cruchet. iii, 143p. pl. ports. Bordeaux, Delmas. 75c.
- Bourgoin, Louis.** Cours de Chimie; métaux. 688p. il. Montréal, Ecole Polytechnique. \$4.
- Bourque, Emmanuel.** Cérémonial du Célébrant et Cérémonial Liturgique en Général. 726p. Québec, Editions de la Commission des Cérémonies. \$1.75.
- Bourque, Emmanuel.** Cérémonie des Enfants de Choeur. 415p. Québec, Editions de la Commission Diocésaine des Cérémonies. 50c.
- Bovcy, Wilfrid, 1882—.** Canadien. (Documents Sociaux). 321p. Montréal, Editions de l'A.C.-F. \$1.25.
- Brégent, Mme. Elise (Forté) (France, pseud.).** En Attendant chez le Docteur, par France; préface de Madeleine. 149p. il. Montréal, Thérien.
- Breton, Paul Emile.** Cap-de-la-Madeleine, Cité Mystique de Marie. (Pages trifluviennes, série A, no. 20). 215p. Trois-Rivières. P.Q. Editions du Bien Public.
- Brosseau, Jean-Dominique.** Saint-Jean-de-Québec; Origine et Développements. 317p. il. ports, maps, plans. Saint-Jean, P.Q. le Richelieu, 112 rue St-Jacques.
- Bruchési, Jean, 1901—.** L'Épopée Canadienne. 250p. il. Montréal, Editions de l'A.C.-F. 75c.
- Les Cahiers des Dix; no. 2.** 313p. Drummondville, P.Q. la Parole.
- Canu, Jean.** Villes et Paysages d'Amérique. 363p. il. map. Paris, J. de Gigord. 45 fr.
- Cartier, Jacques, 1491-1557.** Brief récit, & succincte narration, de la navigation faicte es ysles de Canada, Hochelage & Saguenay & autres, avec particulieres meurs, langage, & cerimonies des habitans d'icelles; fort delectable, à veoir. (Bibliothèque de la Société historique du Canada, sér. Bibliophile, 11). 96p. Paris, Maisonneuve. 150 fr.
- Chagnon, Louis.** Directives Sociales Catholiques. 214p. Montréal, l'Action Paroissiale. 50c.
- Charland, Thomas M., 1900—.** Les Artes Praedicandi; contribution à l'histoire de la rhétorique au moyen âge. (Institut d'Études Médiévales d'Ottawa. Pub. 7). 450p. Ottawa, l'Institut. \$3.
- Clément, Lucie.** Seuls. 223p. Montréal, Beauchemin. \$1.
- Coderre, Emile, 1893—, (Jean Narrache, pseud.).** Histoires du Canada; Vies Ramanchées; illus. de Louis Gagnon. 129p. pl. Montréal, Editions de l'A.C.-F. 75c.
- Collège Dominicain d'Ottawa.** Théologie, cahier 1. (Études et recherches, 11). 212p. Ottawa, Editions du Lévrier. \$1.50.
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# **SUPPLEMENT**

# CANADIAN PACIFIC RAILWAY COMPANY

## PRESIDENTIAL ADDRESS OF SIR EDWARD BEATTY, G.B.E. AT THE 56th ANNUAL MEETING, 1937

AND

### REPORT FOR THE YEAR ENDED DEC. 31st, 1936

#### The Nineteenth Annual Address of Sir Edward Beatty

The results of the Company's operations for the year 1936 have appeared in the press and in the Annual Report which has been distributed. The Net Earnings from railway operations showed an increase of \$913,587; Other Income, an increase of \$2,053,027, and Fixed Charges, a decrease of \$246,639. The balance of Income Account available for transfer to Profit and Loss Account amounted to \$6,029,183, an increase of \$3,197,100. After taking into consideration the moneys advanced to the Soo Line during the year to make up the deficiency in the amount which it had available to meet its interest obligations guaranteed by your Company, your Directors decided to declare a dividend on the Preference Stock of one per cent. for the year 1936 payable April 1.

The principal adverse factor affecting the results of the year was the continuance of widespread drought conditions in Western Canada and in the northwestern United States, which resulted not only in reduced earnings from grain and grain products, but also from many other sources. It is probable that few people have fully realized the extent of the losses in revenue to your Company which are directly or indirectly attributable to the unfavourable crop conditions of recent years.

The following statement of grain handlings of the Canadian Pacific and Soo Line indicates the severity of the adverse agricultural conditions which have prevailed since 1930. The figures represent millions of bushels.

Year	Canadian Pacific*	Soo Line
1925.....	241	58
1926.....	226	35
1927.....	232	49
1928.....	370	56
1929.....	201	39
1930.....	175	39
Average 1925-1930.....	241	46
1931.....	149	22
1932.....	185	18
1933.....	160	21
1934.....	138	13
1935.....	142	18
1936.....	143	11
Average 1931-1936.....	153	17

\*Government inspections Western Division.

NOTE.—Annual Meeting, May 5, 1937, at Montreal. For a history of the C.P.R., see *The Canadian Annual Review, 1911*; for Lord Shaughnessy's last Presidential Address, see *The Canadian Annual Review, 1918*; and for Sir Edward Beatty's first eighteen Presidential Addresses, see *The Canadian Annual Review, 1919 to 1935 and 1936*. This nineteenth Address is followed by Sir Edward's twentieth Address on May 4, 1938, at Montreal, in the following sub-section.



Previous periods of drought have been followed by more favourable growing conditions. Experts hold that less than 10 per cent. of the soil of the drought areas has been seriously damaged. The world's visible supply of wheat has steadily declined during the last five years and is now less than in any year since 1923. The average farm price per bushel of wheat was higher in 1936 than in any year since 1929. There is, therefore, reason to expect that the traffic to and from the agricultural areas served by your Company will in the next few years exceed the average of the last few years. It is also to be expected that the agricultural traffic of the Soo Line will increase from the extraordinary low level of 1936.

The position of each of the United States lines controlled by your Company was dealt with at some length at the last annual meeting. The principal factors affecting these lines in 1936 have been recorded in the annual report. Your Directors are continuing to give earnest consideration to the financial problems connected therewith.

One commentator in the English press suggested the probability that "losses on lines abandoned and on property retired and not replaced" would continue at recent levels. This is not likely unless more extensive line abandonments in co-operation with the Canadian National are undertaken than now appear probable. Whatever may be the amount of the aggregate write-off which appears under this caption, it should be regarded as the normal accounting recognition of surgical operations on the physical property of the Company carried out with the object of increasing net revenues. It has been considered unnecessary to make any allowance for such losses in determining dividend policy.

Notwithstanding the diminution in earnings from grain and grain products which has followed the poor harvest of the past season, the gross earnings of your Company for the first quarter of 1937 increased 8.1 per cent. Net earnings increased 28.8 per cent. Passenger earnings increased 5.6 per cent. and freight earnings increased 7.6 per cent. Car loadings of pulp and paper increased 19.4 per cent., lumber 32.0 per cent., ore 26.4 per cent., and manufactures and miscellaneous 26.0 per cent. These increases are indications of the economic recovery which has been general throughout Canada, except in the construction trades and agriculture.

In the steamship services passenger bookings on the Atlantic, stimulated by the Coronation, have shown a considerable improvement. There has also been an increased demand for cargo space both eastbound and westbound. On the Pacific, traffic is being maintained at approximately the same level as a year ago. The "Empress of Britain" is to-day nearing the Panama Canal on the final leg of her world cruise. Again routed via the Mediterranean, her revenues have increased approximately to the level of 1935, the peak year for that service.

Following extended discussions, which began in 1935, formal notice was served in March, 1936, on behalf of employees of the Canadian Pacific and Canadian National Railways requesting a revision of the agreement governing the 10 per cent. deduction from basis rates of pay. During the negotiations which ensued between representatives of the railways and the employees, the latter were insistent that the railways should undertake to discontinue entirely the deduction from basic rates of pay. In view of the fact that, even with the 10 per cent. deduction, the real wage of the employees was higher than at the close of 1931, when the deduction was put into effect, and that the estimated increase in the revenues of the companies was not sufficient to justify the additional expenditure, the rail-

ways considered that the employees' request was premature. They advised their employees accordingly and indicated that they were prepared to reduce the percentage of deduction in proportion to the improvement in operating revenue.

Having declined to accept the report of the Board of Conciliation which had been appointed to consider the dispute, the representatives of the employees of both railways submitted a strike ballot to the employees in which they were called upon to vote for or against a withdrawal from the service if a satisfactory settlement could not be obtained.

In March of this year, the negotiations were resumed, the employees' representatives demanding the entire discontinuance of the 10 per cent. deduction before the end of 1937 and stating that in default of this they would be obliged to carry out the mandate for withdrawal from the service which their balloting had given. These negotiations failed to bring about a settlement of the dispute, but after the intervention of the Minister of Labour an agreement was finally reached. Following the report of the Board of Conciliation the deduction had been reduced to 9 per cent. Under the agreement the deduction was reduced to 8 per cent. April 1, and will be reduced to 7 per cent. June 1; 6 per cent. August 1; 5 per cent. October 1; 4 per cent. December 1; 2 per cent. February 1, 1938, and will be entirely discontinued from April 1, 1938.

In concluding the agreement on this basis, the railways took cognizance of the further improvement in traffic outlook, the more marked tendency towards a rise in the cost of living index, and the desirability of maintaining the stability of the railway labour situation over an extended period, in view of the prevailing disturbed labour conditions. Although the terms agreed to might be regarded as more generous than the railways should have been called upon to accept, it was considered that any interruption of the transportation system of the country at this particular juncture would do irreparable harm to Canada.

The new contributory pension system which became effective January 1, 1937, has continued to meet with the approval of the employees. From January 1 to April 30, 10,080 additional employees have elected to become contributors, bringing the total up to 41,680, or over 80 per cent. of the eligible employees.

In 1936 your Company celebrated the Golden Jubilee anniversary of the running of its first transcontinental train—the train which was the symbol of the consummation of Canadian unity. On June 28, following a re-enactment of the ceremonies which had taken place fifty years previously, a special Jubilee train pulled out of Montreal for Vancouver. It was greeted at all important terminals by representative authorities, and as befitted an event of national importance, its passage was the occasion for enthusiastic demonstrations from coast to coast. To commemorate the arrival of the first train at Port Moody, the original locomotive hauled cars of the early type into the station, and the townspeople turned out in the costumes of the 'Eighties to welcome it. The volume of expressions of goodwill and commendation received from all quarters of the globe unmistakably signifies that during the first fifty years of its operation the Company has faithfully discharged the obligations assumed under its Charter. Fortified by this record, the Company looks forward to the future with confidence.

The Jubilee year was marked by another important event in the introduction of lightweight air-conditioned trains of new design. After

extensive trial runs and exhibitions at the more important stations throughout Canada, four such trains were put into operation, two in the Montreal-Quebec service and one each on the Toronto-Detroit and Calgary-Edmonton runs. The trains have proved both economical and popular.

Financed principally by means of an issue of Equipment Trust Certificates redeemable over a period of fifteen years, a comprehensive programme to improve rolling stock is being carried out in 1937. Fifty new locomotives have been ordered. Twenty of these are to be of the light, semi-streamlined Jubilee type, similar to those purchased in 1936. Thirty are to be of the Hudson class, which can be used in either heavy passenger or fast freight service—a flexibility which will reduce costs.

The passenger cars ordered comprise two baggage, five mail and express, twenty-two coaches and one parlour car. The cars are of the new design and light construction similar to those purchased last year but ten feet longer. The passenger carrying cars will be air-conditioned.

The year's programme includes the air-conditioning of 141 additional passenger units. Upon completion, sleeping, parlour and dining cars so equipped will be available for use in the more important services. Tourist cars and coaches so equipped will be available for transcontinental service, and will, it is hoped, increase the volume of long distance travel in Canada.

The new freight units ordered consist of one hundred gondola, five hundred coal, and three thousand box cars.

No effective steps have yet been taken to eliminate the anomalies that exist to such a marked degree in the transport situation of this country. The Canadian railways, which are subject to strict regulation, are still exposed to the unrestrained competition of other forms of transport both by highway and water. The commercial motor vehicle continues to be subsidized jointly by the taxpayers at large and the owners of private pleasure vehicles. Shipping, particularly on the Great Lakes and connecting waterways, is still permitted to operate with no regulation of rates and without any contribution to the tremendous capital and maintenance cost of these waterways. To meet this competition, your Company has speeded up its train schedules, inaugurated pick-up and delivery services, increased the use of motor vehicles in conjunction with its rail services, and made numerous rate adjustments.

With a view to correcting the anomalies referred to, the Dominion Government introduced into the Senate at the last session a bill entitled "The Transport Act, 1937." This bill contained many features designed to bring about stability of rates and equality of competitive conditions as between railway, water, highway and air services. After being reported by the Committee on Railways, Telegraphs and Harbours, before whom interested parties appeared, the bill was defeated in the Senate on third reading. It was perhaps not to be expected that a measure so comprehensive in character and affecting such a wide variety of interests would be free from criticism. A clash of sectional interests is not unusual in a country as large as Canada. It is, however, to be hoped that these sectional differences will be overcome and that some measures designed to solve this very pressing and important problem will be adopted without undue delay.

During the past session of Parliament, a measure to incorporate the "Trans-Canada Air Lines" was enacted. This will provide a Canadian transcontinental air service under government auspices. The new company is capitalized at \$5,000,000 with majority stock control vested in the Canadian National Railways. In the early stages, a plan was discussed



under which the government-owned railway and your Company would each share equally in the enterprise. Later, however, notwithstanding that each of the railway companies was to provide one-half of the capital for the new company, the government proposed that three directors be selected by the government, three by the Canadian National, and three by the Canadian Pacific. After serious consideration, it was felt that it would not be in the interest of your Company to join in the operations of the new company unless it could do so as an equal partner; that its voice in the management should be in keeping with its share of capital investment and not, as was suggested, that it should be responsible for providing 50 per cent. of the capital required, with only a minority representation on the Directorate.

Another act passed during the recent session of Parliament which is of interest to Canadian Pacific shareholders is the Canadian National Railways Capital Revision Act. By statute the Canadian National Railway System is to be relieved of the necessity of showing in its balance sheet the bulk of its liabilities to the Dominion Government and annual interest charges of some \$35,000,000 will not be included in its income statement. The investment of the Dominion in the System still represented by assets, amounting at December 31, 1936, to \$676,000,000, is in the future to become a non-interest bearing "Proprietor's Equity." Governments which borrow at fixed interest rates and invest such funds in equities which offer no prospect of return are merely granting hidden subsidies not in keeping with sound public finance. Under the provisions of the Act, the cumulative deficits of the System will no longer be recorded in its balance sheet. To the end of last year the total contributions of the Dominion to meet the losses of the System, apart altogether from unpaid interest charges on the capital invested therein by the Dominion, amounted to more than \$658,000,000. For nearly two decades your Company has been faced with the problem of competing in practically every part of Canada with a government-owned railway system, the continued operation of which has been possible only through such enormous contributions from the public treasury.

Included in the Canadian National Railways Capital Revision Act is a provision that there shall be set out annually as an appendix to the Public Accounts of Canada a detailed statement of assistance given to all railways. In view of the variety of forms such assistance has taken and the differing conditions under which it has been granted, it will be a difficult task to establish and set forth a proper record of the facts. The work will involve a searching examination of much historical material, but, if well done, should produce a valuable source of information.

Many misleading statements have been made as to the nature and extent of the contributions of the Dominion towards the construction of the Canadian Pacific Railway and such contributions are often compared improperly with the outlays of the Dominion in connection with other Canadian railways. Because of the widespread dissemination of these statements, it is desirable to place on record the essential facts.

One of the basic conditions under which the Province of British Columbia entered Confederation in 1871 was that the Dominion Government should provide a transcontinental railway. The pertinent section of the agreement reads:

"The Government of the Dominion undertake to secure the commencement simultaneously, within two years from the date of the union, of the construction of a railway from the Pacific towards the Rocky

Mountains, and from such point as may be selected east of the Rocky Mountains, towards the Pacific to connect the seaboard of British Columbia with the railway system of Canada; and further, to secure the completion of such railway within ten years from the date of union."

At that time the following resolution was passed by the House of Commons:

*"Resolved*, that the Railway referred to in the Address to Her Majesty concerning the Union of British Columbia with Canada, adopted by this House on Saturday, the 1st April instant, should be constructed and worked by private enterprise, and not by the Dominion Government; and that the public aid to be given to secure that undertaking should consist of such liberal grants of lands, and such subsidy of resources of the Dominion, as the Parliament of Canada shall hereafter determine."

Pending completion of negotiations with private syndicates, the Dominion Government undertook extensive surveys. In negotiations with a syndicate headed by Sir Hugh Allan, the government offered to contribute thirty million dollars in cash and fifty million acres of land towards the construction of the railway, but the proposal was abandoned when it was revealed that capitalists identified with the Northern Pacific were backing him. The Conservatives resigned office, to be replaced by a Liberal Government, which (according to Sir Alexander Campbell, speaking in the Senate on February 3, 1881) was prepared, in 1874, to offer \$27,970,000 in cash, \$20,977,500 under a 4 per cent. guarantee, and a land subsidy of 55,940,000 acres to private enterprise willing to undertake construction. Eventually, however, Hon. Alexander Mackenzie, the Liberal Premier, decided to proceed with construction as a government enterprise.

Progress was slow, and nothing was done to implement the promise to construct the railway from the Pacific towards the Rocky Mountains, so that when Sir John A. Macdonald returned to power in 1878, he realized that action must be taken to prevent a threatened secession of British Columbia from Confederation. The result was that a contract was let to Andrew Onderdonk for construction in that Province. In 1879, Parliament by resolution appropriated 100,000,000 acres of land, from the proceeds of which it was hoped to finance construction.

Sir John A. Macdonald soon realized that building a railway meant much more than the construction of a roadbed. It involved also heavy expenditures for equipment and maintenance, and cost much more as a government enterprise than under private auspices. The report of the Royal Commission, which in 1882 investigated this cost, stated:

"That the construction . . . was carried on as a Public Work at a sacrifice of money, time and efficiency. That . . . numbers of persons were employed . . . who were not efficient . . . having been selected on party grounds . . . That large operations were carried on . . . with much less regard to economy than . . . in a private undertaking . . . That the system under which the contracts were let was not calculated to secure the works at the lowest price or the earliest date . . ."

Finding the burden of financing construction too great a drain on the Treasury, Sir John went to England, hoping to secure aid either from the Grand Trunk or the British Government. The Grand Trunk directors at that time declared themselves opposed to promoting a transcontinental railway through Canadian territory, and the British Government also declined assistance. Sir John then turned to George Stephen, President of the Bank of Montreal, whom he persuaded to form a syndicate to take over

the completion and operation of the Canadian Pacific transcontinental line. The opinion in banking circles at the time was that the syndicate was coming to the rescue of the government. A letter in the Canadian Archives from George Stephen to Sir John A. Macdonald, dated September 27, 1880, describes the proposed contract as one "which my *friends* and my *enemies* agree in affecting to think will be the ruin of us all." This contract was executed on October 21, 1880.

The preamble to the Act of February 15, 1881, ratifying the contract, reads as follows:

"*Whereas* by the terms and conditions of the admission of British Columbia into Union with the Dominion of Canada, the Government of the Dominion has assumed the obligation of causing a Railway to be constructed, connecting the seaboard of British Columbia with the Railway system of Canada;

"*And whereas* the Parliament of Canada has repeatedly declared a preference for the construction and operation of such Railway by means of an incorporated Company aided by grants of money and land, rather than by the Government, and certain statutes have been passed to enable that course to be followed, but the enactments therein contained have not been effectual for that purpose;

"*And whereas* certain sections of the said Railway have been constructed by the Government, and others are in course of construction, but the greater portion of the main line thereof has not yet been commenced or placed under contract, and it is necessary for the development of the North-West Territory and for the preservation of the good faith of the Government in the performance of its obligations, that immediate steps should be taken to complete and operate the whole of the said Railway;" etc.

The terms agreed upon were that the company undertook to complete the transcontinental railway by May 1, 1891, and to "thereafter and for ever efficiently maintain, work and run the Canadian Pacific Railway" in consideration of which the government agreed to contribute to the Company \$25,000,000 in cash, 25,000,000 acres of Crown lands, and the lines already constructed or under contract totalling 713 miles, together with certain customs and tax concessions.

During construction, almost insurmountable obstacles were encountered and at times it appeared that the venture could not succeed. Some of the Directors were compelled to give their personal guarantees for large amounts to save the enterprise from collapse. It was such determination that pushed the railway to completion five years ahead of the contract date.

Having completed the main line, the Company proceeded, to the extent of its resources, to open up the contiguous territory. In doing so, it received relatively small sums towards the construction of certain branch lines. The Crow's Nest Pass Line, built in 1897, is an instance. In this case, while the Company received \$3,404,720 towards the cost of construction of the line, it agreed among other things to reduce rates on grain and flour to Fort William and points east. The maintenance of these rates in the face of the heavy increases in the costs of labour and materials which have since occurred has involved a loss to the Company amounting to many times the grant received. Unquestionably, such contributions to branch line construction as were received were made by public authorities with the express object of encouraging the Company to extend its services well in advance of the time when it would otherwise have been justified in pro-



ceeding with construction. In such instances, the public's contribution to the railway has been but a fraction of the railway's contribution to the development of the country.

Certain aid towards construction was also granted to railways which were subsequently acquired by this Company. Such aid was received, not by the Canadian Pacific Railway Company, but by the owners who built these lines.

The late Lord Shaughnessy, in his address to the shareholders at the annual meeting in 1918, stated that the land grant "is a source of serious anxiety to financial doctrinaires who have only half studied the subject." Unhappily this same condition continues.

Many ignore the fact that the government merely transferred the title to land of little immediate worth to gain important public ends. Some have endeavoured to estimate the value of the land to the Company on the basis of the gross selling prices established years later. This is manifestly improper. The Company actually gave the land its commercial value, a value which was also imparted to all other lands tributary to its lines. From the outset it has followed the broad policy of developing western Canada as quickly as possible. It may be stated without fear of contradiction that the Company's expenditures for colonization, land settlement, irrigation, and other similar works have been substantially in excess of those of the Dominion of Canada and that the country has received great benefit from the wise settlement and development policies pursued by the Company.

During construction, the Dominion assisted to a certain extent in the financing of the Company. In 1883, in the hope of improving the Company's credit abroad, an arrangement was made with the government to assure the payment of a dividend on the Company's capital stock of 3 per cent. per annum for ten years. Under this arrangement the Company deposited with the government \$8,710,240 in cash and \$8,250,000 in securities, the latter to secure the payment by the Company by 1888 of \$7,380,912, the balance of the fund necessary to provide for the dividend. Owing to depressed financial conditions, it was found possible to dispose of only a small amount of stock and the Dominion in 1884 and 1885 made loans aggregating \$21,650,700, secured by a first lien on the entire property, to enable the Company to complete the construction of its main line. The two obligations to the government referred to, aggregating \$29,031,612, were paid in full with interest by July 1, 1886. Two temporary loans were made by the Dominion; one in 1882 for \$500,000, and the other in 1885 for \$5,000,000—in each case for a few months only and repaid with interest before the end of the year in which it was made.

In 1888, in order to assist in raising money for further capital expenditures and in consideration of the waiver by the Company of one of the provisions of the original contract, the Dominion guaranteed the interest on an issue of \$15,000,000 Fifty Year 3½ per cent. Land Grant Bonds secured on the unsold acreage of the grant. The Company regularly met the interest on these bonds until July, 1906, when, in accordance with the option available under the original arrangement, the Company deposited with the government the balance of moneys required for their redemption.

In 1933, when the money markets of the world were closed to private financing, the Dominion guaranteed a five year loan of \$60,000,000 from Canadian banks to the Company, which was primarily secured by a deposit of \$100,000,000 of the Company's debenture stock. This loan was repaid in full and the guarantee discharged by 1936.

All these transactions were undertaken in the public interest and the Dominion was amply secured against loss in every case. All the loans were repaid with interest, and all the guarantees were discharged without any expense whatsoever to the Dominion.

Because, in the past, interest was charged on certain loans made under statutory authority to component parts of the Canadian National Railways, it was recently suggested in several quarters that to arrive at comparable figures interest should also be computed on contributions made by the Dominion towards construction of the Canadian Pacific. The impropriety of this suggestion should be obvious. The amounts paid by the government to the Canadian Pacific were all contributions towards construction made in consideration of definite contractual obligations on the part of the Company which it faithfully performed. While there may be certain items of government expenditures in connection with other railways which may be fairly compared with the contractual payments made to this Company, no reasonable parallel can be drawn between such contributions towards construction and loans bearing interest or contributions to meet deficits in operation such as constitute the principal part of the assistance extended to the Canadian National Railway System.

In discussing the contributions to the Canadian Pacific, the Drayton-Acworth Report of 1917 stated "the people of Canada, in our view, have had good value for their money." When the Canadian Pacific Railway Company was incorporated, Canada was little more than a geographical expression and the population west of the Great Lakes did not exceed 170,000. With the completion of the Company's main line, the country became a united nation. It may be confidently asserted that no other contract ever entered into by the Dominion has produced a return to it in any way comparable with that received as a result of the original agreement with the Canadian Pacific Syndicate.

I hope we have heard the last of these misleading contentions, made in some cases deliberately by those who know, or should know, their inaccuracy.

During the year, the Imperial Shipping Committee concluded its investigation of competitive shipping conditions on the Pacific between North America and Australia and New Zealand. It reported that the services at present provided by the Canadian-Australasian Line, if they are to be continued, must be brought up to the standards established by its competitor. It was further stated that new vessels, which would fulfil the required standard, might well succeed in developing sufficient traffic to preclude operating losses. At the same time, the report made it clear that, in view of the subsidized competition, private capital could not be expected to finance the venture without assistance. Imperial considerations are involved in the maintenance of a British service between these British Dominions, and it is understood that representatives of the countries directly concerned will shortly meet to consider the future of these services.

It is gratifying to note that the foundation for better business conditions in Canada seems to have been laid. An increasing volume of industrial activity is absorbing unemployed workers. Increased prices for farm products have improved the agricultural outlook. The export market is apparently ready to accept our surplus of agricultural and industrial products.

However, the future welfare and business prosperity of the Dominion depend in large measure on the soundness of the fiscal policies of our several governing authorities. There is as yet no certainty that economic

waste, such as that now evident in connection with relief and railways, will be terminated as rapidly and as firmly as the necessities of the case demand. Only too often is the suggestion made that the increasing volume of business will itself provide the remedy. There has been some genuine economic improvement and there is reason to hope that there will be more, but it would be unwise to plan our public affairs on the assumption of a continuing advance in business activity. It was the failure to realize this that permitted the boom conditions of a few years past which terminated in the great depression. Strong action on the part of all governmental authorities — federal, provincial, and municipal — will be required to curb the relief expenditures which are tending to increase despite returning prosperity. A solution of the tangled railway problem is still most urgently required. The serious note of warning with which the Duff Commission concluded its report is being ignored. The tremendous waste involved in the operation of duplicate services, which that Commission hoped to eliminate, continues. A solution which could be adopted to the great advantage of the taxpayers and without injury to employees or railway patrons is widely accepted as logical and desirable; however, it awaits political sponsorship.

There are arguments for unusual expenditures of public funds to meet an economic emergency. It is, however, obviously unwise to treat as unusual and to meet by borrowing those expenditures, such as relief and railway deficits, which may be expected to continue even if ultimately in smaller amounts. This may have been necessary in recent years, but under improved conditions such as now exist, there should be no further excuse for additions to public debts to meet what have unfortunately become regular operating charges of public institutions. In fact, not only should all such charges be met from current income, but a start should be made in liquidating part of the tremendous additional burden built up during the depression.

Your Directors will continue their efforts to conduct the affairs of your Company economically with due regard to public requirements; to cooperate with the governments and other enterprises towards the abolition of wasteful practices, and to take advantage of improving business conditions. It is their earnest desire that the trend towards increased revenues now discernible will steadily continue so that the resumption of reasonable dividends on the capital stocks of the Company may be expedited. The success of their efforts will, however, in the end depend in large measure on general economic conditions in the Dominion, and these, in turn, will be affected in no small degree by the manner in which the public authorities deal with the problems confronting them.

## 56th ANNUAL REPORT OF THE C.P.R.

The accounts of the Company for the year ended December 31, 1936, show the following results:—

<b>Income Account</b>	
Gross Earnings .....	\$138,562,762.76
Working Expenses (including taxes) .....	115,251,651.83
Net Earnings .....	\$ 23,311,110.93
Other Income—Net .....	\$ 10,198,522.23
Provision for depreciation of Ocean and Coastal Steamships .....	3,567,151.00
	6,631,371.23
	\$ 29,942,482.16
Fixed Charges .....	23,913,298.24
Balance transferred to Profit and Loss Account .....	\$ 6,029,183.92



**Profit and Loss Account**

Profit and Loss Balance December 31, 1935 .....	\$139,504,688.15
Balance of Income Account for the year ended December 31, 1936 .....	6,029,183.92
	<u>\$145,533,872.07</u>
DEDUCT:	
Amount credited investment reserve being equivalent to advances made to Minneapolis, St. Paul & Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations for year 1936 guaranteed by Canadian Pacific Railway Company. \$	3,659,645.32
Loss on lines abandoned and on property retired and not replaced .....	3,357,399.34
Miscellaneous—Net Credit .....	15,875.98
	<u>7,001,168.68</u>
Profit and Loss Balance December 31, 1936, as per Balance Sheet .....	<u>\$138,532,703.39</u>

NOTE.—Subsequent to the end of the year, a dividend of 1 per cent. on the Preference Stock, amounting to \$1,372,569.21, was declared from the earnings of the year 1936, payable April 1, 1937.

The balance of Income Account resulting from the operations of the year 1936 available for transfer to Profit and Loss Account was \$3,197,100 greater than in 1935.

**Railway Earnings and Expenses**

The results of railway operations in 1936, compared with 1935, were as follows:

	1936	1935	Increase
Gross Earnings .....	\$138,562,763	\$129,678,905	\$8,883,858
Working Expenses (including taxes) .....	115,251,652	107,281,381	7,970,271
Net Earnings .....	\$ 23,311,111	\$ 22,397,524	\$ 913,587

In 1936 working expenses, including taxes, amounted to 83.18 per cent. of gross earnings, as compared with 82.73 per cent. in 1935. Excluding taxes the ratio was 80.13 per cent. as against 79.56 per cent. in 1935.

Gross earnings showed an improvement each month over the corresponding month of the previous year, the total increase being \$8,883,858 or 6.9 per cent. The increase during the first three-quarters of the year was 8.6 per cent. whereas in the last quarter it was only 2.6 per cent. The less favourable showing in the last quarter was due in large measure to the extraordinarily small grain crop which followed the severe drought in Western Canada. During the year wheat which had been carried in storage was exported freely, and, although the new crop was less than in the previous year, the earnings from grain and grain products were slightly higher.

Passenger earnings increased \$509,708 or 3.4 per cent. Effective June 1, the passenger surcharges, included as part of sleeping and parlour car fares, were eliminated, and the basic fare for passengers in coaches was reduced from 3.45c. to 3c. per mile. All through fares between points competitive with United States railroads were also adjusted to meet the reductions ordered in Eastern United States by the Interstate Commerce Commission.

Freight earnings increased \$7,669,508, or 7.8 per cent., gains being recorded in practically all the principal commodities.

Working expenses increased \$7,970,271 or 7.4 per cent. More than one-half of the increase was in maintenance expenses, which were \$4,432,378, or 10.4 per cent., higher than in 1935. Almost the entire increase in maintenance of way expenses resulted from the inclusion of the whole

of the Company's proportion of maintenance expenditures incurred by reason of the agreement with Dominion Government to provide work for approximately 5,000 unemployed men transferred from the relief camps which were being closed by the Government. The Government paid the wages of these men and certain incidental transportation and other expenses aggregating approximately \$1,323,000. The Company absorbed the cost of materials applied, of work train service, and of all supervisory and overhead expenses, the maintenance proportion of which amounted to approximately \$1,605,000. Snow removal expenses were somewhat heavier than in 1935. The greater part of the increased maintenance of equipment expenses was in passenger car repairs, which increased \$1,760,000. During the year 129 passenger cars were air-conditioned, involving heavy expenditures, partly chargeable to capital and partly to maintenance. Charges for retirement of rolling stock and depreciation of inland steamers were approximately \$1,024,000 greater than in 1935.

Transportation expenses increased \$2,394,237 or 5.0 per cent. The ratio of transportation expenses to gross earnings was reduced from 36.6 per cent. in 1935 to 36.0 per cent. in 1936. The following averages indicate the continued improvement in freight train operations:

	1931	1933	1935	1936
Gross tons per freight train mile .....	1,389	1,515	1,546	1,557
Gross tons per freight train hour .....	21,766	23,849	25,051	25,370
Pounds of fuel consumed per 1,000 gross ton miles freight ..	116	112	109	108

The scale of deductions from basic rates of pay of officers and employees made effective in 1935 was continued throughout 1936. During the year conferences were held between representatives of the Canadian railways and of their employees to discuss the request of the latter for the complete restoration of basic rates of pay. It was not considered that conditions warranted the granting of this request. This led to the application by the employees for the appointment of a Board of Conciliation under the terms of the Industrial Disputes Investigation Act. A Board was appointed and hearings took place in November and December. At the close of the year the Board had not made its report.\*

### Other Income

There was a substantial improvement in Other Income, the increase over 1935 amounting to \$2,053,027.

Dividends increased \$1,251,467. Cash dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, included under this caption, amounted to \$3,365,000, an increase of \$1,177,750 over 1935.

Net income from interest, exchange, separately operated properties and miscellaneous increased \$493,993.

Net earnings from ocean and coastal steamships before depreciation increased \$317,266. There was a substantial increase in the gross and

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\*Under date of January 30, 1937, the Board of Conciliation recommended:

"That the existing deduction from basic rates of pay of 10 per cent. be reduced to 9 per cent. on February 1, 1937, as proposed in conciliation conferences by the railways, and that further fixed reductions during the year be put into effect unconditionally, namely, a reduction to 8 per cent. not later than August 1, 1937, and a reduction to 7 per cent. not later than November 1, 1937."

While the railways have expressed their willingness to accept the recommendation of the Board as the basis for an agreement, and have changed the percentage deduction from 10 per cent. to 9 per cent., effective February 1, 1937, the employees have indicated that they are not prepared to adopt the recommendations. The matter is still unsettled.

net earnings of the coastal services, reflecting the improvement in general conditions. Net earnings of ocean services were approximately the same as during the previous year. Net earnings of cruise services decreased substantially, due primarily to the change in the itinerary of the world cruise of the Empress of Britain made necessary by the disturbed conditions in the Mediterranean. Gross earnings of Atlantic services increased substantially but were offset by the cost of handling the additional traffic, increase in price of materials consumed, increased cost of repair work owing to higher wage rates, and an increase in seamen's wages in accordance with agreement with the National Maritime Board. Gross earnings of Pacific services increased slightly, and the expenses were considerably less than in 1935 owing principally to more favourable exchange rates. The increase in net earnings from these services was approximately equal to the reduction in net earnings from cruise services. During the year 1936 the Company's steamships made 136 regular voyages on the Atlantic, 25 on the Pacific and 35 cruises. Your fleet suffered no casualties during the year, and, apart from the disposal of one of the older coastal vessels and a transfer barge, no change was made in the fleet.

Net earnings from hotel, communication and miscellaneous properties decreased \$9,699. Your hotels enjoyed substantially increased patronage. The net earnings for the year amounted to \$672,796. While your hotels have been maintained in first class condition and the equipment modernized from time to time, the cost of renewals and replacements being charged to expenses, no provision has hitherto been made for obsolescence. After careful study of the situation, it has been decided to make an annual appropriation for this purpose. Accordingly, an amount of \$620,094 was transferred from the net earnings of hotels to hotel depreciation reserve. It is proposed to increase the amount so appropriated from time to time as conditions warrant. In certain prior years, net earnings of hotels aggregating \$2,319,339 were credited to hotel investment account. The amount so credited has been transferred to hotel depreciation reserve.

### Steamship Depreciation

The full annual depreciation requirement for your ocean and costal fleets, amounting to \$3,567,151, was appropriated from Income Account.

### Fixed Charges

Fixed charges were \$246,639 less than in the previous year. This saving was due principally to the retirement of the remainder of the Five Year Notes held by the Canadian Chartered Banks out of the proceeds of new bond issues sold in Canada at lower rates of interest.

### Profit and Loss Account

An amount of \$3,659,645, credited to investment reserve, was charged to profit and loss account, being equivalent to advances made to the Minneapolis, St. Paul and Sault Ste. Marie Railway Company to make up the deficiency in the amount available to meet its interest obligations for 1936 guaranteed by your Company.

During the year abandonment of lines was completed as follows:

Edmundston Subdivision .....	27.2 miles
Orford Mountain Subdivision .....	16.0 "
Nickel Subdivision .....	16.6 "
Shore Line Subdivision .....	23.3 "
Kingston Subdivision—Godfrey Spur .....	4.1 "
Nipigon Subdivision—second track .....	5.5 "
Total .....	92.7 "



The approval of the Board of Railway Commissioners to these abandonments was obtained where necessary. After allowing for salvage, the net charge to Profit and Loss on account of these abandonments was \$2,029,550.

The necessary adjustments in the property investment account have also been made for all other railway, steamship and miscellaneous property retired during the year. While the final disposition of the Place Viger Hotel, the operation of which ceased towards the close of 1935, has not yet been determined, it has been written down to its estimated present value.

### Dividends

Upon consideration of the results of the Company's operations in 1936, and having in view its obligations as guarantor of the interest on certain securities of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company, your Directors declared a dividend from the earnings of 1936 of 1 per cent. on the Preference Stock, payable April 1, 1937.

The year's earnings and the rate of dividend on the Preference Stock were affected by the severe drought in the territory served by your Company and the Soo Line, which resulted in substantial curtailment of the earnings for the last quarter of the year.

### Land Accounts

Sales of agricultural lands during the year amounted to 92,210 acres for \$955,520, an average of \$10.36 per acre, including 1,635 acres of irrigated land at \$52.88 per acre and the remainder at an average of \$9.59 per acre.

Throughout 1936 the Company continued the policy of debt relief to its land contract holders, the adoption of which in February, 1932, constituted the first effective step to relieve in a measure the distress of the farmers in Western Canada, which resulted from poor crops and low prices. The rebates of interest from 1932 to the end of 1936 have amounted to \$7,260,496, to which might be added adjustment of principal outstanding and further concessions in interest for cash payments, amounting to \$2,267,827, a grand total of \$9,528,323.

The wisdom of this policy has been demonstrated by the subsequent enactment of Dominion and Provincial legislation for the relief of farmers. A very considerable number of farmers have taken advantage of the provisions of the Farmers' Creditors Arrangement Act of the Dominion, which provides the machinery for the composition of their indebtedness. Moreover, in Saskatchewan, and particularly in the drought areas, substantial relief is being extended to the farmers under an arrangement between the Dominion and Provincial Governments and the various mortgage and loan companies interested for the remission of arrears of taxes, interest, etc. In Alberta legislation was enacted for a compulsory reduction in all debts incurred prior to July, 1932, and for the abolition of interest. The validity of this legislation is being tested in the Courts.

Collections on land contracts have naturally been affected adversely by the persistent drought of the past six years, coupled with the effects of the general depression. Rehabilitation of the drought areas is now receiving the attention of Governments and experts, and the opinion is held that less than 10 per cent. of the soil in these sections has been permanently damaged.

It is proposed to continue for the present year the policy of concessions to land purchasers, with certain modifications.

### Pensions

The Company has since 1903 maintained a system of voluntary pensions without contribution from the employees. The changes in conditions that have taken place, more particularly in recent years, have made it clear that the continuance of the voluntary system would eventually impose upon the Company financial burdens which it would be unable to bear. After thorough investigation by a committee composed of officers of the Company and representatives of the employees, it was decided that from the standpoint of both the Company and the employees the simplest and most satisfactory plan would be to adhere as closely as possible to the underlying principles of the original system, and to incorporate therein suitable provisions for contributions by the officers and employees, and such other changes as were necessary to meet the altered conditions.

New rules and regulations drafted by the committee, embodying the foregoing principles, were approved by your Directors to take effect January 1, 1937. Participation is optional for employees in the service prior to January 1, 1937, but compulsory for those entering the service thereafter. For all participants the rate of contribution has been fixed initially at three per cent. of their earnings. Contributions on the part of the Company remain voluntary. Provision has been made for the continuance of allowances to those already on pension so that there will be no change in their status.

The plan will be administered by a committee, composed of four officers of the Company and three General Chairmen of the organized classes of employees. Contributions are to be paid into a trust fund with the Company as trustee.

The actuary retained in connection with the preparation of the new pension system estimates that, while during the early years of the operation of the system the relief to the Company will not be material, it will gradually increase until ultimately the contributions of the employees will provide approximately 45 per cent. of the total pension cost. Although eligible employees have until December 31, 1937, to elect to become contributors, 31,600, or approximately 70 per cent., so elected prior to the end of the year 1936.

Pension disbursements for the year totalled \$2,233,008 and were included in working expenses. During the year 389 employees were pensioned. The total number of pensioners at the end of the year showed an increase of 183 over the number at December 31, 1935. The distribution by ages of the pensioners on the roll at December 31, 1936, was as follows:—

Under 60 years of age .....	110
From 60 to 64 years of age inclusive .....	255
From 65 to 70 years of age inclusive .....	1,274
Over 70 years of age .....	<u>1,306</u>
	2,945

### Capital Expenditures

In anticipation of your confirmation, your Directors authorized capital appropriations, in addition to those approved at the last annual meeting, aggregating for the year 1936 \$2,421,405. Your approval will be requested for capital appropriations during the present year of \$27,306,061. Particulars of the principal items are:—

Replacement and enlargement of structures in permanent form .....	\$ 285,466
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses .....	356,165
Ties, tie plates, rail anchors and miscellaneous roadway betterments .....	1,927,707
Replacement of rail in main and branch line tracks with heavier section .....	522,113
Rock ballasting .....	482,344
Additions and betterments to shop machinery .....	256,685
Installation of automatic signals .....	64,511
Additional terminal and side track accommodation .....	47,186
New rolling stock .....	20,723,422
Additions and betterments to rolling stock .....	1,636,231
Additions and betterments to hotels .....	42,041
Additions and betterments to communication facilities .....	876,863

New rolling stock includes appropriations covering the cost of 3,600 freight cars, 30 passenger cars, and 50 locomotives. In view of the extensive retirements and limited purchases of rolling stock during the last few years, it has been deemed advisable to take advantage of the present level of prices to acquire additional units of modern design necessary for the efficient handling of the increased volume of traffic which has already developed and the further increase which is anticipated. Additions and betterments to rolling stock include ordinary betterment of freight cars and motive power to secure more efficient operation and the capital proportion of the cost of air-conditioning 141 passenger cars to extend the use of this type of equipment to meet the public demand.

#### Temiscamingue and Abitibi Railway

For some time past your Company has been urged by representatives of the rapidly developing agricultural and mining areas of Northern Quebec to undertake the construction of a line of railway which would provide improved means of communication from these areas to the industrial centres of the Province. To meet these demands, as well as to place the Company in a position as occasion might warrant to provide railway communication with the mining areas in which your subsidiary, The Consolidated Mining & Smelting Company of Canada, Limited, has a substantial interest, your Company caused application to be made to the Provincial Legislature for a charter authorizing the Temiscamingue and Abitibi Railway Company to construct such a line. While the Act of incorporation passed the Legislative Assembly, unfortunately that body unexpectedly dissolved before the Act received the approval of the Legislative Council. The Canadian National Railways opposed the granting of this charter and obtained from the Dominion Parliament authority to construct a branch line serving part of the territory into which the Temiscamingue and Abitibi Railway had been projected. Conferences with the Canadian National Railways and the Dominion Government failed to produce a basis of compromise, such as the joint construction of the section of line which would be duplicated under the plans of the two companies. The Canadian National Railways have proceeded with the construction of their branch line. Your Directors have still under consideration the question of the further action which should be taken by your Company.

#### Finance

There were issued and sold during the year \$15,000,000 Collateral Trust Bonds dated February 15, 1936, secured by pledge of \$18,750,000 Perpetual 4 per cent. Consolidated Debenture Stock. This issue consisted of \$5,000,000 Serial 3 per cent. Bonds maturing in amounts of \$1,000,000 on February 15 in each of the years 1937 to 1941 inclusive, and \$10,000,000 Convertible Fifteen Year 3½ per cent. Bonds maturing February 15, 1951. The holders of the convertible bonds were given the right at any time between February 15, 1937, and February 15, 1944, inclusive, to convert their bonds into shares



of the Ordinary Capital Stock of the Company in the ratio of four shares of the par value of \$25.00 each to each \$100.00 principal amount of the bonds. The proceeds of this issue were used to retire \$12,000,000 of the Five Year Notes maturing June 22, 1938, and the balance for extensions to and improvements of the Company's property. Debenture Stock to the amount of \$20,000,300 pledged as security for the notes was released and cancelled.

There were also issued and sold during the year \$38,000,000 Collateral Trust Bonds dated April 1, 1936, secured by pledge of \$45,600,000 Perpetual 4 per cent. Consolidated Debenture Stock. This issue consisted of \$8,000,000 Three-Year 2½ per cent. Bonds maturing April 1, 1939, callable on any interest date on 30 days' notice at 100 and accrued interest; \$15,000,000 Five-Year 2½ per cent. Bonds maturing April 1, 1941, callable on any interest date on 30 days' notice at 100½ and accrued interest; and \$15,000,000 Convertible Nine and One-Half Year 3 per cent Bonds maturing October 1, 1945, callable on any interest date on 30 days' notice at 102 and accrued interest. The holders of the convertible bonds were given the right at any time between April 1, 1937, and April 1, 1944, inclusive, to convert their bonds into shares of the Ordinary Capital Stock of the Company in the ratio of four shares of the par value of \$25.00 each to each \$100.00 principal amount of the bonds. The proceeds of this issue were applied toward the retirement of \$11,000,000 Five Year 4½ per cent. Notes maturing June 22, 1938, and \$25,000,000 Five Year 4½ per cent. Notes maturing December 1, 1938. Debenture Stock to the amount of \$60,000,000 pledged as security for the notes was released and cancelled.

As a result of this financing the Company was enabled to complete the retirement of the \$60,000,000 of notes issued to the Canadian Chartered Banks in 1933. The Dominion Government was entirely relieved of its obligation as guarantor of these notes without any expense to it.

On January 2, 1936, the Company borrowed \$2,000,000 on its short term promissory notes from United States banks, secured by pledge of \$2,850,000 Perpetual 4 per cent. Consolidated Debenture Stock. These loans were repaid at maturity during the year, and the Debenture Stock was released and cancelled.

Owing to the unavoidable delay in delivery of part of the rolling stock to be sold to the Company by the Dominion Government under the Hire-Purchase Agreement referred to in the last Annual Report, the formal agreement could not be executed before the end of the year. Your Company's obligation to the Government as at December 31, 1936, was \$5,640,500 of the total authorized amount of \$5,730,000.

At the request of the Dominion Government and as a means of assisting in the relief of unemployment the Company agreed, as previously mentioned, to increase its programme of maintenance of way and betterment work during the season of 1936 so as to provide employment for a maximum of five thousand men then receiving assistance from the Government. The Government reimbursed the Company for the wages paid, amounting to approximately \$1,323,000, and advanced to it by way of loan \$554,700, repayable in five equal annual instalments commencing in 1938 with interest at the rate of 2½ per cent. per annum, on account of the other expenditures for labour incurred in preparation for and in connection with the work.

During the year equipment obligations to the amount of \$1,950,000 were redeemed by the Company. An amount of \$2,300,150 was also deposited with the Trustee of the Equipment Trust maturing in 1944 who purchased

and cancelled \$634,000 of equipment certificates. Twenty Year 4½ per cent. Sinking Fund Secured Note Certificates to the amount of \$301,800 were purchased by the Trustee and cancelled.

Your guarantee of interest was endorsed on Four per cent. First Mortgage Bonds of the New Brunswick Southern Railway Company to the amount of \$500,000 maturing August 1, 1986, issued by that Company and delivered to your Company in repayment of advances made to the New Brunswick Southern Railway Company to enable that Company to retire its outstanding bonds of the same amount which matured January 1, 1933.

#### **London Hotel Site**

In view of the necessary delay in the development of the hotel site in Berkeley Square, London, for the purpose for which it was purchased, your Directors decided to take advantage of proposals made by an outstanding firm for the immediate construction upon it of a modern building worthy of its importance. Negotiations contemplate a lease for a period of 200 years on terms satisfactory to your Company, with a limited option to purchase the freehold at a price in excess of the cost of the property to the Company.

#### **Minneapolis, St. Paul & Sault Ste. Marie Railway Company (Soo Line)**

The results of operation of the Soo Line for the past year were disappointing. A moderate increase in general traffic was practically neutralized by an almost complete failure of the grain crop in the territory served, due as in Canada to severe drought. The slight increase in total revenues was more than offset by the increase in expenses occasioned by the imposition of social security taxes and the restoration of basic wage rates. Your Company advanced to the Soo Line during the year \$3,659,645 to make up the deficiency in the amount which the latter had available to meet interest obligations guaranteed by your Company and \$576,062 to redeem the balance of notes issued to the Railroad Credit Corporation in 1932 and guaranteed as to principal and interest by your Company.

#### **Spokane International Railway Company**

There was a substantial increase in the traffic handled by this Company in 1936 as compared with the previous year, owing to improvement in general conditions and to the Canada-United States Trade Agreement 1935. As a result the Company ended the year with net earnings from railway operations of \$103,870, as compared with a loss of \$18,887 in 1935. The re-organization of this Company and its subsidiary, the Coeur d'Alene and Pend d'Oreille Railway Company, was proceeded with, and on September 12 the Trustee filed a plan with the Federal Court and the Interstate Commerce Commission. Hearings on the plan commenced before the Interstate Commerce Commission in December but were not concluded at the close of the year. In view of the improved position of the Company it is hoped that a feasible plan of re-organization may now be concluded. There was no change in the investment of your Company in the Spokane Company during the year.

#### **The Duluth, South Shore and Atlantic Railway Company**

Notwithstanding a substantial improvement in the net earnings in 1936, in view of the approaching maturity on January 1, 1937, of certain mortgage bonds aggregating \$5,400,000, for payment of which no funds were available, the Board of Directors of The Duluth, South Shore and Atlantic Railway Company at a meeting on December 30, 1936, authorized the filing

of a petition in the Federal Court pursuant to Section 77 of the Bankruptcy Act of the United States, stating that the company was insolvent and that it desired to effect a plan of re-organization. Your Directors are of the opinion that these proceedings will result in an improved capital structure and place the South Shore Company in a position to pay a return on your Company's investment therein. Your Company received during the year some small payments on account of unpaid interest due from the South Shore Company.

### **Leases and Agreements**

There will be submitted for your consideration and approval a lease of the railway of Atlantic and North-West Railway Company extending from the point of connection between the railway of that Company and the railway of Ontario and Quebec Railway Company on the south bank of the St. Lawrence River, near Montreal, to Farnham, and from Brookport (formerly Brigham Junction) to a point of junction with the Maine Central Railway at or near Mattawamkeag in the State of Maine, for a term of 999 years from the first day of January, 1937, at a clear annual rental of £52,000, being equal to the annual interest on £1,300,000 Four per cent. First Mortgage Redeemable Debenture Stock issued by Atlantic and North-West Railway Company and secured by a mortgage of the said line of railway dated December 2, 1936; with a proviso that after redemption of the said Debenture Stock the annual rental payable under the lease shall be equivalent to the annual interest on the bonds, debentures, debenture stock or other securities of Atlantic and North-West Railway Company from time to time outstanding. The lease will supersede your Company's present lease of the said line of railway made the 6th day of December, 1886, reserving a rental of £28,013-14-0 per annum for twenty years from the commencement of the said lease and thereafter £66,500 per annum in perpetuity. Your Company also became a party to the mortgage under which it agreed to guarantee the payment of the principal of and the interest on the Debenture Stock to be issued thereunder.

Your confirmation and approval will be asked of an agreement, dated October 1, 1935, between your Company and The Midland Railway Company of Manitoba, whereby the Midland Company is granted the right to use that portion of the line of your Company in the City of Winnipeg from a point west of Academy Road to a point east of Portage Avenue, on the basis of paying a fixed annual rental equivalent to one-half of the interest at the rate of 3 per cent. per annum on the agreed capital account, one-half of interest at the rate of 5 per cent. per annum on additions to capital account and a wheelage proportion, with a minimum of 15 per cent., of the maintenance and operation expenses.

### **Co-operation with Canadian National Railways**

During the year two co-operative measures previously agreed upon were put into effect under the provisions of the Canadian National-Canadian Pacific Act of 1933.

1. Abandonment of the Canadian National Railway line between Iberville and Farnham and joint operation of the Canadian Pacific line.
2. Abandonment of the Canadian Pacific line between Cyr and Edmundston and joint operation of the Canadian National line.

The total annual economy from arrangements in effect at the end of the year is approximately \$1,135,000 and the Joint Executive Committee has approved and authorized the completion of formal agreements covering other projects estimated to yield savings of approximately \$527,000, a total



annual saving of approximately \$1,662,000, one-half of which will accrue to each Company.

Meetings of the Joint Executive Committee were held during the early part of the year. Subsequently, under the legislation passed at the last session of Parliament, the Canadian National Trustees were replaced by a Board of Directors. Shortly after the Board assumed its duties in October, your Directors submitted to it proposals for co-operative action in a number of competitive matters, but, no doubt owing to pressure of other matters following their appointment, the Directors of the Canadian National Railways had not communicated their views to this Company at the close of the year.

### Stock Holdings

The holdings of the Capital Stocks of the Company in December, 1936, were distributed as follows:—

	Ordinary		Preference		Percentage of Ordinary and Preference Stocks combined
	No. of holders	Percentage of Stock	No. of holders	Percentage of Stock	
Canada .....	26,942	16.12	99	.31	11.44
United Kingdom and other British .....	20,483	52.40	27,220	97.11	65.64
United States .....	16,955	24.75	30	.58	17.59
Other Countries .....	4,285	6.73	307	2.00	5.33
	68,665		27,656		

### The Directorate

During the year the Directors received, with regret, the resignation of Mr. W. A. Black, who had been a member of the Board since 1927, and a member of the Executive Committee since 1933. Mr. John W. McConnell was appointed a Director of the Company succeeding Mr. Black and Mr. Ross H. McMaster was appointed to the Executive Committee.

The following Directors will retire from office at the approaching Annual Meeting. They are eligible for re-election: Sir Edward Beatty, G.B.E., Mr. John W. McConnell, the Rt. Hon. Lord Shaughnessy, K.C., and the Hon. J. Marcelin Wilson, SENATOR.

In conclusion your Directors again acknowledge with sincere appreciation the continued loyalty and efficiency of the officers and employees.

For the Directors,

E. W. BEATTY,  
President.

Montreal, March 8, 1937.

### BOARD OF DIRECTORS

SIR EDWARD BEATTY, G.B.E. ....	Montreal
COL. HENRY COCKSHUTT .....	Brantford
MR. D. C. COLEMAN .....	Montreal
SIR CHARLES GORDON, G.B.E. ....	Montreal
MR. JOHN W. HOBBS .....	Toronto
SIR HERBERT S. HOLT .....	Montreal
MR. JOHN W. McCONNELL .....	Montreal
RT. HON. REGINALD McKENNA .....	London, Eng.
MR. ROBERT S. McLAUGHLIN .....	Oshawa
MR. ROSS H. McMASTER .....	Montreal
BRIG.-GEN. FRANK S. MEIGHEN, C.M.G. ....	Montreal
SIR EDWARD R. PEACOCK, G.C.V.O. ....	London, Eng.
MR. JAMES A. RICHARDSON .....	Winnipeg
RT. HON. LORD SHAUGHNESSY, K.C. ....	Montreal
MR. ROBERT C. STANLEY .....	New York
MR. W. N. TILLEY, K.C. ....	Toronto
MR. MORRIS W. WILSON .....	Montreal
HON. J. MARCELIN WILSON, SENATOR .....	Montreal

## EXECUTIVE COMMITTEE

SIR EDWARD BEATTY, G.B.E.  
SIR CHARLES GORDON, G.B.E.  
MR. ROSS H. McMASTER

MR. D. C. COLEMAN  
SIR HERBERT S. HOLT  
MR. W. N. TILLEY, K.C.

## General Balance Sheet

December 31, 1935

## Assets

PROPERTY INVESTMENT:	
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties .....	\$774,271,263.86
Improvements on Leased Railway Property .....	96,098,217.26
Ocean and Coastal Steamships .....	104,614,834.58
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies—Cost .....	198,279,296.26
	\$1,173,263,611.96
OTHER INVESTMENTS:	
Miscellaneous Investments—Cost .....	\$ 26,981,389.12
Advances to Controlled and Other Companies—Net .....	23,023,626.50
Mortgages Collectible and Loans & Advances to Settlers .....	2,894,093.21
Insurance Fund Investments .....	8,248,294.47
Deferred Payments on Lands and Townsites .....	38,688,677.83
Unsold Lands and Other Properties .....	32,067,441.92
	131,903,523.05
CURRENT ASSETS:	
Material and Supplies .....	\$ 16,941,308.54
Agents' and Conductors' Balances .....	5,721,427.15
Net Traffic Balances .....	1,034,366.66
Miscellaneous Accounts Receivable .....	5,287,214.42
Cash .....	23,608,315.40
	52,592,632.17
UNADJUSTED DEBITS:	
Insurance Prepaid .....	\$ 157,592.99
Unamortized Discount on Bonds .....	3,271,477.51
Other Unadjusted Debits .....	1,507,746.69
	4,936,817.19
	\$1,362,696,584.37

## Liabilities

CAPITAL STOCK:	
Ordinary Stock .....	\$335,000,000.00
Preference Stock—4% Non-cumulative .....	137,256,921.12
	\$ 472,256,921.12
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK .....	
LESS: Pledged as collateral to bonds .....	\$480,261,548.74
	188,850,000.00
	291,411,548.74
BONDS AND EQUIPMENT OBLIGATIONS .....	
LESS: Securities deposited with Trustee of 5% Equipment Trust .....	\$195,520,500.00
	9,290,145.33
	186,230,354.67
TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944) .....	
LESS: Purchased by Trustee and cancelled .....	\$ 30,000,000.00
	9,785,100.00
	20,214,900.00
CURRENT LIABILITIES:	
Audited Vouchers .....	\$ 5,382,846.60
Pay Rolls .....	2,697,066.83
Miscellaneous Accounts Payable .....	2,256,124.90
Accrued Fixed Charges .....	1,801,981.10
	12,138,019.43
DEFERRED LIABILITIES:	
Dominion Government Unemployment Relief .....	\$ 4,271,922.71
Miscellaneous .....	253,290.60
	4,525,213.31
RESERVES AND UNADJUSTED CREDITS:	
Rolling Stock Reserve .....	\$ 8,166,555.08
Hotel Depreciation Reserve .....	2,939,433.96
Steamship Depreciation Reserve .....	39,973,240.19
Insurance Reserve .....	8,248,294.47
Contingent Reserves .....	7,863,904.38
Investment Reserve .....	19,659,645.32
Unadjusted Credits .....	5,211,360.63
	92,062,434.03

**Liabilities—Continued**

PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue)	66,760,351.09
LAND SURPLUS .....	78,564,138.59
PROFIT AND LOSS BALANCE .....	138,532,703.39
	<u>\$1,362,696,584.37</u>

E. A. LESLIE,  
*Comptroller.*

**AUDITORS' CERTIFICATE:**

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1936, and having compared the above Balance Sheet therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

PRICE, WATERHOUSE & CO.,  
Chartered Accountants

Montreal, March 5, 1937.



# CANADIAN PACIFIC RAILWAY COMPANY

PRESIDENTIAL ADDRESS OF SIR EDWARD BEATTY, G.B.E.

AT THE 57th ANNUAL MEETING, 1938

AND

REPORT FOR THE YEAR ENDED DEC. 31st, 1937

## The Twentieth Annual Address of Sir Edward Beatty

At this, the 57th Annual Meeting of the Shareholders of the Company and the 20th Annual Meeting at which I have participated as President, I am conscious that we have passed through another year in which conditions, while improved, were still subnormal, with their inevitable effect on the Company's revenues.

In moving the adoption of the report of the Directors for the year 1937, it would appear unnecessary to elaborate the extensive explanations of the results of operation and the transactions recorded therein. One question which, however, has again been raised by commentators on the report is how long substantial charges to Profit and Loss for losses on property retired and not replaced may be expected to continue. As the extent of possible abandonments cannot be foreseen, an answer to this question cannot be given. It is important to realize, however, that these capital losses do not represent current disbursements in cash and need not be taken into consideration in determining dividend policy. The largest part represents the writing off of the capital investment in unremunerative lines abandoned. At the same time, the Company stands to benefit from the abandonment of these lines and superfluous facilities through the elimination of operating losses previously sustained and through the sale or use elsewhere of materials and property so released. Where abandonments of such lines can be effected consistent with obligations of service to the public, the Company will continue separately and jointly with the Canadian National Railways to seek such abandonments as a matter of sound business principle.

The gross earnings of the first quarter of 1938 have been quite disappointing, having declined \$1,500,728, or 4.7 per cent. The reduced volume of traffic to and from the United States and the slowing up of industrial activity in Eastern Canada account almost entirely for the loss in earnings.

Although traffic volume decreased, working expenses increased \$893,735, or 3.2 per cent. This increase was more than accounted for by the progressive restoration of the 10 per cent. deduction from basic rates of pay in accordance with agreement reached during the early part of last year. As set out in the report, 6 per cent. was restored in 1937; a further 2 per cent. was restored on February 1st of this year; and the final 2 per cent. on April 1st, resulting in the complete re-establishment of the basic rates in effect prior to 1931. It has been estimated that if these basic rates are continued

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NOTE.—Annual Meeting, May 4, 1938, at Montreal. For a history of the C.P.R., see *The Canadian Annual Review*, 1911; for Lord Shaughnessy's last Presidential Address, see *The Canadian Annual Review*, 1918; and for Sir Edward Beatty's first nineteen Presidential Addresses, see *The Canadian Annual Review*, 1919 to 1935 and 1936, and the preceding sub-section in this Volume.

in effect for the balance of the present year it will mean an increase in working expenses of \$5,000,000 or approximately 4.1 per cent. over 1937. Events have proved that the agreement for restoration was more generous to employees than subsequent business conditions have warranted. The anomalous position has been reached where the basic rates have now been completely restored although earnings are at a lower level than they were at the end of 1931 when the employees agreed to the original deduction of 10 per cent. from such basic rates. When the agreement with the employees was effected at the beginning of last year, Canadian railway basic rates were from 4 per cent. to 6 per cent. less than those paid on United States railroads. Owing to the increases granted by United States railroads in August and October, the present rates in effect upon Canadian railways are from 10 per cent. to 14 per cent. lower than those paid on United States railroads.

Despite the rigid enforcement of rigid economy, the decrease in gross earnings and increase in wage scales have resulted in a decline of net earnings for the first quarter of \$2,394,463. Unless and until present favourable crop prospects are realized, all expenditures will continue to be curtailed in keeping with the lower volume of traffic and the burden imposed by the higher rates of pay.

It has been the policy of the Directors to keep the shareholders informed, through the annual reports and the proceedings at the annual meetings, of the condition of their property. Owing to the fact that it has been necessary during the long period of depression through which we have passed to conserve carefully the cash position of the Company, and, further, that certain inaccurate statements have circulated, it would appear timely that such a report should now be made in somewhat greater detail than in recent years.

The railway property from which your net earnings are derived is comprised of 17,186 miles of railway, of which 9,609 miles are owned, 7,123 miles leased, and 454 miles operated under trackage rights. All told, in the miles owned and leased there are 22,917 miles of track, of which 5,933 miles are in main lines, 2,558 miles in secondary main lines, 9,566 miles in branch lines, and 4,860 miles in yards, sidings, and industrial tracks.

First let us examine the rail situation. In the ten years ended in 1930 approximately 5,000 miles of track in main lines were relaid with heavier rail. Prior to and during the greater part of this period the major cause of removal of rail was poor track surface resulting from the battering down of rail ends under traffic. In the latter part of this period we began building up such battered rail ends by welding. It is conservatively estimated that the laying of this heavier rail and the welding will double, and may treble, the average life of rail in our main lines. Since 1930, welding has been continued and by moderate purchases of heavy rail our main line rail has been maintained in excellent condition. The average weight of rail in main lines has been raised from 85 lbs. per yard in 1920 to 99 lbs. per yard at the end of 1937. No extensive programme of increasing this average weight is contemplated, as our standard 100 lb. rail is considered most suitable for general main line use and heavier rail is only warranted where some special condition exists. Certain mountain territories required special consideration and 145 track miles of 130 lb. rail have already been laid there.

As the longer life of rail in main lines retarded the release from such lines of rail suitable for relaying in secondary main lines (in which the average weight is 86 lbs.) and in branches (in which the average weight is

75 lbs.) these lines have been maintained by the purchase, commencing in 1932, of the required quantity of new rail of a weight equal to or greater than that which it was to replace. In addition to ordinary maintenance which has been provided for as indicated, there is the ever present desirability of continuing the gradual replacement by heavier sections of the light rail still in existence on some of our branch lines. This is brought about to some extent by the gradual assignment of heavier motive power to branch lines as the older and lighter power is retired. On minor branch lines traffic is thin, demand for speed is not great, and it has been found economical to maintain light power to serve them.

From what has been said, it is apparent that, although somewhat larger maintenance expenditures for rail in connection with installation of heavier sections on some branch lines can be justified when earnings warrant, we are not now confronted with the necessity of increasing such expenditures to maintain our present rail standard.

Consider next the cross tie situation. The Company has approximately 64 million ties in its various tracks. Prior to 1922 very few of these were treated to preserve them from decay. In that year preservative treatment was commenced on a large scale and has since continued. At the present time 88 per cent. of the 16 million ties in main line tracks, 51 per cent. of the 37 million in other main tracks and 26 per cent. of the 11 million in other than main tracks are treated with creosote or zinc chloride. Of all ties in track 56 per cent. are now so treated, and this percentage is annually increasing. The average life of these treated ties is more than double that of untreated ties and, it is believed, may be three to four times that life. While in 1928 we required 250 new ties per mile of track, in 1937 we required only 165, and, in the latter year, the average condition of all ties was better than in the former year. Had we not been using treated ties, it would have been necessary to install nearly two million more in 1937 than was the case. The extended use of treated ties has resulted in substantially reducing the average annual cost of tie maintenance and, at the same time, has strengthened and improved the track. This benefit will continue.

Track is kept in line and surface by ballasting and surfacing operations. The amount of such work required varies with the amount of traffic handled and can be reduced for limited periods without injury to the property and without a corresponding increase in the subsequent amount of work to be performed.

Crushed rock is the best material for ballasting tracks carrying heavy or high speed traffic. The use of crushed rock was commenced by the Company in 1922, and, at the present time, over 2,500 miles of its main line tracks are so ballasted, over 100 miles being done during 1937. In view of present very serious curtailment in earnings, to which reference has already been made, it has been decided, as a measure of economy, not to proceed with the rock ballasting which had been planned for 1938. This decision merely involves the postponement of the time when an additional 100 miles of track will be brought up to a higher standard. It will not be detrimental to the property in the meantime.

On main lines where high speed services are operated, line and surface of the track must be maintained at a high standard and the maintenance of our present train schedules on such lines is proof of their adequacy in these respects. During the depression years, on branch lines, and to a less extent on secondary main lines, both of which are generally ballasted with gravel, the smaller volume of traffic has permitted a reduction in



ballasting and surfacing operations. At all times, line and surface have been maintained in keeping with the requirements of the services on the various lines.

In our main lines there are 985 openings spanned by bridges with a total length of approximately 24 miles. All but 32 of these bridges are of steel or masonry construction. In our secondary main lines there are 556 bridges with a total length of about 15 miles, of which 220 are of timber. In our branch lines there are 1,809 bridges, of which 1,237 are of timber. In all cases the timber structures are adequate for the service they render and, in many cases, have been provided and will be maintained in that form because it meets the requirements of the particular situation most economically. All of our bridges are being maintained in safe and adequate condition. The elapsed time between the painting of steel bridges has been lengthened in some cases for a greater period than would have been considered desirable in more prosperous times. To avoid injury to these structures it appears that, irrespective of traffic volume, we have reached the point where some increase in expenditures for painting is to be expected. This will not materially increase total maintenance expenses.

Our major buildings and stations have been well maintained. Many of our less important frame buildings have not received as close attention in regard to paint as before the depression. However, this is principally a matter of appearance and can be corrected with relatively small outlay when conditions warrant.

From this statement it is apparent that even in recent years our important tracks, bridges and other structures have been well maintained and progressively, if somewhat slowly, improved and that the Company's fixed property is in first class condition.

Turning next to an analysis of the condition of the rolling stock of the Company. The steam locomotives, 1,955 in number, have an average tractive power of 36,657 pounds; 123 are less than 10 years of age; 199 are 10 to 20 years of age; 1,159 are 21 to 30 years of age; and 474 are over 30 years of age; the average is 25.7 years. What might appear at first sight to be a high average age is not peculiar to the Canadian Pacific, and, in spite of contrary views to which wide publicity is given, experience shows that this Company will have useful employment for many of its older locomotives for many years to come in services for which it is more economical to keep such locomotives in repair than to build new units to replace them.

Limited purchases of new locomotives have been made to ensure an ample modern motive power supply for high speed main line passenger and freight services. It is planned to continue limited purchases in replacement of units retired in order to maintain this adequate motive power supply. Should traffic rise materially above present levels, this programme will need to be expanded. Superheaters have been installed on 1,791 locomotives, automatic stokers on 233, feedwater heaters on 405, and boosters on 27. Other modern improvements, such as roller bearing engine trucks, power reverse gears, flange lubricators, smoke deflectors, and new types of boilers, have been applied as conditions have warranted. All these have served to postpone obsolescence and to effect greater economy and efficiency of operation.

At the end of 1937, of the serviceable locomotives, 84.1 per cent. were in good repair—more than sufficient for the traffic offering. It has always been considered economical to maintain motive power in first class condition. Notwithstanding the depression, our standards in this respect have

not been reduced and there has been a progressive improvement in fuel performance. This performance is ample proof of the present efficiency of our motive power, the rate of fuel consumption in freight and passenger services being substantially lower than the average of Class I Railroads in the United States and also lower than that of any of the comparable large railways on this continent.

The Company has 79,966 freight cars of all types with an average capacity of 42 tons per car. Of these cars 81 per cent. are of all steel or steel underframe construction and 19 per cent. are wood. At the end of last year 93.2 per cent. were in serviceable condition. The cars have been kept well painted and their maintenance will compare favourably with that of other carriers. Improvements made from time to time have permitted the continued economical use of older units. Obsolete doors, roofs and ends have been replaced with modern types; cast steel truck sides, improved draft gear and stabilized trucks have contributed to the reduction of car maintenance. Obsolete now for certain classes of freight service, many of the older wooden cars are working out the balance of their useful lives in less exacting services for which it would be uneconomical to use more expensive steel equipment. The Company has been purchasing a moderate number of modern freight cars in replacement of units retired. A regular programme of purchases tends to keep down the cost of these units. If conditions warrant, it is intended to continue regular purchases, expanding the programme as may be necessary to meet any substantial increase in traffic.

Next to be considered are the 3,025 units employed in passenger service, of which 53 per cent. are of steel or steel underframe construction and 47 per cent. wood. The interior and exterior of these cars have been kept well painted and varnished and the running gear in first class condition. With this class of equipment more than any other, obsolescence is a most important factor. The public, seeing the great improvements made in modern units produced for highly competitive main line services, immediately presses for the provision of like equipment for general use. Obviously, it is not feasible to change the entire character of all the rolling stock overnight, particularly as many of the passenger services are unremunerative. However, for our principal trains equipment has been provided which compares very favourably with the most modern equipment on the continent. This has required heavy expenditure for air-conditioning, a development which has greatly raised the standard of travel comfort. Part of this expenditure has been a capital charge, but it has also involved large charges to working expenses. As you have been advised, limited purchases of light weight equipment have been made for use in certain special services. The cost of such units has been relatively high, and it is to be hoped that means may be found for lowering such cost before a more extensive programme of replacement becomes necessary.

The Company owns 5,786 boarding, tool, and auxiliary cars and other work units which constitute essential equipment for the maintenance and operation of the railway. It is in this class that cars from other services spend the last of their working lives. Engaged exclusively in the Company's use, serviceability is the only consideration and units have been adequately maintained to that end.

From the foregoing, it will be apparent that there are two principal items in the cost of maintaining equipment, (a) repairs and (b) replacements. These two items are inter-dependent. It is a delicate matter requiring expert technical judgment to determine whether a unit of

rolling stock should be repaired or be retired and replaced. As has been indicated, throughout the depression new purchases of rolling stock have been limited as far as possible, and every effort has been made to work out the remaining life of older stock. Consequently, more units have been retired than have been replaced, but in all cases the cost of units retired has been written out of investment account and, after allowing for salvage recovered, has been charged to working expenses. This is in accordance with the policy adopted in 1930, of which you were then advised. This policy has maintained the integrity of the investment account, but the charges to expenses have varied substantially. By reason of the liberal provision for renewals made prior to 1930, the equipment retirements in 1930 and 1931 were limited to cars destroyed, and those marked off as obsolete and beyond repair as they came through the yards in active service. Owing to reduced traffic, many units were stored and did not actively pass for review before inspectors. Since 1931, when the retirement charges were at a minimum, the retirement programme has been steadily increased and the charges to working expenses have been as follows:—

1931.....	\$ 935,000	1935.....	\$3,165,000
1932.....	1,006,000	1936.....	4,185,000
1933.....	2,136,000	1937.....	5,487,000
1934.....	2,645,000		

In the past there has been a great variation from year to year in rolling stock purchases. For this reason alone it cannot be expected that the number of units becoming due for retirement year by year will be uniform. Our experience has shown that the policy of providing for replacement or retirement of units as they are marked off to be destroyed is not altogether satisfactory. Moreover, in view of the steadily rising cost of units, it is necessary to anticipate in years to come larger retirement charges, as the more modern units bought at higher prices become obsolete. Your officers have been carefully considering the adoption of depreciation accounting for rolling stock, and, on account of the wide fluctuations in traffic volume which occur in this country, have come to the conclusion that, if adopted, it would be desirable and proper that the depreciation charges should be spread over the life of the rolling stock on the basis of the use made of it year by year. Preliminary study indicates that such a depreciation plan could be put into effect with only a moderate increase in the annual charges over the level of the charges for 1937. At the end of last year the rolling stock reserve amounted to \$8,261,000. Moreover, prior to 1930 replacements of rolling stock with new units at higher prices were effected by charging the entire cost of such new units to working expenses and not making any charge against investment account, with the result that the cost of the units now in service exceeds by \$48,000,000 the figure at which they are carried in property investment. The two amounts referred to, totalling over \$56,000,000, would form a substantial nucleus for a depreciation reserve should it be possible to adopt the depreciation plan now under consideration. This matter is one of the subjects being considered by a Committee appointed by the Minister of Transport to revise the Canadian accounting classifications. The action taken by the Company will depend upon the probable outcome of the deliberations of that Committee.

Second only in importance to its railway system are the Company's ocean and coastal fleets, which comprise eighteen ocean and twenty-three coastal steamships, having an aggregate gross tonnage of 385,016 tons. Depreciation at 4 per cent. on the cost of these vessels (less estimated salvage) is being currently provided out of their earnings. The accumulated



reserve at the end of last year amounted to almost \$44,000,000, which, in the light of present experience, appears fully adequate.

Notwithstanding the fact that the *Empress of Britain* was designed ten years ago, she continues in the highest rank of merchant ships of the world, a tribute to the engineering and architectural skill of her designers. Her fuel consumption rate is still lower than that of any other merchant steamship afloat. Minor improvements from time to time are all that are likely to be necessary in order to maintain the high place which the flagship of your fleet has won.

Designed a year earlier than the *Britain*, the *Empress of Japan* is in the same satisfactory position. She has gained an enviable reputation with the travelling public and continues to hold the speed record for merchant ships on the Pacific. Important improvements made to the *Empress of Canada* have increased her speed and reduced her fuel consumption. She occupies a high standing in relation to her competitors.

Although new propulsion machinery was installed in the *Empress of Australia* eleven years ago, this famous ship is within sight of the period when she may be regarded as due for replacement. A similar condition exists with respect to the *Empress of Russia* and the *Empress of Asia*. All three ships have a long and creditable record of service. Few other ships have maintained their popularity to such a degree.

The four Atlantic Duchesses—*Atholl*, *Bedford*, *Richmond* and *York*—continue to hold their unique position on the St. Lawrence Route. Maintaining in season a weekly service of exceptional regularity, they are ideal vessels for the important passenger and freight traffic of the Glasgow, Belfast, Liverpool service.

The other Atlantic ships—*Montcalm*, *Montclare*, and *Montrose*—offer facilities equal to, if not better than, the majority of their competitors. Nevertheless, it may soon become advisable to examine their passenger accommodation to ascertain what improvements may be undertaken advantageously with due regard to economy.

The five *Beaver* express freight ships, designed and constructed to handle the large volume of high class and perishable freight between Canada and London, have met the exacting demands of this service with extraordinary success and receive increasing commendation from shippers. The speed of the *Beaver* ships has been well maintained. They are acknowledged to be the best Atlantic ships of their class and are noted for the efficient carriage of refrigerated cargo and for the maintenance of regularity of time schedule. Continuance for many years of this excellent performance may be anticipated, and there is no reason to believe that these ships will fall short of the necessary requirements during the remainder of their lifetime.

Your coastal fleet is composed mainly of modern vessels well maintained. No extensive programme of improvement or replacement is contemplated or necessary. In due course two or three of the relatively smaller and older vessels will be replaced, but this will be more or less a matter of routine.

The Company operates directly fifteen hotels, of which seven are located in the principal cities of Canada and the remainder at mountain and seaside resorts. These hotels contain 5,352 guest rooms, with an additional 315 guest rooms in cottages and bungalow camps, or a total of 5,667 guest rooms in the system. While hotels are not generally classified

as transportation property, your investment in these hotels must be considered in many respects as an essential part of your world-wide travel services.

It will be recalled that in the years from 1925 to 1930 your Company undertook an extensive programme of renewals, replacements, and new construction in connection with its hotel properties. Extensive fire damage necessitated the practical reconstruction of the Chateau Frontenac, the Chateau Lake Louise and the Banff Springs Hotel. Growing patronage for the Palliser Hotel at Calgary and the Empress Hotel at Victoria led to the enlargement of these properties to make them more self-contained. Lack of adequate hotel facilities at Toronto and Regina was met by the construction of the Royal York and the Hotel Saskatchewan. The development in the tourist trade in Nova Scotia prompted the reconstruction of the Cornwallis Inn at Kentville and the Pines at Digby. With the co-operation of the Eastern Steamship Company a small hotel was constructed at Yarmouth.

All your hotel properties have been kept in good condition and, as a result of the construction which has been referred to, all the major ones, except the Royal Alexandra at Winnipeg and the Hotel Vancouver, are of modern construction. As you have been advised, annual appropriations from income are being made to provide for obsolescence. In 1937 this appropriation was at the rate of 2 per cent. These hotels are in a position to handle greatly increased patronage for many years to come with only such improvement of plant and equipment as may be deemed advisable in order to follow the latest trend in hotel service on this continent. For example, in the Royal York all the public rooms are being air-conditioned. Similar improvements are being installed in the Terrace Club and Jacques Cartier Room at the Chateau Frontenac.

As to the Royal Alexandra Hotel, the time has come when some renovation is necessary. A start has already been made on bedrooms and bathrooms and will be carried on as conditions warrant during the next few years.

For some time your Directors have been aware that without modernization the Hotel Vancouver is not in condition to compete on equal terms with the newly constructed Canadian National Hotel which is expected to open for business next year and that two first class hotels could not be expected to operate successfully with the patronage offering at Vancouver. After lengthy negotiations an agreement has been reached to overcome the threatened duplication though some details yet remain to be adjusted. While the arrangement will involve a substantial capital loss for your Company as well as the sacrifice of its exclusive position in the hotel business at Vancouver, it will avoid the necessity of carrying out an expensive renovation of your present hotel. Instead of possible losses by both companies from the operation of separate hotels, there is a probability that, with the combined support of the two railway companies, the operation of the one hotel in the common interest will result in reasonable operating profits.

Turning to the communications department, the Company maintains 17,637 miles of pole line and 175,000 miles of wire, mostly copper, with extensive terminal facilities. Its commercial communication services reach all the important points in Canada. While in recent years equipment has been invented which has provided a large increase in the number of channels available for communication without increasing the outside physical plant in the same proportion, the latter is still the foundation of

the system, and its renewal is a continuous process. By the insertion of factors of extraordinary strength for reinforcement at uniform separations, the service life of the pole lines has been considerably increased. New equipment has been purchased from time to time to take advantage of developments in transmission. Increased business in the newly developed fields of commercial communications, such as the supplying of telegraph networks for news and stock and commodity quotations and telephone lines for national or regional radio broadcasts, has resulted in all channels being utilized to the limit of their carrying capacity. Accordingly, after a lapse of several years, the expansion of the plant was resumed towards the end of last year. This expansion includes installation of the latest types of broadcast and carrier-current telegraph and telephone transmission equipment, the installation of large mileages of copper wire, and other related improvements. It is expected that this expansion, which is well advanced, will be completed before the end of the current year. Your Company will then enjoy, in addition to its physical wire circuits, the use of 200,000 miles of carrier-current channels or derived circuits, providing fully for present needs and some expansion. At the moment, there is no idle equipment in the communications service. The projects now in hand will not involve the removal of old equipment from service on account of obsolescence or depreciation. That which is replaced by more modern equipment of greater capacity will be used at other points where it may be expected to have many additional years of useful life.

I will not take your time to deal in detail with the other properties of the Company. Office buildings and all other property have been kept in good repair and modernized insofar as it was necessary in order to maintain earnings. In concluding my remarks, I should like to emphasize that your many and varied properties are, generally, in excellent physical condition, and are carried in Property Investment at a figure below the cost of the items now comprised therein. I should also briefly mention the two principal investments in properties not integral to the main undertaking.

The first is that in the United States railway subsidiaries now in course of reorganization, which, at the end of last year, including advances, aggregated \$61,162,000. Much of this investment dates back to the early days of the Company and for many years it received interest and dividends therefrom, which amounted in the aggregate to \$33,657,000. Most of the remainder represents the advances made to the Soo Line to make up deficiency in amount it had available to meet interest obligations guaranteed by your Company. Against possible loss in these investments the Company has appropriated reserves aggregating \$23,508,000, making the net investment \$37,654,000. It is impossible to forecast at this time what new securities will be received from the reorganized companies. The present situation in respect of each of these is set forth in the Annual Report.

The second is that in the Consolidated Mining and Smelting Company of Canada, Limited, amounting to \$17,046,000, the market value of which at December 31, 1937, was in excess of \$93,000,000. This investment, which consists of 1,682,500 shares and from which dividends of \$5,888,750 were received in 1937, has proved to be a very satisfactory one.

The aggregate of all the assets of the Company is conservatively stated at the figure of \$1,382,000,000, at which it is carried on the General Balance Sheet. On the whole there seems to be no reason to fear that the Company will not again earn a reasonable return on these assets. For some years past its business has been detrimentally affected by three major factors. It has shared in the depressed business conditions general



throughout the world; it has experienced special difficulties owing to the small yields and low price of the major product of Canada's chief group of producers; and, in addition to the competition of other forms of transport with which it has had to contend in common with other railways throughout the world, it has been faced with the continued necessity of maintaining its position in competition with a state-owned system which meets it at practically every point of importance throughout the country.

The Dominion and the Company will benefit from any improvement in world economic conditions. The betterment of these conditions, which depends on many factors, is beyond the control of any individual country and is likely to be slow.

As to the drought in portions of Western Canada, your Directors are convinced, after detailed and comprehensive study, that there is no reason to regard this as a permanent condition. Reports from the grain belt last Autumn and to date this year indicate the probability of an improvement in conditions this season. Of course, in some very important areas sub-soil moisture is probably sub-normal, and this may limit 1938 production in those areas despite the improved rainfall of the current season. However, there is reason to believe that Western Canada is now emerging from one of its recurring periods of insufficient rainfall and that we may look forward to definite improvement in grain yields during the present and future years.

The third detrimental factor—state competition—still persists. A Committee of the Senate is undertaking a study of the railway problem. Should the recommendations of this Committee result in the long overdue rationalization of the railway situation in Canada, the Company stands to share in the resulting benefits.

Many of the extensions and improvements, to which reference has already been made, were carried out prior to the world depression. The full benefits from these have not yet accrued to the Company, nor will they until traffic volume again returns to more normal proportions. Your well-located, well-constructed, and well-maintained properties are in condition to ensure efficient and modern transportation service for the nation. Even if the Company's properties continue to be operated separately and in competition with the Canadian National Railways, my considered view is that there is no reason for pessimism in regard to the future outlook of the Company. It is hardly necessary for me to repeat that, should they be joined with those of the Government-owned railway in a rationalized system, most important advantages would result to the owners of both properties.

## 57th ANNUAL REPORT OF THE C.P.R.

The accounts of the Company for the year ended December 31, 1937, show the following results:—

### Income Account

Gross Earnings .....	\$145,085,557.62
Working Expenses (including taxes) .....	121,343,310.59
Net Earnings .....	\$ 23,742,247.03
Other Income (after providing for depreciation of steamships and hotels) ..	11,629,711.05
	<hr/>
	\$ 35,371,958.08

**Income Account—Continued**

Fixed Charges .....	\$ 24,041,533.89	
Interest payable January 1, 1938, to bondholders of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company on bond issues, guaranteed as to interest by your Company, and interest accrued on notes secured by pledge of bonds so guaranteed .....	1,868,140.15	
A petition for reorganization of that Company under Section 77 of the Bankruptcy Act of the United States was filed December 31, 1937.		25,909,674.04
Balance transferred to Profit and Loss Account .....		<u>\$ 9,462,284.04</u>

**Profit and Loss Account**

Profit and Loss Balance December 31, 1936 .....	\$138,532,703.39
Dividend of 1 per cent. on the Preference Stock, declared from the earnings of the year 1936, paid April 1, 1937 .....	1,372,569.21
	<u>\$137,160,134.18</u>
Balance of Income Account for the year ended December 31, 1937 .....	9,462,284.04
	<u>\$146,622,418.22</u>

**DEDUCT:**

Amount credited investment reserve being equivalent to advances made in January and July, 1937, to Minneapolis, St. Paul & Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations guaranteed by Canadian Pacific Railway Company .....	\$ 3,849,184.37
Loss on lines abandoned and on property retired and not replaced .....	2,495,361.76
Miscellaneous—Net Debit .....	327,084.26
	<u>6,671,630.39</u>

Profit and Loss Balance December 31, 1937, as per Balance Sheet .....	<u>\$139,950,787.83</u>
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NOTE.—Subsequent to the end of the year, a dividend of 2 per cent. on the Preference Stock, amounting to \$2,745,138.42, was declared from the earnings of the year 1937, payable April 1, 1938.

The balance of Income Account available for transfer to Profit and Loss Account was \$3,433,100 greater in 1937 than in 1936.

**Railway Earnings and Expenses**

The comparative results of railway operations were as follows:

	1937	1936	Increase
Gross Earnings .....	\$145,085,558	\$138,562,763	\$6,522,795
Working Expenses (including taxes) .....	121,343,311	115,251,652	6,091,659
Net Earnings .....	<u>\$ 23,742,247</u>	<u>\$ 23,311,111</u>	<u>\$ 431,136</u>

Working expenses, including taxes, amounted to 83.64 per cent. of gross earnings in 1937, as compared with 83.18 per cent. in 1936, or, excluding taxes, 80.69 per cent. as against 80.13 per cent.

Gross earnings for the year increased \$6,522,795 or 4.7 per cent. The increase during the first half of the year was 7.6 per cent., but, owing largely to the crop failure in Saskatchewan, the increase in the last six months was only 2.3 per cent. The decrease for the year in earnings from grain and grain products was \$5,869,000, or more than 26 per cent. At the last annual meeting, to illustrate the severity of the adverse conditions which had prevailed since 1930, figures were given of the grain handlings on the Company's lines in millions of bushels, as follows:

1925.....	241	1931.....	149
1926.....	226	1932.....	185
1927.....	232	1933.....	160
1928.....	370	1934.....	138
1929.....	201	1935.....	142
1930.....	175	1936.....	143
Average 1925-1930.....	241	Average 1931-1936.....	153

The grain handlings in 1937 suffered a further severe drop to 94 million bushels, constituting only 39 per cent. of the 1925-1930 average, and but 61 per cent. of even the 1931-1936 average. Not since 1908 has there been a year in which the grain handlings were lower than in 1937, although the acreage sown to grain has more than trebled in the interval. Moreover, the unfavourable crop conditions on the prairies had an adverse effect on the earnings from all other classes of traffic handled to and from that territory.

Passenger earnings increased \$967,693, or 6.2 per cent., the largest increase in one year since the low point was recorded in 1933. All classes of passenger travel contributed.

Freight earnings increased \$4,999,575, or 4.7 per cent., the large reduction in grain traffic being more than offset by continued improvement in traffic from mines, forests, and manufactures. The tonnage handled by principal classifications follows:

	1937	Increase or	Decrease
Products of Agriculture .....	6,455,134	1,438,065	18.2%
Animals and Products .....	829,654	44,271	5.6
Products of Mines .....	11,418,391	1,685,013	17.3
Products of Forests .....	3,426,401	302,422	9.7
Manufactures and Miscellaneous .....	6,864,089	1,209,915	21.4
All less carload freight .....	849,192	53,827	6.8
Total .....	29,842,861	1,857,383	6.6%

Working expenses increased \$6,091,659, or 5.3 per cent. Of this increase \$2,243,788 resulted from the progressive restoration of deductions from basic rates of pay of employees. The rate of deduction generally in effect at the beginning of the year was 10 per cent. and one-tenth of this was restored on each of the first days of February, April, June, August, October, and December. Effective April 1, the rate of deduction for senior officers was reduced from 15 per cent. to 10 per cent.; for the Directors and members of the Executive Committee from 20 per cent. to 15 per cent.; and for the President from 35 per cent. to 30 per cent.

Maintenance expenses increased \$2,602,963, or 5.5 per cent. Notwithstanding higher wage rates, the cost of maintaining way and structures decreased \$670,765. This was due in part to smaller expenditure for removal of snow and ice and in part to the fact that the expenses in 1936 included \$1,605,000, the Company's proportion of the cost of providing work at the request of the Dominion Government for 5,000 unemployed men transferred from relief camps which were being closed. Maintenance of equipment expenses increased \$3,273,728, of which \$1,302,000 represented increased charges for the retirement of rolling stock. Repairs were heavier owing to the increase in traffic, and costs were augmented by a substantial rise in material prices and by the higher wage rates. During the year 141 passenger cars (12 more than in 1936) were air-conditioned, involving heavy expenditures, chargeable partly to capital and partly to maintenance.

Transportation expenses increased \$2,689,357, or 5.4 per cent. The ratio of transportation expenses to gross earnings in 1937 was 36.2 per cent., as compared with 36.0 per cent. in 1936, this increase being more than accounted for by the partial restoration of wage deductions. While the average freight train loading decreased slightly from 1,557 tons in 1936 to 1,544 tons in 1937, the average speed of trains was greater, and gross ton miles per train hour increased from 25,370 to 25,745 tons. Average fuel consumption for freight trains was reduced from 108 pounds per 1,000 gross ton miles in 1936 to 106 pounds in 1937.



Other working expenses increased \$799,339, principally owing to larger pension disbursements, heavier taxes, and higher wage rates.

### **Other Income**

Other income, after provision for depreciation of steamships and hotels, increased \$4,998,340.

Dividend income increased \$2,633,669, due mainly to additional dividends amounting to \$2,523,750, received from The Consolidated Mining and Smelting Company of Canada, Limited, which, by reason of much higher prices for lead and zinc enjoyed a prosperous year.

Net income from interest, exchange, separately operated properties and miscellaneous increased \$381,737.

Net earnings from ocean and coastal steamships, after deducting \$3,894,469 credited to depreciation reserve, were \$2,458,832, an improvement of \$2,472,895. The volume of passenger and freight traffic increased substantially on both Atlantic and Pacific Oceans. Passenger earnings from regular voyages showed an improvement in all classes, and the more settled conditions in the Mediterranean permitted the Company to secure a much larger number of passengers for the world cruise of the "Empress of Britain." While cost of supplies, of shore labour and of repair work was somewhat higher, a large part of the increased gross earnings was carried into net earnings. During the year your vessels completed 201 voyages, in the course of which they steamed 1,418,660 miles and made 1,320 calls at 96 different ports.

Net earnings from hotel, communication and miscellaneous properties decreased \$489,962. Net earnings from hotel operations, before depreciation, increased \$46,608 but pursuant to the policy of providing for obsolescence of hotels outlined in last year's report an amount of \$1,257,598, being an increase of \$637,504, was appropriated for hotel depreciation. Net earnings from communications increased \$150,465.

### **Fixed Charges and Guaranteed Interest**

Fixed Charges increased \$128,236, which was more than accounted for by an increase in interest on equipment obligations due to the acquisition of additional modern rolling stock.

As a result of the filing on December 31, last, by the Minneapolis, St. Paul & Sault Ste. Marie Railway Company (Soo Line) of a petition for reorganization under Section 77 of the Bankruptcy Act of the United States, certain bond interest guaranteed by your Company and payable January 1, 1938, became a direct liability. The amount of such interest, together with the interest on Soo Line notes secured by bonds guaranteed as to interest by your Company, was deducted from Income Account.

### **Profit and Loss Account**

An amount of \$3,849,184, being equivalent to the advances made to the Soo Line in January and July to make up the deficiency in the amount available to meet its interest obligations, guaranteed by your Company, was charged to Profit and Loss Account and credited to investment reserve.

The necessary adjustments in the property investment account were made for all property retired during the year. Charges aggregating \$2,495,362 for property retired and not replaced were made against Profit and Loss Account. The largest item was a charge of \$1,433,109 resulting from the decision to pick up the track and abandon the line between Lindsay and Orillia in the Province of Ontario (41.3 miles), the service on

which had, in the interest of economy, been discontinued in December, 1932. Under a co-operative arrangement, in the event of the Company desiring to re-establish a through route over the territory in question, it will be granted joint operating rights over the parallel Canadian National Railways line upon equitable terms.

### Dividends

After taking into consideration the disappointing result of the operations during the latter part of the year, the large disbursements which the Company will have to make during the first half of the current year as a result of its interest guarantee on obligations of the Soo Line, and the general uncertainty as to the prospects for 1938, your Directors decided to declare a dividend of two per cent. on the Preference Stock from the earnings of 1937, payable April 1, 1938.

### Land Accounts

During the year 129,751 acres of agricultural lands were sold at an aggregate price of \$1,330,149, an average of \$10.25 per acre, including 6,180 acres of irrigated land at an average of \$50.57 per acre and the remainder at an average of \$8.23 per acre.

Both sales and collections were somewhat better than in 1936. For the first time since 1929 the cash receipts from lands, including interest on deferred payments, exceeded land expenditures including taxes, irrigation, immigration and colonization, and interest on note certificates. In view of the adverse crop conditions, the Company continued the policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year amounted to \$960,360 and adjustment of principal and further interest concessions for cash payments amounted to \$966,556, bringing the aggregate concessions to contract holders for the period 1932-1937, inclusive, to \$11,477,082. Proof of the soundness of the policy followed by the Company in the early adoption of voluntary concessions to farm contract holders is found in the satisfactory public relations created and in the fact that, notwithstanding the subsequent legislation for farm relief enacted by the Dominion and Provincial Governments, your contract holders have continued to meet their obligations as voluntarily adjusted without taking advantage of the moratoria available to them.

A further reduction was made in the unit prices at which certain unsold lands were valued, involving a charge against land surplus of \$1,878,800, which is included as part of the item "net adjustment of land inventory." As in the opinion of your officers the unit prices of the remaining lands have now been reduced to a level in keeping with even the current low values, it is considered that, unless unforeseen circumstances arise, the policy inaugurated in 1926 of gradually reducing such unit prices might be discontinued. The reduction in the appraised values of lands resulting from this policy has aggregated approximately \$37,780,000.

### Pensions

The contributory pension plan, which became effective January 1, 1937, has been very favourably received by the employees, and at the end of the year approximately 93 per cent. of those eligible had elected to contribute. The total contributions of officers and employees to the Trust Fund during the year amounted to \$1,772,110. In accordance with the Pension Rules, these moneys are being invested from time to time in Dominion Government securities or securities guaranteed by the Dominion Government. As

was anticipated in respect of the early years of operation, payments on account of pensions from the Trust Fund were negligible. The Company's pension disbursements totalled \$2,374,209 and were included in working expenses.

Under the United States Railroad Retirement Act of 1937 and the Carriers Taxing Act of 1937 provision was made for a government system of pensions for those engaged in railway service in that country and the levying of taxes on the carriers and their employees to support the same. In order to correlate the Company's pension plan with this legislation, an agreement was entered into between the Company and its General Chairmen of Employees' Committees providing for the adjustment of contributions by and pensions to those employees of the Company whose services are rendered partly in the United States and partly in Canada. Under the legislation referred to, the pensions of 96 pensioners were assumed by the United States Railroad Retirement Board.

During the year 540 employees were pensioned. After allowing for deductions owing to death and the transfer of pensioners referred to in the previous paragraph, the total number on the pension roll at the close of the year showed an increase of 190 over the number at December 31, 1936. The distribution by ages was as follows:

Under 60 years of age .....	119
From 60 to 64 years of age inclusive .....	270
From 65 to 70 years of age inclusive .....	1,456
Over 70 years of age .....	1,290
	3,135

### Capital Expenditures

In anticipation of your confirmation, your Directors authorized capital appropriations, in addition to those approved at the last annual meeting, aggregating for the year 1937 \$1,613,903. Your approval will be requested for capital appropriations during the present year of \$21,259,906. Particulars of the principal items are:

Replacement and enlargement of structures in permanent form .....	\$ 97,204
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses .....	234,433
Ties, tie plates, rail anchors and miscellaneous roadway betterments .....	2,006,122
Replacement of rail in main and branch line tracks with heavier section .....	603,826
Rock ballasting .....	493,045
Additions and betterments to shop machinery .....	344,973
Additional terminal and side track accommodation .....	145,558
New rolling stock .....	15,262,170
Additions and betterments to rolling stock .....	989,995
Additions and betterments to hotels .....	224,697
Additions and betterments to communication facilities .....	324,468

The appropriations for new rolling stock provide for the purchase of 35 locomotives and 2,750 freight cars and for the construction of 50 refrigerator cars at Angus Shops. These acquisitions are in continuation of the policy of acquiring new units at relatively favourable prices in replacement of units which have been retired during recent years. The amount of the appropriations represents the gross expenditure; the actual charge to Property Investment will be reduced by credits for retirement of rolling stock which, it is estimated, will exceed \$7,000,000. The appropriations for additions and betterments to rolling stock include the usual betterments for freight cars and motive power to increase operating efficiency and the capital proportion of the cost of air-conditioning 90 passenger cars (almost one-half of which will be first class coaches) to meet the public demand for this type of equipment.



### **Great Lakes Service**

For some years the Company participated in a rail, lake and rail freight service connecting points in Eastern Canada and New England with Chicago and Milwaukee, via Windsor, Ontario, in which the portion of the haul between Windsor and Chicago was performed by an independent steamship line. In the spring of 1937 the connecting lake line announced the discontinuance of its Lake Michigan service, and the Company, in order to maintain its participation in this important traffic between the East and the Middle and Western United States, applied to the Interstate Commerce Commission for permission to establish a service with its own vessels between Port McNicoll, on Georgian Bay, and Milwaukee and Chicago. The Commission in a decision issued on October 4, 1937, authorized the Company to operate the service, but it was not then possible to commence operations before the close of the season. The new service will be commenced at the opening of navigation, will be performed with existing steamers of the Company, and will be designated as the "Canadian Pacific Great Lakes Line."

### **Canadian Australasian Line**

As you were informed, in order to promote and share in steamship communications between Canada, Fiji, Australia, and New Zealand, the Company in 1931 acquired a half interest in the Canadian Australasian Line, Limited, a company incorporated in Canada with its principal office at Vancouver. Owing to the development of heavily subsidized foreign competition, the maintenance of this Empire link has of late years given rise to much anxiety. Apart from a relatively short period in 1936 and 1937 when United States Pacific ports were crippled by labour troubles, the operation of this service has entailed financial contributions from the parent companies. The results of an exhaustive investigation conducted by the Imperial Shipping Committee in 1936 at the request of the Governments of the United Kingdom, Canada, Australia, and New Zealand were reviewed at the Imperial Conference held in London in 1937, and progress was made towards general acceptance of the view that, if a British Service is to be preserved, it will be essential to have two ships not inferior in either speed or equipment to the subsidized tonnage of other countries with which they are to compete, and that to acquire and operate them government financial assistance would be necessary. A precipitate rise in ship-building costs, brought about by the national defence programme in Great Britain, has occurred since representations were originally made to the interested governments. The matter is still under their consideration and it is anticipated that a satisfactory agreement for the preservation of this important service will ultimately be reached.

### **London Hotel Site**

The negotiations in regard to the lease of the Berkeley Square site, referred to in the last annual report, have been satisfactorily concluded. The buildings have been demolished, and the lessees have commenced construction of an office building in keeping with the character of this property in the West End of London. In order to enable the transaction to be completed, the leasehold interests in three additional lots have been extinguished. The site has been leased for a period of two hundred years from June 24, 1937, at an increasing rental, reaching a maximum payable in the eighth year and thereafter, which will give the Company a satisfactory return on the capital invested. The lessees are granted the option, on giving six months' notice prior to June 24, 1941, to purchase the freehold

at a price that will return to the Company a sum in excess of the amount paid for the property.

### Finance

There was issued and sold during the year £827,400 Perpetual 4 per cent. Consolidated Debenture Stock, the proceeds of which were used to redeem £750,000 Algoma Branch 5 per cent. First Mortgage Bonds of the Company, which matured July 1, 1937.

On February 1, 1937, the Company entered into an Equipment Trust Agreement with The Royal Trust Company as Trustee, under which \$16,080,000 Equipment Trust Certificates were issued, guaranteed as to principal and interest by the Company. This issue, designated as Series "D," maturing in equal semi-annual instalments from August 1, 1937, to February 1, 1952, inclusive, is payable as to one-half of the principal amount in lawful money of Canada, bearing interest at three per cent. per annum, and as to the other one-half in currency of the United States of America, bearing interest at two and one-half per cent. per annum. Under this agreement new equipment costing \$16,080,943.50 was purchased by the Trustee and leased to the Company. The certificates were further secured by the pledge of \$4,020,000 Consolidated Debenture Stock, a proportionate amount of such Stock being returnable to the Company on payment of each instalment.

The balance of the rolling stock under the Hire-Purchase Agreement with the Dominion Government, referred to in previous annual reports, was delivered towards the close of the year, and the formal agreement has been executed. The principal amount owing to the Government under this Agreement is \$5,730,000, repayable in equal annual instalments from 1938 to 1950, inclusive. The interest rate was finally set at three per cent. per annum and accrues from May 11, 1938.

During the year equipment obligations to the amount of \$2,486,000 were redeemed by the Company and Consolidated Debenture Stock to the amount of \$134,000 pledged under Series "D" was released and cancelled. An amount of \$2,316,000 was deposited with the Trustee of the Equipment Trust, maturing July 1, 1944, and of that amount \$1,877,869 was expended by the Trustee under the terms of the Trust Agreement in the purchase of new equipment to be leased to the Company. Serial 3 per cent. Collateral Trust Bonds to the amount of \$1,000,000 were redeemed and on such redemption Consolidated Debenture Stock to the amount of \$1,250,000 was released and cancelled. Twenty-year 4½ per cent. Sinking Fund Secured Note Certificates to the amount of \$306,000 were purchased by the Trustee and cancelled.

Your guarantee of principal and interest was endorsed on 4 per cent. First Mortgage Redeemable Debenture Stock of the Atlantic and North-West Railway Company to the amount of £1,300,000, maturing January 1, 1957, the proceeds of the issue being used by that Company to redeem its 5 per cent. First Mortgage Bonds to the same amount which matured January 1, 1937.

For the purpose of defraying in part the capital cost of extensions and improvements of the property of the Company heretofore made and to be made, of refunding maturing obligations, and providing generally for the capital and other requirements of the Company, your Directors recommend that they be given your authority to issue Consolidated Debenture Stock, not exceeding in the aggregate the amount which the Company is by law

empowered to issue, and to sell or pledge the same or any part thereof as circumstances and market conditions may warrant.

### Minneapolis, St. Paul & Sault Ste. Marie Railway Company

The comparative railway results of this carrier were as follows:

	1937	1936	Increase
Gross Earnings .....	\$14,426,636	\$13,645,077	\$781,559
Working Expenses (including taxes) .....	13,658,075	13,249,153	408,922
Net Earnings .....	\$ 768,561	\$ 395,924	\$372,637

The moderate improvement in gross and net earnings during 1937 was primarily due to a larger grain crop than the unprecedentedly small crop of 1936. Your Directors, anticipating some improvement in such earnings, decided that it was in the interest of your Company to continue during 1937 the policy of advancing to the Soo Line the moneys necessary to make up the deficiency in the amount which the latter had available to meet interest obligations guaranteed by your Company. In January and July an aggregate of \$3,849,184 was advanced for this purpose. In the early part of July the grain crops gave promise of returning to normal levels, but, as a result of heat and drought towards the close of the growing season, the actual yield was substantially lower than anticipated. In consequence, the Soo Line, in order to meet its obligations, would in January, 1938, have required advances from your Company in excess of the amount of the interest guaranteed by it, and your Directors decided that such advances would not be justified. In view of this decision, the Directors of the Soo Line authorized the filing of a petition in the Federal Court, pursuant to Section 77 of the Bankruptcy Act of the United States, stating that it was unable to meet its debts as they matured and that it desired to effect a plan of reorganization. By Court order, entered on December 31, 1937, the petition was approved as being properly filed, and the Debtor Company was authorized and directed, until the appointment of a Trustee or Trustees, to continue in possession of its railroad and properties, subject to the control of the Court. Final action in regard to the appointment of Trustees may be expected in the near future.

At December 31, 1937, there were outstanding Soo Line secured notes to the amount of \$6,162,245.50 payable to the Reconstruction Finance Corporation, \$5,000,000 maturing February 1, 1938, and the balance being past due, and secured notes, also past due, to the amount of \$572,851.15, originally given to the Railroad Credit Corporation. These notes aggregating \$6,735,096.65 are secured in part by \$6,250,000 of Soo Line 5½ per cent. First Refunding Mortgage Bonds, maturing 1978. There were also outstanding Soo Line secured notes to the amount of \$5,000,000, maturing February 1, 1938, held mainly by institutions and secured by \$6,250,000 of Soo Line Bonds of the issue just referred to. The pledged bonds bear your Company's guarantee as to interest, and your Directors deemed it advisable that the notes for which they were pledged should be acquired by your Company. Accordingly, negotiations were undertaken which have resulted in the acquisition of all the first mentioned notes and of \$4,970,500 of the notes secondly mentioned. The purchase price was paid, \$1,744,602.68 in cash and the balance in your Company's Serial 4 per cent. Secured Notes, dated January 28, 1938, aggregating \$9,935,000, maturing as to 6½ per cent. thereof on February 1 in each of the years 1939 to 1943, inclusive, and as to 13½ per cent. thereof on the same date in each of the years 1944 to 1948, inclusive. At the option of your Company, the principal of its notes may be repaid, in whole or in part, at any time before maturity. These



notes provide for the deposit as collateral security of your Company's Consolidated Debenture Stock to an amount which, calculated at the market value thereof less 10 per cent., would be at least equal to the unpaid principal amount of such notes, and for the withdrawal of proportionate amounts of such stock as the notes are retired. Upon completion of the transaction, the amount of stock so deposited was \$13,422,500. You will be asked to approve a resolution confirming, among other things, the issue and pledge of such stock. Whereas the annual amount which would be payable by your Company under its guarantee of interest on the pledged Soo Line bonds maturing in 1978 would have been \$687,500, the annual interest on the total purchase price of the acquired Soo Line notes will be only approximately \$468,000, which will be further reduced by income currently received from certain other valuable collateral pledged to such notes.

The Soo Line First Consolidated Mortgage Bonds will mature on July 1, next, and your Company is advised that its guarantee of interest in respect of that issue, amounting to \$2,681,320 annually, will terminate on the payment of the instalment due on that date. Its guarantees of Soo Line securities then remaining outstanding (other than on the \$12,500,000 bonds pledged as collateral to the notes acquired by your Company as referred to in the previous paragraph) will be limited to interest at 4 per cent. per annum on \$3,500,000 Second Mortgage Bonds maturing 1949 and interest at 5½ per cent. per annum on \$12,106,000 First Refunding Mortgage Bonds Series "B" maturing 1978, a maximum annual charge of \$805,830.

### Spokane International Railway Company

The comparative railway results of this carrier were as follows:

	1937	1936	Increase
Gross Earnings .....	\$783,152	\$724,950	\$58,202
Working Expenses (including taxes) .....	673,680	621,080	52,600
Net Earnings .....	\$109,472	\$103,870	\$ 5,602

In the re-organization proceedings initiated in 1933 under Section 77 of the Bankruptcy Act of the United States, a report was made in June last by the Bureau of Finance of the Interstate Commerce Commission embodying a proposed plan of re-organization of the Spokane International Railway Company and its leased subsidiary the Coeur d'Alene & Pend d'Oreille Railway Company. Objections to this plan were urged by groups of bondholders, and the matter was fully argued before the Interstate Commerce Commission in November. No decision has yet been given.

### The Duluth, South Shore & Atlantic Railway Company

The comparative railway results of this carrier were as follows:

	1937	1936	Increase or Decrease
Gross Earnings .....	\$2,726,999	\$2,799,729	\$ 72,730
Working Expenses (including taxes) .....	2,263,489	2,162,535	100,954
Net Earnings .....	\$ 463,510	\$ 637,194	\$173,684

While some progress has been made in the re-organization proceedings referred to in the last annual report, they have not reached the stage where a definite plan could be filed. The time limit for this purpose has been extended until May 31, 1938.

The Trustees have recommended and filed with the Court a formula for the allocation of revenues and expenses as between the parts of this

system covered by the different mortgages. This is one of the important steps in the re-organization proceedings.

At their maturity on January 1, 1937, your Company acquired \$1,069,000 of the bonds of the Marquette, Houghton & Ontonagon Railway Company, giving it control of practically the whole of this issue. The mortgage securing these bonds is a first lien on the property of the Marquette, Houghton & Ontonagon Railway Company, which is the most valuable portion of the South Shore system. In addition to the value of these bonds as an investment, their acquisition by this Company will tend to facilitate the adoption of a plan of re-organization.

### **Leases and Agreements**

The following agreements and lease made by your Directors will be submitted for your approval:

1. Agreement dated September 13, 1937, between the St. Johnsbury and Lake Champlain Railroad Company, the Maine Central Railroad Company and your Company incorporating revised terms for the use of the St. Johnsbury and Lake Champlain Railroad Company's and your Company's lands and facilities at St. Johnsbury in the State of Vermont, the said agreement distributing the interest on the valuation of such lands and facilities and the expense of maintenance and operation thereof on the basis of use by the three companies.

2. Agreement dated January 15, 1938, between the Canadian National Railway Company and your Company whereby your Company is to abandon the operation of its line between Linwood and Listowel in the Province of Ontario, and to discontinue its communications and express businesses at Listowel and in the territory between Linwood and Listowel, conveying to the Canadian National Railway Company certain of its lands and facilities in Listowel, the said agreement being on terms and conditions whereby the burden and advantage to both parties resulting therefrom shall be equitably distributed between them.

3. Agreement dated January 15, 1938, between the Canadian National Railway Company and your Company whereby the Canadian National Railway Company is to abandon the operation of its line between Middleton Junction and Bridgetown in the Province of Nova Scotia, conveying to your Company certain of its lands and facilities in Bridgetown, the said agreement being on terms and conditions whereby the burden and advantage to both parties resulting therefrom shall be equitably distributed between them.

4. Lease of the railway and undertaking of the Winnipeg River Railway Company, extending from Lac du Bonnet to Great Falls, in the Province of Manitoba, a distance of approximately 13.4 miles, for a period of ten years from June 1, 1938, at an annual rental of one dollar, which railway has been operated by your Company since June 1, 1935, under an agreement which expires June 1, 1938. An application has been made by your Company to the Parliament of the Dominion of Canada for the necessary statutory authority to enter into this lease.

### **Co-operation with Canadian National Railways**

Co-operative studies continued throughout the year under the provisions of the Canadian National-Canadian Pacific Act, 1933, but no additional co-operative projects were made effective. At the end of the year the total estimated annual economy from arrangements in effect remained at approximately \$1,135,000, one-half of which accrues to each

Company. During the year the Joint Executive Committee approved and authorized the completion of formal agreements covering certain additional projects, estimated to yield savings of approximately \$94,000 per annum, bringing the total estimated annual savings from such approved projects not yet in effect to approximately \$621,000, one-half of which will accrue to each Company when these projects become effective. The total saving from co-operative arrangements in effect and in prospect at the end of the year was \$1,756,000, as compared with \$1,662,000 at the end of the previous year.

### Stock Holdings

The holdings of the Capital Stocks of the Company in December, 1937, were distributed as follows:

	Ordinary		Preference		Percentage of Ordinary and Preference Stocks combined
	No. of holders	Percentage of Stock	No. of holders	Percentage of Stock	
Canada .....	26,044	16.08	148	.56	11.48
United Kingdom and other British .....	19,733	54.89	26,051	95.09	66.80
United States .....	15,890	22.22	44	.26	15.71
Other Countries .....	4,002	6.81	600	4.09	6.01
	65,669		26,843		

### The Directorate

In February the Directors received, with regret, the resignation of Mr. John W. McConnell, who joined the Board early last year. Mr. Arthur B. Purvis was appointed a Director of the Company succeeding Mr. McConnell.

The following Directors will retire from office at the approaching Annual Meeting. They are eligible for re-election: Sir Charles Gordon, G.B.E., Rt. Hon. Reginald McKenna, Mr. Ross H. McMaster, Mr. James A. Richardson, and Mr. Morris W. Wilson.

Your Directors desire again to acknowledge their grateful appreciation of the efficiency and loyalty displayed by the officers and employees of the Company in relation to all matters affecting its interests.

For the Directors,

E. W. BEATTY,  
President.

Montreal, March 14, 1938.

### BOARD OF DIRECTORS

SIR EDWARD BEATTY, G.B.E. ....	Montreal
COL. HENRY COCKSHUTT .....	Brantford
MR. D. C. COLEMAN .....	Montreal
SIR CHARLES GORDON, G.B.E. ....	Montreal
MR. JOHN W. HOBBS .....	Toronto
SIR HERBERT S. HOLT .....	Montreal
RT. HON. REGINALD McKENNA .....	London, Eng.
MR. ROBERT S. McLAUGHLIN .....	Oshawa
MR. ROSS H. McMASTER .....	Montreal
BRIG.-GEN. FRANK S. MEIGHEN, C.M.G. ....	Montreal
SIR EDWARD R. PEACOCK, G.C.V.O. ....	London, Eng.
MR. ARTHUR B. PURVIS .....	Montreal
MR. JAMES A. RICHARDSON .....	Winnipeg
RT. HON. LORD SHAUGHNESSY, K.C. ....	Montreal
MR. ROBERT C. STANLEY .....	New York
MR. W. N. TILLEY, K.C. ....	Toronto
MR. MORRIS W. WILSON .....	Montreal
HON. J. MARCELIN WILSON, SENATOR .....	Montreal



## EXECUTIVE COMMITTEE

SIR EDWARD BEATTY, G.B.E.  
SIR CHARLES GORDON, G.B.E.  
MR. ROSS H. McMASTER

MR. D. C. COLEMAN  
SIR HERBERT S. HOLT  
MR. W. N. TILLEY, K.C.

## General Balance Sheet

December 31, 1937

## Assets

PROPERTY INVESTMENT:	
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties .....	\$791,499,758.41
Improvements on Leased Railway Property .....	95,702,731.91
Ocean and Coastal Steamships .....	104,720,644.49
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies—Cost .....	197,959,694.64
	<u>\$1,189,882,829.45</u>
OTHER INVESTMENTS:	
Miscellaneous Investments—Cost .....	\$ 26,991,206.52
Advances to Controlled and Other Companies—Net ..	28,034,554.42
Mortgages Collectible and Loans & Advances to Settlers	3,564,628.92
Insurance Fund Investments .....	8,257,688.35
Deferred Payments on Lands and Townsites .....	37,366,989.34
Unsold Lands and Other Properties .....	28,969,370.90
	<u>133,184,438.45</u>
CURRENT ASSETS:	
Material and Supplies .....	\$ 17,786,856.92
Agents' and Conductors' Balances .....	5,522,113.59
Net Traffic Balances .....	411,685.00
Miscellaneous Accounts Receivable .....	5,705,505.43
Cash .....	25,226,283.59
	<u>54,652,444.53</u>
UNADJUSTED DEBITS:	
Insurance Prepaid .....	\$ 111,815.78
Unamortized Discount on Bonds .....	3,206,496.90
Other Unadjusted Debits .....	1,024,032.90
	<u>4,342,345.58</u>
	<u>\$1,382,062,058.01</u>

## Liabilities

CAPITAL STOCK:	
Ordinary Stock .....	\$335,000,000.00
Preference Stock—4% Non-cumulative .....	137,256,921.12
	<u>\$ 472,256,921.12</u>
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK .....	
LESS: Pledged as collateral to bonds and equipment obligations .....	\$486,924,228.74
	191,486,000.00
	<u>295,438,228.74</u>
BONDS AND EQUIPMENT OBLIGATIONS .....	
LESS: Securities and cash deposited with Trustee of 5% Equipment Trust .....	\$204,554,000.00
	9,721,857.24
	<u>194,832,142.76</u>
TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944) .....	
LESS: Purchased by Trustee and cancelled .....	\$ 30,000,000.00
	10,091,100.00
	<u>19,908,900.00</u>
CURRENT LIABILITIES:	
Audited Vouchers .....	\$ 5,051,168.93
Pay Rolls .....	3,003,610.98
Miscellaneous Accounts Payable .....	2,301,069.90
Accrued Fixed Charges and Guaranteed Interest .....	3,942,601.29
	<u>14,298,451.10</u>
DEFERRED LIABILITIES:	
Dominion Government Unemployed Relief .....	\$ 4,060,982.71
Miscellaneous .....	401,757.52
	<u>4,462,740.23</u>
RESERVES AND UNADJUSTED CREDITS:	
Rolling Stock Reserve .....	\$ 8,261,411.08
Hotel Depreciation Reserve .....	4,196,979.42
Steamship Depreciation Reserve .....	43,977,790.22
Insurance Reserve .....	8,257,688.35
Contingent Reserves .....	7,462,266.57
Investment Reserve .....	23,508,829.69
Unadjusted Credits .....	4,268,253.86
	<u>99,933,219.19</u>

**Liabilities—Continued**

PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue)	66,457,375.31
LAND SURPLUS .....	74,523,291.73
PROFIT AND LOSS BALANCE .....	139,950,787.83
	<u>\$1,382,062,058.01</u>

E. A. LESLIE,  
*Comptroller.*

**AUDITORS' CERTIFICATE:**

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1937, and having compared the above Balance Sheet therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

PRICE, WATERHOUSE & CO.,  
*Chartered Accountants.*

Montreal, March 11, 1938.

# CANADIAN INDUSTRIES LIMITED

## TWENTY-EIGHTH ANNUAL REPORT

### FOR THE YEAR ENDED 31st DECEMBER, 1938

The Directors have pleasure in submitting herewith the Twenty-eighth Annual Report of Canadian Industries Limited, together with the Balance Sheet, the Income and Expenditure Account and the Surplus Accounts for the year ended 31st December, 1938.

The substantial business reaction in the United States in 1938 brought about a corresponding decline, though lesser in extent, in Canada. Industries dependent in large measure upon United States purchasing power, notably the pulp and paper industry, were of course particularly affected. Several factors tended to mitigate the effect of the decline, however. Export demand for products of the mines, partly in connection with the European re-armament programmes, offset for the Canadian economy in some degree the unfavourable effect on world trade of increasingly disturbed international relations. Conditions in the wheat growing areas also improved somewhat. Unfortunately industrial construction, a significant factor in any solid advance, remained exceptionally inactive. However, the removal of the 8 per cent. sales tax on building materials, and the offering, with Dominion Government aid, of credit at low rates of interest, contributed to a marked expansion in urban residential construction. This provided an excellent example of the stimulus to production and employment to be derived from a reduction in the costs of producing what the citizen desires to buy.

Towards the end of the year improved sentiment in the United States tended to restore confidence to some degree, and, if the catastrophe of war can be avoided, an upward trend for world trade is in prospect.

The recently completed United Kingdom and Canadian trade agreements with the United States represent an important co-operative effort to give impetus to world recovery. For some Canadian products, however, these agreements involve greater competition from foreign goods, which can only be combatted by increased efficiencies in production and distribution costs. This only serves to emphasize still more the ever present necessity of lowering the overhead expense burden of the country, especially in Canada where the primary industries, which have to dispose of their products at world prices, play so large a part. To achieve such an economy entails a widespread willingness to tackle national problems, such as the railway situation; some rationalization of governments; the rehabilitation of those on the "dole" along lines which will increase their employability; and the consolidation of taxation on an equitable basis. Such action is vital if employment is to be increased without reducing the standard of living.

### Financial Review of Year 1938

Conditions in the various operating activities of the Company have closely paralleled the general business trend, with a substantial improvement showing up in the last quarter of the year. Lesser volume, together



with lower selling prices for several products and further payments to employees in connection with co-operative security endeavours, has been reflected in somewhat lower earnings. The net income from all sources for the year under review, after setting aside adequate amounts for depreciation and for contingencies, and after making provision for income and capital taxes at the prevailing rates, amounted to \$4,516,754 as compared with \$5,721,862 in 1937. Net earnings per common share amounted to \$6.07 as compared with \$7.86 per share in the previous year. As mentioned in last year's report, however, 1937 earnings included a gain of 22 cents per share realized on the sale of marketable securities, as against 1 cent in 1938. The earnings received from manufacturing and selling activities as distinct from income from investments, expressed as a percentage of total earnings (excluding the non-recurring gains from realization of marketable securities), stood at 91 per cent. in 1938 in comparison with 88 per cent. in 1937.

### Dividends

Regular quarterly dividends, at the rate of 7 per cent. per annum, were paid on the cumulative preferred stock. Dividends declared on the common stock amounted to \$6 per share and, although \$1.50 per share less than in 1937, were at the same level as obtained in 1936 and in the two preceding years. Common share dividends were payable on the following dates:—30th April, \$1.75; 30th July, \$1.50; 31st October, \$1.25; 23rd December, \$1.50. After providing for dividends, the balance of Earned Surplus amounted to \$3,639,486 as compared with \$3,588,946 at the end of 1937, an increase during the year of \$50,540.

### Net Current Assets

While slightly lower than a year ago, net current assets are considered adequate, and amounted to \$14,650,000 at 31st December, 1938. Inventories, valued as usual at the lower of cost or market price, are shown on the Balance Sheet at \$6,849,000, some \$106,000 lower than a year ago. For the most part the prices of commodities were irregularly lower during 1938, so that with a comparatively small reduction in the dollar value of the raw material inventory, quantities are about the same as a year ago. Stocks of finished and partly finished products represent about one-half of the total inventory.

### Fixed Assets

Plants, buildings, equipment, and land are recorded on the Balance Sheet at \$33,102,000, which figure, in the aggregate, is estimated to be somewhat lower than present-day replacement costs. Expenditures in 1938 included the cost of property situated on Beaver Hall Square, Montreal, which was acquired as extra office space. The policy of renewing, modernizing and expanding existing equipment and facilities whenever justified by increased demand, by improvement in the quality of products, or by lower costs, was continued, and total expenditures for the year's construction amounted to \$2,682,000. As against this, however, discarded buildings and equipment to the value of \$762,000 were written off, leaving a net increase in the fixed assets of over \$1,900,000. Additionally, a further sum of \$1,216,000 was charged to manufacturing costs during the year in order to maintain existing plants at a high standard of operating efficiency. Again, to provide for long-term depreciation, an amount of \$1,600,000, computed at rates which are consistent with the practice of prior years, has also been charged into operating costs. These com-

paratively large figures result from the continual changes and additions necessary to keep abreast of new processes—a characteristic feature of the chemical industry.

### Investment Income

Income from marketable securities and from investments in subsidiary and other industrial companies was 42 per cent. lower than in 1937. This reduction is partly attributable to lower holdings of Dominion Government bonds but chiefly to the fact that dividends received from General Motors Corporation totalled only \$1.50 per share as against \$3.75 per share in the previous year.

Holdings of marketable securities totalling \$5,072,000 are recorded on the Balance Sheet at cost, and the market value at 31st December, 1938, was lower by approximately \$58,000. As a result of sales effected to provide cash for construction purposes, these holdings, which consist almost entirely of Dominion Government bonds, are more than \$2,000,000 lower than a year ago.

The increase of slightly more than \$100,000 in investments in subsidiary companies represents an addition, through a recent purchase of common stock, to the interest already held in an existing investment. The accounts of companies in which a controlling interest is held have not been consolidated with those of this Company, and income from investments includes the profits earned by those companies in the year 1938 only to the extent of this Company's share in the dividends declared. As the rates of dividends remained practically the same as in 1937, income from this source reflects little change. The balances of profits in subsidiary companies for the year 1938, after providing for the dividends, have been carried forward in the books of those companies, and in the aggregate amount to \$97,300. As against this, three subsidiary companies sustained losses during the year totalling \$19,300: the extent to which the Company has not provided for its share of such losses amounts to only \$9,430.

### Taxation

Attention has been drawn in the last few Annual Reports to the increasing number of forms of tax levied upon the Company, and it has been stated that benefits must inevitably accrue if the many and complicated forms of taxation could be simplified. If taxes are to be levied equitably and economically, less discretionary legislation and greater efficiency in matters of interpretation and collection should, it is considered, be encouraged as a general principle for all forms of taxation throughout the Dominion. As some recognition of this need, it is of interest to note that three provinces are now making partial use in tax collections of the specially trained and more widely experienced departments at Ottawa. Two further developments in 1938 which should eventually result in simplicity, although only to a very minor extent, are the elimination of sales tax on construction materials, and the apparent trend towards the elimination of the 3 per cent. excise tax. On the other hand, two provinces have increased their rates of taxation and one province has instituted a new tax, so that the Company now contributes in Canada, apart from levies for real estate taxes and licences, to three forms of sales tax, six forms of capital tax, and eight forms of income tax. In addition the Company reports on employees' earnings to four different taxing authorities, two of which require the Company to make the tax collections. Contributions are also made to seven different forms of workmen's compensation assessments.

It is not possible to determine accurately the total amount of the Company's contribution under all forms of taxation but, *excluding* sales tax paid by the Company and its customers and customs duties paid on imports of component materials, the total sum payable to federal, provincial and municipal authorities, amounted for 1938 to \$1,283,000. This is equivalent to twenty-two cents per dollar of net income before taxes, and compares with a corresponding figure of eleven cents per dollar of income in the year 1929. To these figures, however, should be added the indirect taxes paid on the purchase by the Company of goods and services, and also the large cost of the unproductive labour involved in interpreting, and in complying with, the requirements of the numerous tax statutes.

### Operating Review of 1938

The total value of sales for the year, while almost 5 per cent. lower than in the previous year, was 18 per cent. greater than in 1936. New products made available in recent years, some of which are not yet on a profitable basis, tended during 1938 to prevent a more serious decline. It is the policy of the Company to take on new lines, related with its chemical activities, on a resale basis in order to be in a logical position to establish manufacturing facilities in Canada as soon as it is economic so to do. The effect of this has been materially to broaden the field of activity. The Company's practice is to utilize the services of a technically expert selling force and to develop specialized advisory departments for the guidance and assistance of customers.

### Cellulose Products Group

In a year when some shrinkage in volume might have been expected, uses for "Cellophane" in Canada became more widespread, while industries which had already adapted it to their purposes, increased their consumption because of its value in promoting sales of their own products. The increasing use of transparent bags for the packaging of staple groceries was a noteworthy feature of 1938 business. Additional manufacturing equipment, installation of which was begun in 1937, was completed in September. Aided by progressive growth in production and by recent decreases in some raw material costs, a further reduction in "Cellophane" selling prices was made effective early in December. This is the ninth consecutive reduction since manufacture was undertaken in Canada in 1932, representing a total reduction of about one-third.

Repercussions from disturbed conditions in the leather-cloth industry in the United States, along with reduced output in Canada of footwear, bookbinding, wearing apparel and furniture, resulted in some decrease in the industrial sales and profits of the "Fabrikoid" Division. During the last quarter, however, there was a lessening of the amount of distress selling in Canada by United States exporters. Sales to the automobile industry dropped off with the decline in motor car production, but towards the end of the year an improvement was noted.

Total sales of the Paint and Varnish Division also declined below last year's figure, the falling off occurring entirely because of curtailed production of new motor cars. In the automobile refinishing business, "Pyralux", introduced late in 1937, made steady progress, however, and industrial sales attained the same level as in 1937. New high levels were reached in sales to the retailer as a result of the gradually broadening plan of distribution. In this last named field the exemption from sales



tax granted on paints and varnishes, and their ingredients, was reflected in a downward revision of selling prices and provided a noticeable stimulus to sales. The output of the Regina works increased appreciably following the resumption of automobile production in that city. Further additions were made to manufacturing facilities in the Montreal works in order to expand capacity.

Manufactured products of the Plastics Division experienced severe competition from Germany and the United States, and to a lesser extent from Japan. Nevertheless sales volume thereof was maintained at a little over last year's level, although at lower prices in some lines. Resale products on the other hand met a considerably lower demand from the motor accessory trade, which was only partially offset by increases in new lines. As a result, total sales were somewhat below last year. Since distribution was undertaken in 1937, sales of X-ray film have reached a substantial volume. Commercial application in Canada of nylon, an entirely new synthetic protein product, has so far been limited to the use of "Exton" bristles in toothbrush manufacture.

### **Chemical Group**

Early in 1938, as a measure of simplification in organization, the Company's activities in alkali products were segregated from the General Chemicals Division to form the Alkali Division.

In contrast to 1937 a severe reduction in the demand for chlorine, which is used mainly in the bleaching of kraft and sulphite pulp, was encountered and as a result the new plant at Shawinigan Falls, Quebec, did not operate. Caustic soda, used in the manufacture of soap, pulp and rayon, and in oil refining, was affected to a much lesser degree and this resulted in importations from the United States of caustic soda as a means of redressing the lack of chemical balance. This further unfavourably affected profits. The additions that have been made to the operating facilities of the Alkali Division place it in a strong position to take care of any future requirements of the pulp and paper and other caustic soda and chlorine consuming industries.

There was also a decline in the consumption of most of the products handled by the reconstituted General Chemicals Division. Sulphuric acid, the most widely used acid in the chemical industry, was in smaller demand for the processing of metals, but its use in the manufacture of superphosphate (fertilizer) and in commercial explosives permitted the continuance of a reasonably high level of production. Withdrawals of nitre cake by the International Nickel Company of Canada Limited were adversely affected by further modifications in that company's metallurgical processes. Other manufactured products of this Division include muriatic acid, sales of which have been well maintained through its increasing use in the treatment of oil wells; ammonia, sold largely for refrigeration; and liquid sodium silicate, which is used by soap manufacturers and as a stiffener and adhesive in the manufacture of fibre and corrugated boxes. Resale activities, which tend later to develop into local manufacture as volume grows, also fell off somewhat, although continued progress has been evident in some recently developed lines, such as "Freon", a refrigerant which has a promising future in air-conditioning. Other major resale products include zinc chloride, used for wood preserving, and alum, consumed by newsprint manufacturers and by municipalities for water purification.

The Mining and Organic Chemicals Division, which in the main carries on a resale business, was affected by the lower demand for dyestuffs and

pigments from the textile, paper, paint and leather industries. Chemical requirements of the mining industry, mainly for the separation of metals from ores, were maintained, and a further reduction in selling prices was introduced for sodium cyanide, the most important of these chemicals. The rubber industry, which has improved its products over a period of years by an increasing use of specially developed chemicals, operated at a somewhat lower level, but further progress was made in the development of sales of neoprene, both as a substitute for rubber and in combination with it. A programme for the promotion of "Velan", a chemical for rendering textile fabrics water-repellent, was undertaken and this effort should be reflected in future sales. Of the chemicals manufactured by this Division at Shawinigan Falls, Quebec, sales of hydrogen peroxide, used for bleaching textiles and for dressing furs, diminished. On the other hand there was an encouraging development in the use of solvents for odourless dry-cleaning and metal degreasing.

The unsatisfactory selling-price conditions which had prevailed for some years in the Salt Division improved towards the end of 1938. All grades of salt are produced and the market covers industrial users, such as meat packers, tanners and chemical manufacturers; farmers, for stock-feeding purposes; and householders, for whom a specially free-running grade is sold under the "Windsor" trade mark. Recent developments in the use of salt for highway and airport stabilization and for the removal of ice from highways are now well established. Much attention has been given during recent years to operating efficiencies and the plant is in first-class condition from the point of view of both quality and cost.

### **Explosives and Ammunition Group**

Improved game conditions and better seasons in many sections of the country, together with increasing interest in the recent form of trap-shooting known as skeet, resulted in an increased demand for shot-shell ammunition. Throughout the country the growing membership in the various Dominion Marksmen clubs encouraged the practice of target-shooting in the off-season. In 1938 special attention was again focused on a programme for improving methods of manufacture, both from a quality and cost standpoint.

Activity in construction work, such as rock excavation and land clearance, hydro-electric plant development, canal building and railroad re-location work, was limited, but new highway building in Eastern Canada contributed appreciably to sales of commercial explosives. Total sales were in fact at a slightly higher level than in 1937 due to the demand from the mining industry—by far the major demand—being well maintained. In addition to the larger users, such as gold, copper and nickel-copper producers, substantial quantities were consumed in mining of coal, iron-ore, lead and zinc, radium, silver and sodium sulphate, and in asbestos pits and limestone quarries. Of a novel order are such uses as for warning signals from lighthouses, for whale hunting and for ice breaking in the seal fisheries. This Division's specialized technical department continues to give assistance in the efficient and safe handling of its products. During the year additional construction work was carried out in each of the four works, including the installation of modern ventilating systems in buildings and other improvements which have resulted in better working conditions and in expanded manufacturing facilities.

As has been pointed out for many years, the policy of the Company has been to confine its sales of military explosives to the requirements of the armed forces of the federal, provincial and municipal governments of Canada, though inherent in this policy was its extension to cover the requirements of other British Empire units as and when necessity arose. This policy continued in 1938 and resulted in somewhat larger orders due to the extended defence programmes in Canada and Great Britain. Despite this, the extent of all sales for military purposes, including supplies to police forces, was  $\frac{3}{4}$  of 1 per cent. of the total sales value of all products manufactured or sold by the Company in the year.

### **Fertilizer Group**

For the first five years of its existence the Fertilizer Group experienced losses from operations, but for the past three years a growing volume of business and increased and improved plant facilities have brought a moderate profit. The average price of farm products in Canada during the past year was somewhat depressed and affected the amount of fertilizer sold, but nevertheless, based on the entire Canadian requirements, the Group's position showed an improvement, partly owing to the purchase in August, 1937, of a plant at Chatham, Ontario. Sales of products such as insecticides, fungicides, and mineral supplements, continued to expand and helped to maintain sales volume during the winter months when demand for farm fertilizers was small. The influence of the educational activities of governmental departments and other organizations in the value to be obtained by the farmer from an improved fertilizer technique is increasingly discernible in all branches of agriculture. The Group now offers free advisory and soil-testing services to farmers.

### **Managed Investments in 1938**

The lower level of business activity unfavourably affected some of the managed investments, but those in the process of introducing or developing new products showed satisfactory progress.

Aluminate Chemicals Limited, formed in the latter part of 1936 to resell sodium aluminate and other chemicals for the treatment of boiler-feed water, increased its sales.

Reduced production in the automobile industry adversely affected the operations of Canadian Hanson & Van Winkle Company Limited, but a leading position in the metal-plating business was maintained and results for the year came up to expectations, reflecting a high degree of efficiency in the local management.

There was some contraction in the demand for blasting accessories manufactured by the Canadian Safety Fuse Company Limited and the cost of some raw materials was higher. Nevertheless earnings, while lower than last year, were at a satisfactory level.

Further progress was made in the development of sales of titanium pigments by Canadian Titanium Pigments Limited, and in the middle of the year there was a reduction in selling prices. Prospects for a wider use of the company's products in the paint and paper industries are most encouraging.

No dividends were received from your Company's minority holdings of common stock in Dunlop Tire & Rubber Goods Company Limited. The company, however, continued to make sound progress and recorded



larger sales and profits than in 1937. As a result, assisted by completion of the reorganization of the capital structure of the company, payment of the preference dividend was resumed.

### Research in 1938

The research work of the Company has derived considerable benefit from extensions to the central laboratories at Beloeil, completed about the end of 1937. Important additions to analytical and research equipment were a spectograph of the most advanced type and apparatus for photo-microscopic examination. The vital importance of a continuous programme of comprehensive research in the chemical industry cannot be overestimated and the Company is fortunate here in having at its disposal not only its own facilities, but the research achievements of Imperial Chemical Industries Limited and E. I. du Pont de Nemours and Company Incorporated. It is interesting to note that in Canada patents classified under the heading "Chemistry" constituted the largest group issued by the Government for the year ended March, 1938, and in the past five years there has been a steady increase in the number of such patents issued annually. Some of the more interesting phases of industrial chemical research lie in the organic chemical field, and several new developments in this field were made available in 1938 for the benefit of Canadian manufacturers.

### Organization

To the ten industrial divisions in which are administered the Company's manufacturing and resale operations, it has already been pointed out that a new division within the Chemical Group was added during the year. Direction and co-ordination of the affairs of these eleven divisions from the viewpoint of Company-wide policies and final results are vested in four group general managers. To them respond the division managers, who, besides overseeing the manufacturing, distribution and sales activities of their respective divisions, concern themselves with such industrial developments as may lead to business expansion therein.

The functional services common to all incorporated manufacturing enterprises are, for economy and efficiency, centralized under the management of specialists in the following nine departments: Accounting, Advertising, Engineering, Mechanical Efficiency, Patent, Purchasing, Research and Development, Secretarial and Traffic.

The large circulation of the magazine "C-I-L Oval", which is issued six times a year, now places it in the class of nationally known publications, and numerous requests are received from newspapers and magazines for permission to reprint articles and illustrations. The monthly newspaper, "Contact", continues to carry to employees from coast to coast Company news and items of personal interest. English and French editions of each publication are available.

### Employee Relations in 1938

The number of employees at the end of the year was 3,670 and, despite lower levels of production and completion of certain construction activities, the shrinkage from the number employed at the end of 1937 was less than 7 per cent. Additionally, employees of companies for the management of which your Company is directly responsible numbered somewhat over 1,000 in 1938, a slight increase from 1937.

The Board acknowledges with full appreciation that the Company's achievements from year to year result in no small measure from the satisfactory relationship which exists between management and employees, and the mutual confidence and co-operation thus inspired. Recognition of the importance of this factor has encouraged further developments in the policies which have guided the Company's relationship with employees in previous years. It has become axiomatic that such policies must be governed by the three-fold nature of management's responsibility, divided as it is between shareholders, employees, and the public, and that profitable operation is essential if the obligations to all three groups are to be properly discharged. The basis of satisfactory employee relations must always be fair remuneration and good working conditions, and if confidence is to be engendered, the sincerity of management's purpose must be real and apparent. Moreover, that purpose, while endeavouring to avoid paternalism, should seek to help employees to improve their standard of living and to provide themselves with security against the ordinary vicissitudes of life, and it should include willingness to assist in the development of governmental schemes that would assure protection of a kind that is beyond the scope of individual enterprise. In addition, therefore, to reviewing frequently the industrial relations programme with special regard to remuneration and working conditions, constant attention has been directed towards keeping in touch with employee needs. The practice of securing employee opinion on matters of mutual interest is being extended through the use of questionnaires, so that salaried employees may be reached and works councils may be aided in their function of ascertaining and representing the opinions of payroll employees.

At the annual elections under the Employee Representation Plan, the preponderance of elected representatives which had been established at some works in the previous year was maintained, and altogether the 13 works councils comprise 59 elected and 48 appointed representatives. The councils continued their work of dealing with matters raised by employees and of advising management regarding employee opinion on a variety of subjects related to working conditions and industrial relations plans.

Regular conferences of foremen and supervisors are being held at three of the larger works and will be extended to others, giving those taking part an opportunity to gain a more thorough understanding of the Company's employee relations policies, as well as to discuss ways and means of improving operating efficiency.

In matters affecting wages and working conditions, extensive labour legislation, particularly in the Province of Quebec, has entailed practically no adjustment in Company practices, this being due to the standards which were already a part of the Company's policy.

## **Industrial Relations Plans**

Under the Vacation Plan 2,136 eligible payroll employees received vacations with pay, in the great majority of cases of two weeks' duration, at a total cost for the year of \$105,000. Salaried employees received vacations as usual.

The Disability Wage Plan for payroll employees provided 418 sick employees during the period of their respective disabilities with an income, beginning after a seven-day waiting period, equivalent to full

wages for a maximum period of thirteen weeks. A sum of \$41,000 was paid out under this Plan.

The cost of these two plans is borne entirely by the Company.

The Co-operative Sickness and Non-occupational Accident Insurance Plan, which had been in effect since June, 1935, and, during periods of disability, had provided weekly benefits varying from \$5 to \$25 according to earnings, was terminated in October. Under this Plan, claimants received \$30,500 in benefits in the course of the year. The introduction in 1937 of the Disability Wage Plan above referred to—which tends to protect payroll earners against sickness as does continuance of salaries in the case of salaried employees—made a different type of insurance desirable, and a new plan was designed to meet employees' present needs. This took the form of the Co-operative Health Insurance Plan which, introduced in October, provides for the payment within specified limits of expenses arising from a disability necessitating an insured employee remaining in hospital for at least twenty-four hours. The total maximum benefit payable in any one case of disability is \$320, divided among hospital charges, surgical fees, and cost of miscellaneous services. A Medical Benefit Supplement to this new Plan enables employees, with the Company's assistance, to insure themselves against the expense of medical services not covered in hospitalization cases, to the extent of a benefit in any one sickness ranging from \$5 to \$25, according to the length of disability and the amount of the physician's fee.

The 1937-1938 Co-operative Savings Plan terminated in December after 18 months and 2,692 participants received in 1938 \$503,500, representing their own savings, interest at 3 per cent., and the Company's contribution, equivalent to 25 cents for every dollar saved and amounting to almost \$100,000. This plan was offered to all employees having not less than one year's service and earning not more than \$3,000 a year, and the maximum deposit was fixed at 10 per cent. of earnings with a limit of \$20 a month.

Under the terms of three previous Stock Investment Plans, extra payments totalling \$19,500 were made by the Company to subscribers who were still in its employ and who still held their shares. There has been no new stock investment plan offered subsequent to 1937.

The Pension Plan permitted retirement of 6 employees on pension, raising the total number of living pensioners to 77. This Plan is entirely supported by the Company and a sum of \$228,000 was added during 1938 to the reserve established to meet the requirements of future pensions. Actual cash payments for the year amounted to \$56,600. The possibility of introducing a contractual retirement plan is still the subject of study.

All the above plans are so designed as to inure in the main to the benefit of payroll employees and of those in the lower salary groups.

Under the Employees' Benefit Plan, death benefits amounting to \$18,800 became payable to the beneficiaries of 12 employees and 2 pensioners. Accruals to the reserve already set up to meet future obligations under the Plan totalled \$135,000 in 1938. The benefit is graded from \$1,000 to \$1,500, according to length of service, and is paid from a reserve supported solely by the Company.

The Bonus Plan is designed to appraise constructive and outstanding services of key individuals and to provide recognition for those services in a manner which, while avoiding additions to the cost of management and inflexibility in remuneration in poor earning years, has the definite advantages of incentive and stock-ownership features. For the year 1938,



the twentieth year in which the Plan has been in force, 174 employees received awards of shares purchased from the Company to be delivered in equal instalments over a period of four years. The Plan takes effect only when the year's earnings from operations, exclusive of income from investments, exceed 6 per cent. of the manufacturing investment, at which time an amount of not more than 15 per cent. of such excess is applied to the purchase of class "B" non-voting common shares at a price decided upon by the Board of Directors on the basis of earning power and other factors. Awards are then made by a committee of the Board of Directors upon recommendation of Company senior executives.

The results under the No-Accident Record Plan continued to reflect the keen interest displayed by employees in the co-operative activities which have for many years been undertaken for the prevention of personal injury and property damage. The frequency and severity rates of injuries for the year, although not quite as favourable as for 1937, were among the lowest ever recorded.

Records maintained under the Service Pin and Watch Plan reveal that 1,176 employees have ten or more years' service and 301 have twenty or more years' service, either entirely with your Company or in part with an associated or an acquired company.

## The Directorate

A deep sense of loss was felt by all your Directors as a result of the death of Lt.-Col. Herbert Molson, C.M.G., M.C., on 21st March last. Colonel Molson had served on the Board of Directors for nearly nineteen years, and his sound judgment, wise counsel and the esteem in which he was held as a result of his outstanding personal characteristics and of his sense of public service, were invaluable to the Company.

The resignations of Mr. George W. White and Mr. H. J. Mitchell were accepted with great regret after eleven and seventeen years of service respectively, the former retiring as a result of his return to England, and the latter owing to ill-health.

Sir Edward Beatty, G.B.E., Mr. George W. Huggett and Mr. Richard Fort were elected to the Board during the year.

On behalf of the Board of Directors,

ARTHUR B. PURVIS,  
President and Managing Director.

Montreal, Canada, 6th March, 1939.

## CANADIAN INDUSTRIES LIMITED

### Income and Expenditure Account

For the Year Ended 31st December, 1938

Income from Operations after charging \$1,600,134 for depreciation..		\$ 5,629,852
Income from Investments .....	\$ 466,391	
Profit on sale of Marketable Securities .....	7,990	
		474,381
		\$ 6,104,233
Less:		
Directors' Fees .....	17,750	
Remuneration of 29 Executives, including bonus awards ....	549,997	
Legal Expenses .....	2,393	
Reserve for Income Taxes .....	1,017,339	
		1,587,479
<b>Net Income for the year 1938 transferred to Earned Surplus Account .....</b>		<b>\$ 4,516,754</b>

## Earned and Capital Surplus Accounts

	Earned Surplus	Capital Surplus
<b>Surplus at 1st January, 1938</b> .....	\$ 3,588,946	\$14,935,768
Net Income for the year 1938 as per Income and Expenditure Account .....	4,516,754	
Net Loss on the sale of Capital Assets .....		5,132
	8,105,700	
Dividends for the year 1938:		
Preferred 7% Cumulative Stock .....	325,500	
Common Stock (\$6.00 per share) .....	4,140,714	
	4,466,214	
<b>Surplus at 31st December, 1938</b> .....	\$ 3,639,486	\$14,930,636

### Assets

#### Current Assets

Cash .....	\$ 1,949,149	
Marketable Securities (market value \$5,014,000) .....	5,072,389	
Government .....	\$ 4,819,863	
Others .....	252,526	
	3,468,901	
Accounts Receivable, less reserve for doubtful accounts .....	3,468,901	
Customers' Accounts .....	\$ 2,794,368	
Subsidiary Companies .....	188,848	
Accrued Revenue from Investments and Other Accounts .....	485,685	
	6,848,576	
Inventories, valued at the lower of cost or market price .....		\$17,339,015
<b>Deferred Charges to Operations</b> .....		87,356
<b>Preferred Shares, in Trust for Employees' Stock Investment Plans</b> ...		923,989

#### Fixed Assets

Plants, Buildings and Equipment, based on the appraisals of the National Appraisal Company (1927 to 1929), as adjusted by the Company's own engineers, with subse- quent additions at cost .....	31,448,919	
Land, at cost .....	1,653,411	
Goodwill, Patents and Processes .....	3,378,151	
	36,480,481	
Investments in Subsidiary Companies .....	810,590	
Shares in Other Companies (including marketable shares, book value \$2,500,000, market value \$6,250,000) .....	3,587,685	
	4,398,275	
		\$59,229,116

### Liabilities

#### Current Liabilities

Accounts Payable .....	\$ 1,530,974	
Subsidiary Companies .....	8,890	
Dominion, Provincial and Municipal Taxes .....	1,070,033	
Dividends Declared .....	81,375	
	\$ 2,691,272	
<b>Deferred Liabilities</b> .....		204,907

#### Reserves

Depreciation of Securities .....	1,200,000	
Depreciation of Plants, Buildings and Equipment .....	14,754,463	
Pension and Benefit Plans and Self-Insurance .....	2,810,545	
	18,765,008	

**Liabilities—Continued****Capital Stock**

Authorized	Shares	
Preferred 7% Cumulative Stock (par value \$100)	75,000	
Common Stock (no par value)		
Class "A" Voting .....	660,000	
Class "B" Non-voting .....	690,000	
Issued and Fully Paid		
Preferred Stock .....	46,500	4,650,000
Common Stock		
Class "A" .....	615,974	
Class "B" .....	74,145	
	690,119	14,347,807
(Issued during the year to employees under the Company's Bonus Plan, 3,843 Class "B" shares—\$576,450)		
<b>Capital Surplus</b> .....	14,930,636	33,928,443
<b>Earned Surplus</b> .....		3,639,486
		<u>\$59,229,116</u>

Approved on behalf of the Board,

C. C. BALLANTYNE }  
ARTHUR B. PURVIS } Directors.

This is the Balance Sheet referred to in our attached Report of even date.  
P. S. ROSS & SONS, Chartered Accountants.  
Montreal, 16th February, 1939.

**AUDITORS' REPORT**

Canadian Industries Limited,  
Montreal.

We have audited the books of account and financial records of Canadian Industries Limited for the year ended 31st December, 1938, and have obtained all the information and explanations we have required.

The inventories shown on the attached Balance Sheet have been determined and certified by the management of the Company.

In accordance with Section 114 of the Dominion Companies Act, we report that profits earned by subsidiary companies for the year 1938 have been included in the attached accounts only to the extent of the dividends declared and received or receivable by this Company and that losses incurred by subsidiary companies have not been fully provided for in the attached accounts. However, the balances of the profits in subsidiary companies, which have been carried forward in the books of those companies, are, in the aggregate, in excess of the losses sustained by subsidiary companies which losses have also been carried forward in the books of those companies.

We certify that, in our opinion, the attached Balance Sheet and relative Income and Expenditure Account and Surplus Accounts are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1938, and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

P. S. ROSS & SONS,  
Chartered Accountants.

Montreal, 16th February, 1939.



# TURNER VALLEY

## PROGRESS IN ALBERTA'S OIL FIELD

### IN 1937 AND 1938

#### Substantial Development In 1937-1938

At the close of the year 1936, Turner Valley was just emerging from the chrysalis and taking shape and form as an oil field. For the previous twelve years it had been looked upon as something unique, or even something freakish, with its production of naphtha-bearing gas yielding over a million barrels a year in the latter stages. Then the completion of the Turner Valley Royalties well had made it necessary to revise many of the preconceived notions of the field, for crude oil had been recovered in quantity and naphtha seemed destined to take second place in the economics of the Valley.

Wet-gas production was being obtained from the Madison Lime, over an area 14 miles long and  $\frac{3}{4}$  of a mile wide; an area intensely folded and faulted which formed the apex of the Turner Valley anticline. The crude oil was found at the same horizons in the limestone but on the west flank of the structure where the strata was deeper but not so highly disturbed. Wells already drilled before the end of 1936 indicated that this crude oil area was extensive and their initial productions gave promise of sizeable reserves.

Total production from the Turner Valley in 1936 amounted to 1,281,248 barrels, of which 1,054,687 barrels was shallow crude oil, naphtha or casing-head and 226,561 barrels crude oil. The West Flank had five wells in production and six additional wells were drilling at the end of the year.

With such an impetus it was only natural that the ensuing years should be marked by increasing activity which, reduced to figures, indicates the substantial progress which was attained:

	Wells Completed	Footage Drilled	Limestone Crude Production	Total Production
1937.....	26	240,478	1,797,539	2,767,221
1938.....	37	298,678	6,022,849	6,691,075

Of the completions in 1937, only two were outside of the crude oil field and in 1938 all wells successfully completed were crude producers.

It was only natural that the major activities should be confined to locations in proximity to the proven crude oil area in the south end of the field, but important tests were undertaken with a view to extending the limits of production. Two wells, located approximately twelve miles north-west of the then-known productive area, indicated the presence of oil in this northerly section of the field; Royalite No. 29, at 6,275', developed a production of 900 barrels per day and Home-Millarville No. 2, at 8,024', was good for approximately 2,400 barrels. A warning against being over-optimistic, however, was encountered in the central area of the West Flank where two wells found the limestone commercially unproductive whilst Canada's deepest well, Okalta No. 6, failed to find production after drilling 10,209', thus limiting the western extension of the productive area.

## Acidization

One of the significant features in the development of the field has been the adoption of acidization to stimulate the flow of the crude wells. In this operation a 15 per cent. inhibited hydrochloric acid is used, treatments ranging from 5,000 to 10,000 gallons introduced under pressure through tubing, perforated at the zone to be treated. Most wells were acidized once and sometimes twice a year and results indicated an average increase in potential production approximating 100 per cent., although there was considerable variation in specific cases.

Thus Sterling Pacific No. 6, showed an increase from 775 barrels to 2,854 barrels after being treated, whilst the gas production rose from 2,450 to 10,000 M.C.F. per day. Davies No. 2, however, only increased its potential from 2,638 to 3,068 barrels and its gas production from 3,250 to 7,120 M.C.F. Amongst other wells which experienced the advantages of acidization, were Prairie No. 1, 587 to 2,058 barrels, National No. 1, 350 to 1,400 barrels; Brown No. 1, 350 to 2,000 barrels; and to a lesser degree, Three Point No. 1, from 326 to 482 barrels; Monarch, from 638 to 807 barrels; and Granville, from 273 to 350 barrels. In most cases the gas production increased in greater proportion than the oil.

## Sixty-seven Crude Oil Wells in Production

At the end of 1938 a total of 67 productive crude oil wells had been completed. Initial productions were variable and the variability in the porosity of the lime was indicative that a large producing well might be adjacent to a comparatively small one. The largest flush production before acidizing was 2,600 barrels and the largest flow after treatment with acid was 5,000 barrels. The total production of these 67 wells completed at the end of 1938 was 8,604,510 barrels of oil and 57,647,239 M.C.F. of gas.

Drilling is practically confined to the rotary method and wells are sunk directly to the Madison Lime, no production being procured from younger formations. The limestone has two porous zones, the first approximately 150 feet from the top and the lower horizon around 375 feet. Wells are produced from both zones although the bulk of the oil may come from one zone. The depth to the limestone varies considerably; Okalta No. 6 reached it at 9,735', Home-Millarville at 8,024', Royalite No. 29 at 6,275', and Royalite No. 14, the highest well structurally in the field, at 3,220'.

Methods of production vary but little. Most wells are flowed continuously, through 2½" or 3" tubing, to the extent of their allowables, but a few close to the gas cap find it of advantage to produce their quota in a few hours, by this method reducing gas/oil ratios. These ratios vary from 30,000 cubic feet per barrel near the gas cap, to 600 cubic feet per barrel for the deepest wells on the flank. In a typical month the average daily production of all crude wells, prorated, was 12,850 barrels with an average gas/oil ratio of 3,450 cubic feet.

## Potential Production of 150 Million Barrels

At the close of 1938 the productive and prospective limits of the crude oil field extended in an N.N.W. direction in a belt some eighteen miles long and approximately one-and-a-half miles wide. Within this it was estimated that there lay 3,743 acres of proven crude oil area with a further 13,134 acres considered as semi-proven or prospective. Estimates and opinions differed widely on the relative amount of acreage assigned to each of these three classes *i.e.*, proven, semi-proven and prospective.

There was even a greater divergence of opinion as to the amount of recoverable oil per acre.

It has to be admitted, however, that development has not yet reached a stage where accurate computation of the reserves in the field is possible; large areas within the prospective territory are, as yet, untested and wells have not produced for a sufficiently long period to give adequate data on which to base estimates of future performance. The following figures, however, may not be without significance:

1. A group of wells, tested by the Conservation Board, showed a flow of 63,915 barrels per 24 hours, through a 1" opening; four months later an equivalent test indicated a 24-hour production of 48,200 barrels.
2. Twenty-three wells with a 24-hour rate of 24,408 barrels; four months later were rated at 17,360 barrels.

### **Necessity for Proration**

At the end of 1937 the total crude oil potential of the Turner Valley field was placed at 26,000 barrels per day; by December, 1938, this potential was estimated to have at least doubled. In the light of present knowledge, it is considered that ultimate recovery from the field might approximate 150 million barrels, the life of the field depending, of course on the rate of withdrawal.

During the initial stages of an oil field's development the rush to reach 'pay dirt' and the problem of finding a market often obscure economic considerations. Fortunately the Turner Valley oil field escaped the chaos so often experienced in early development.

More or less voluntary proration of production was inaugurated in Turner Valley as early as September, 1937.

The prorating influence at the time was the Royalite Oil Company which announced that it would accept for pipe line movement as much oil as could be processed at the refineries within economic reach of the Valley, which wished to purchase Turner Valley crude, and that it would take rateably from each producer who desired to dispose of his oil in this way the same proportion of his potential production as it would take from its own wells. The first proration in September, 1937, was at 65 per cent. of the potential output. Quotas were adjusted to meet seasonable decline, falling to 35 per cent. in November of that year but rising again as new outlets were found for the crude oil. In this manner producers continued to receive a price adequate to warrant further exploratory drilling with resultant rapid development of the field.

### **A Provincial Board**

In July, 1938, a Provincial Conservation Board, with wide powers, was set up to regulate operations in the field. Its first act was to issue allowable quotas for every well, based on (1) the rate of flow through a 2" orifice, (2) bottom-hole pressures, (3) gas/oil ratios and (4) acreage. The total allowable for the field was kept in harmony with existing markets. The Board also placed restrictions on drilling, stipulating that not more than one well should be drilled on each forty acres, thus making subsequent well spacing uniform, and preventing wasteful and unnecessary competitive drilling.

The policies of the Conservation Board, whilst not giving the Valley all the advantages of unit operation, have yet secured it against many



of the wasteful practices which have dissipated the resources of many a field. It has pursued its functions with due regard to the important element of flexibility, adjusting its view-point from time to time to meet changing conditions in the field and encouraging frank discussion between its own engineers and those of the operators.

The Board has proved a stabilizing influence in those critical stages of initial development which frequently make or mar an oil-field and the future of the Turner Valley will depend to a large extent, on its exploitation continuing along equally sane and constructive lines.

True Conservation not only embraces the scientific, efficient and economic development of the ultimate resources of a field, but aims at utilizing its production in such a manner as to gain a maximum return for the expenditure of effort and money involved.

### **Steady Decrease in Montana Importation**

It will be appreciated that the emergence of Turner Valley as a crude oil field created problems which demanded solution if the whole industry in Alberta was not to be thrown into chaos. Refineries in the Province had been utilizing the naphtha product of the Valley to mix with naphtha obtained from crude oil, mainly imported from Montana. In most cases these imports were covered by contracts which could not be immediately terminated, nor would it have been wise to do so until Turner Valley had demonstrated the probability of its development into a sizable source of crude supply. If Valley crude was to oust Montana crude from its established market in Alberta, it was desirable that the switch-over should be made as smoothly as possible and with minimum of disruption in the industry.

The fact that development in the Valley, although proceeding at a reasonably rapid pace, was yet steady and orderly, helped matters considerably and it was possible to gradually curtail importations from Montana whilst absorbing a proportionate amount of the local product. In January, 1937, approximately 500 barrels per day were being delivered at Calgary from the Valley and, by December of that year, the daily average exceeded 3,000 barrels.

Meanwhile, importations from Montana dropped from 2,180,868 barrels in 1936, to 1,083,084 barrels in 1937 and to 23,699 barrels in 1938; the latter figure representing crude from the Pondera field for the manufacture of specialties which are not procurable from the Turner Valley product.

In an endeavour to widen the market, negotiations were entered into with the railways, as existing freight rates precluded the possibility of utilizing Valley crude in Regina without a disastrous cut in field prices. By assuring sizable daily shipments a reduction from 75 cents to 53.2 cents per barrel was secured and some 4,500 barrels a day were diverted to that area to reduce, still further, Montana imports.

### **Price, as a Factor in Production**

Western Canada is subject to pronounced peaks in its demand for petroleum products during the plowing and sowing and harvest seasons, with a corresponding slump during the other months. Unfortunately, in the development of a new field, production cannot be expected to synchronize with peaks of demand and artificial methods of control had to be resorted to. The Conservation Board took steps to ascertain each well's potentiality at regular intervals and divide the market demand proportionately between the producers on that basis.

While this did not permit marketing of the full potential output of the field, it assured to each producer his rateable and fair share of the market available and in this way provided both encouragement and funds for the continued development by a large number of interests.

Another difficulty in absorbing the Valley output was the preserving of a sufficiently high price in the field to make not only production of the existing wells, but the continued drilling of new wells a profitable venture. When operators were faced with an expenditure of around \$150,000 to \$175,000 to complete a well in the limestone, a consistently shrinking price was no incentive to start drilling, so that, in addition to expanding markets, the price structure was a major problem.

Here again Montana was a disturbing factor for, deprived of its Canadian markets and unable to find immediate new outlets, posted prices for Montana crude dropped rapidly and were finally withdrawn entirely.

### Replacement Value Basis

To arrive at a fair price for the Valley product it was necessary to consider its replacement value at the various points to which it had penetrated in competition with its nearest rivals and at the same time to ignore the chaotic condition prevailing at the moment in Montana, while yet allowing for the eventual clarification of the situation there. It was desired, and was then practicable, to extend the market for Turner Valley crude beyond the normal eastern limits of the Regina Refinery's assignment into the Province of Manitoba. To arrive at a price which would permit of supplying all this territory and yet provide a satisfactory return to the producer, a stabilized price of \$1.00 per barrel for Montana crude was assumed and the weighted average of the replacement value of Turner Valley crude at Calgary and Regina for their normal territories and for the added Manitoba territory to be served from Regina was arrived at on this basis. This resulted in a price of \$1.20 for Turner Valley crude of 43/43.9 gravity which was posted in January, 1938.

### Price Reductions from Adequate Supply

The development of an adequate domestic supply of crude oil was beneficial not only by adding to the national income but also by permitting lower prices for petroleum products than would have been possible if the Prairies had had to continue their dependence upon the Montana fields for raw materials.

The following are Calgary tank wagon (wholesale) prices per gallon for "Q" brand gasolines with the effective dates of change:

February	.....3, 1936	23 cents	November	...22, 1937	18½ cents
June	.....13, 1936	22 cents	January	.....5, 1938	17 cents
September	.....17, 1936	21 cents	June	.....21, 1938	16½ cents
September	.....2, 1937	20 cents			

The Calgary prices with the addition of freight are the prices at other points in the Province except in southern Alberta where competition from Montana does not permit recovery of the full sum of Calgary price plus freight.

### Benefit to Consumer of Efficient Operation

The keen competition within the industry forces it consistently to pass on to the consumer benefits derived from improved processes and economies, and approximately half of the 6 cents per gallon reduction in

the price of gasoline between February, 1936, to June, 1938, has been due to greater efficiency and economies effected in refining and marketing. The other 3 cents of benefit to the consumer was made possible by the availability of Turner Valley crude oil with which to supply the Prairies.

It is notable that the downward trend of petroleum product prices has been very much steeper than in the case of other important commodities. The Prairie farmer, particularly, has benefited in this connection because motor fuel is an important requirement in the present scheme of mechanized farming.

Taking the index of posted tank wagon prices of 3-Star gasoline as 100 in 1934, we find a reduction to 73.3 by June, 1938. In the same period, on the authority of the Searle Grain Company index of prices of "things Canadian farmers buy" had risen to 110.5, while the Dominion Bureau of Statistics showed the general level of Canadian wholesale prices as moving from 100 to 110.3.

## The Naphtha Field

Operations in the crude oil area of Turner Valley have rather eclipsed the older part of the field, but it is still a factor in the general situation. It is the source of supply for natural gas in Calgary and the surrounding municipalities and the question naturally arises as to what effect continued withdrawal from this "Gas Cap" will have on the operation of the crude oil wells, and whether the needs of Calgary, the interests of the naphtha producers or the economic recovery of crude oil is to be considered as of primary importance.

The year 1931 saw the naphtha field at its peak with 87 wells in production, a total output from the "Gas Cap" of 1,266,496 barrels of naphtha and 163,028,000 M.C.F. of gas. The gas utilized amounted to 8,666,159 M.C.F., the residue being burned in the flares of Hell's Half Acre.

During 1936 production from 102 wells amounted to 445,462 barrels; total gas production was approximately 86,813,000 M.C.F., a use being found for 9,526,562 M.C.F.

## A Two-Year Record

The figures for the following two years are as follows:

	<b>Wells in Production</b>	<b>Naphtha</b>	<b>Total Gas M.C.F.</b>	<b>Gas Utilized M.C.F.</b>
1937.....	105	293,634	75,021,000	9,576,450
1938.....	105	123,625	48,846,000	9,189,572

These figures represent a considerable withdrawal from the available reserves, which was not without its effect in substantially lowering gas pressure throughout the field.

## Restriction of Gas Production

Needless to say the operators and the Government were concerned regarding the inroads being made and, as far back as 1930, steps had been taken to curb wastage and conserve the resources of the area. In that year, a plan to store surplus gas in the depleted Bow Island field was inaugurated and, over a period of years, upwards of thirteen billion cubic feet of gas was diverted to that source. In 1931 the Government suspended the drilling obligations affecting Crown Leases in the area with a view to discouraging drilling. Eventually an Advisory Committee was appointed,



closed-in pressures were taken over the entire field and endeavours made to work out a scheme of unit operation. This not proving feasible, the Alberta Legislature passed an Act for the Conservation of gas in Turner Valley and a three-man Board was appointed to administer its provisions. Under this *régime* production was restricted to a total of 200 million cubic feet per day, but, in the spring of 1933 the Board was dissolved and its functions entrusted to the Technical Division of the Department of Lands and Mines. Their first order restricted gas production to 40 per cent. of the open flow of each well and, meanwhile, further tests were made which indicated an average closed-in pressure for the field estimated at 1,083 pounds per square inch.

Subsequent tests emphasized the rate of decline:

September .....	1933	1,083 lbs.
August .....	1934	991 lbs.
August .....	1935	897 lbs.
June .....	1936	801 lbs.
June .....	1937	689 lbs.
June .....	1938	596 lbs.

In April, 1938, a new Conservation Act passed the Legislature setting up a Board which took control of the entire field, both the naphtha area and the crude oil production. This led to still further curtailment in the gas quotas, the Board aiming at an amount which would be equivalent to the market demand, but allowing for temporary over-production to meet emergencies.

### Absorption Plants

As far back as 1933, the operators had experienced trouble due to decreasing pressures and the consequent loss in production through the inadequacy of the separator method of recovering the naphtha. The first of a number of Absorption Plants was then put into operation and four such plants were eventually in commission, having a combined capacity of 350 million cubic feet per day. Production from gases, passing through separators before being treated in the plants, varies from about .14 to .41 gallons per 1,000 cubic feet of gas. The value of, as well as the necessity for, these plants might be illustrated by the records of an individual well. In May, 1933, a certain well produced 7,061 barrels through the separator and there was an absorption recovery of 437 barrels; closed-in pressure at the well was 1,325 pounds per square inch. In November, 1937, the well showed 1,372 barrels of separator production and 3,209 barrels of absorption production, pressure having dropped to 893 pounds per square inch. As the pressure declines further all the naphtha production of the well will have to be extracted by the absorption method.

Reduced quotas for the naphtha wells are naturally interfering with the activities of these absorption plants, which represent a considerable investment, and further curtailment will render their operation uneconomic. Where the gas from crude oil wells has been passed through the plants, it has shown a recovery of from .15 to .25 gallons per 1,000 cubic feet, but the plants are not strategically located to serve the crude field, nor would the present volume of gas allow of their being operated to capacity.

### Future Policy

It will thus be seen that any proposal to benefit the crude oil field at the expense of the gas-cap area would have to be carefully scrutinized and,

although compensation to the naphtha producers has been mooted, no workable scheme has been advanced. It would seem that, for some time to come, it will be necessary to withdraw between 7 and 8 billion feet annually from the gas-cap to meet market requirements.

There is no definite evidence as yet available regarding the relationship between the gas-cap, at the top of the structure, and the crude oil areas on the flank of the structure. However, there are indications that as one goes from the top of the structure to the flank there is a gradual increase in gravity of the product recovered. At the top is dry gas, then as the structure lies deeper and deeper there are successively naphtha, distillate of lower gravity and finally crude oil.

### Structural Problems

Royalite No. 14, the highest well structurally, produced some of the driest gas; low flank wells, such as Model No. 1, Foothills No. 1, Miracle No. 2 and Advance No. 5-A, had extremely wet gas and lower gravity naphtha, while edge wells in the gas-cap have shown a tendency to change from naphtha to crude. It is only in the south end of the field that a definite line of demarcation between the distillate and the crude has been drawn at approximately the  $-1,700'$  contour on top of the lime, the same horizon in the limestone producing naphtha above and crude oil below that datum.

Whether this indicates structural conditions which would imply that the two exploited areas of the Turner Valley are intimately related and, if so, whether such relationship persists throughout the length and breadth of the Valley structure; whether the porous zones in the limestone are localized, or persistent from flank to apex, further development will ultimately prove. The question will then arise as to whether the gas-cap production should be sacrificed for the eventual benefit of the crude oil wells and this problem will only be satisfactorily solved by the application of the most rigid economic considerations.

### A United Effort

It is not yet possible to precisely determine what will prove to be the most economical rate of withdrawal, or the correct gas/oil ratio of production, or what amount of back pressure will prove most beneficial, or what amount and what manner of acidizing will result in the optimum recovery of oil. These matters will have to be studied from time to time as the history of the field develops and probably changed and adjusted in the light of acquired knowledge. The growing tendency towards interchange of opinion and consultation between the Conservation Board and the engineers of the various companies will undoubtedly produce beneficial results and ensure a united effort towards solving the many problems which will arise in connection with development, production and marketing.

Turner Valley is a long way from reaching its full stature as an oil field, but it has already demonstrated the latent possibilities which will make it an increasingly valuable national asset. Not only does it contribute substantially to the national income but as already noted it affords to the Prairies the benefit of substantially reduced prices for petroleum products.

# CANADIAN MANUFACTURERS' ASSOCIATION

## THE ANNUAL GENERAL MEETINGS OF 1937 AND 1938

### The 1937 Address\* of the President, Mr. W. B. Coglin

World recovery is continuing for the fourth consecutive year and has advanced progressively during this period. Industrial production has increased very considerably in volume; a large proportion of those unemployed are now working; the volume of world trade is expanding; and financial conditions have improved. The danger of international war has diminished since this time last year and this, as much as any other factor, has contributed to stability.

Great Britain, still leading international revival, is in the midst of a great national effort that includes the reduction of expenditures; the balancing of her budget; the strengthening of her finances; an expansion of trade and industry; increase of employment; extensive public and private building enterprises; and, lately, a large rearmament programme, which she is proceeding expeditiously with, while interfering as little as possible with the normal recovery of industry and the growth of domestic production and export trade. . . . .

### The Industrial Situation

Last year 50 per cent. of all products exported from Canada went to other British countries. During the past five years, Canada's trade with the Empire increased by 102 per cent. as compared with an increase of 79 per cent. with foreign countries.

Canada's recovery, which began in the spring of 1933, has made good progress during the past year. The following index figures, issued by the Dominion Bureau of Statistics for the month of March, 1937, based on 100 as the monthly average for 1926, indicate the trend in business and industry:—

Physical volume of business . . . . .	118.7
Industrial production . . . . .	122.4
Manufacturing . . . . .	115.4

These figures compare well with the following for February, 1933, when the lowest point was reached:

Physical volume of business . . . . .	67.0
Industrial production . . . . .	60.9
Manufacturing . . . . .	58.7

The value of Canada's mineral production in 1936 was \$360,540,000, a considerable increase over that of 1935, which was \$312,344,457. Both years showed remarkable gains over the low year, 1932, when the mineral production was valued at \$191,228,225. . . . .

Canada now stands fourth in the value of annual exports, being exceeded only by the United States, the United Kingdom and Germany, and fifth in total trade, a very creditable performance for a country of about eleven million people. We are, of course, very fortunate in having available in Canada extensive supplies of the principal materials

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\*NOTE.—At the Annual General Meeting at Toronto, June 1st, 1937.



which are the bases of exports, including farm products, lumber, minerals, and sea products. Credit is due also to the management of Canadian exporters and to the skill and industry of their employees in making from these materials articles cheap enough and of sufficient quality to permit their sale in large quantities to over one hundred other countries. Export trade has been helped by the gradual improvement in exchange conditions throughout the world and also by the tripartite currency agreement, negotiated last fall by the United Kingdom, the United States and France, which is helping to stabilize credit and exchange. . . .

### **Employment and Relief**

The proposals for dealing with the economic situation which are being made by the National Employment Commission under the chairmanship of one of our own members, Mr. A. B. Purvis, are naturally followed with the greatest and most sympathetic interest by all industrialists. In particular, the policy adopted of refusing to countenance the expenditure of vast sums in order to "make work" and seeking to stimulate private enterprise by such a co-operative effort as the Home Improvement Plan, is generally endorsed. . . .

In the first place, the industrial system of Canada, from very small beginnings in a few localities, has grown steadily until about two and a half million people, or nearly one-quarter of the entire population, depend directly on the salaries and wages paid in Canadian factories, while the value of industrial production amounted to \$2,533,758,954 in 1934 and, in the peak year 1929, exceeded four billion dollars. It is respectfully submitted that this is a very creditable record for Canadian industry, and for Canadian employers and employees, and, before condemning Canadian methods, those who attack our industrial system should produce comparable figures from other industrial countries. The second fact is that, according to statistics of the League of Nations, Canada is placed among the first half-dozen high wage countries, and, as conditions in other parts of a highly competitive world should be taken into consideration, this point is relevant. The third fact is that all this has been accomplished with a relatively small amount of industrial strife.

### **Employers and Employees**

We are glad to give credit where it is due, but the fact remains that, after every possible acknowledgment is made, the great bulk of industrial progress, which has raised wages, shortened hours, improved living conditions, and, at the same time, amazingly multiplied and improved thousands of its products has been accomplished by the co-operative efforts of those engaged in industry, the employers and employees who have studied and worked together, with the advice and assistance of university professors, scientists, inventors, engineers, laboratory workers, technicians and skilled craftsmen. What has been done in the past can be continued in the future, by the co-operative thought and efforts of those engaged in industrial occupations. . . .

Under the circumstances, we welcome the announcement of the Prime Minister of Canada that his Government will appoint a commission to study certain aspects of the relation between the Dominion and the provinces, including the allocation of sources of revenue and the financial capacity of the provinces to discharge their responsibilities and hope that a way will be found to eliminate some forms of taxation and to mitigate the burdens of taxpayers.

**Relations With Other Groups**

The relation of manufacturing to other occupations is very intimate, as the most casual examination of the facts will disclose. Agriculture and manufacturing are, of course, interdependent. As almost half the population of Canada is on the land, it is obvious that they buy more manufactured goods than those in other occupations. On the other hand, as between 80 and 85 per cent. of all farm products is used in Canada, it is equally true that the industrial population consumes the bulk of farm products and that factories buy great quantities for use in manufacturing processes.

The development of Canadian mining provides a most valuable market for Canadian agricultural and manufactured products and it is gratifying to learn that Canadian mines are almost entirely supplied by Canadian factories. On the other hand, Canadian manufacturers buy from the mines large supplies of base metals, building materials, fuels and other products. In lumbering and fishing the relations to manufacturing are similar to those existing between mining and manufacturing. In transportation, the inter-dependence is very obvious. . . . .

**Trade Agreements**

Our export trade in the past has been assisted by trade agreements; and we hope it will be assisted in the future by other agreements both with British and foreign countries. In making agreements we have to buy as well as sell. The mutual satisfaction of both parties to an agreement is necessary. Nevertheless, the greatest care should be taken in every case that Canada's interests are properly safeguarded. A trade agreement which permits the displacement of any large quantity of products, made or grown in Canada, by the products of other countries will eventually hurt the great majority of Canadians. . . . .

Contrary to the impression which seems to be held in some quarters, the Customs tariff of Canada is rated throughout the world as a low tariff and is not to be compared either in height or effectiveness for keeping out imports with the tariffs of France, Germany, the United States and other industrial countries. Nor has Canada buttressed the Customs tariff by a system of import quotas, import licenses, exchange restrictions and other measures, as have most countries, other than the British Empire and the United States. This fact that Canada is known internationally as a low tariff country should be kept in mind. . . . .

**The 1938 Address\*  
of the President,  
Mr. F. C. Brown**

Since we met a year ago, there has been a general decline in the physical volume of business, industrial production and manufacturing throughout Canada. The extent of this recession and its relation to the low point of the world depression and to the high point of

recovery, are illustrated by the following table, compiled from the business indexes published by the Dominion Bureau of Statistics:

	Low Point in 1933	High Point in 1937	March, 1938
	The year 1926 = 100		
Physical volume of business .....	67.	127.9	108.8
Industrial production .....	60.9	133.5	110.2
Manufacturing .....	58.7	133.6	101.8
. . . . .			

\*NOTE.—At the Annual General Meeting at Ottawa, June 1st, 1938.

It is a curious fact that the United States, rich, self-contained, possessing great resources and under no threat of invasion, has suffered a greater economic disaster than has any other important industrial country which is not actually at war. It is estimated that the decline in production in the United States in three months last year exceeded that of the first year of the great depression. The fall was sudden and widespread and reached unexpected depths. . . . .

### **Need For Self-reliance**

The fear of what might happen in Canada, following what has happened in the United States, has been the most depressing factor in our situation. It is respectfully submitted that we Canadians should show more independence in our thinking and more ability to appraise our own conditions and to act boldly and confidently in regard to our own affairs. Because Washington and New York become gloomy in their thoughts and utterances and pessimistic in their actions, why should we imitate them so closely on all occasions? Must we always follow them up and down like faithful but unthinking sheep? While we have been and will be influenced by the thoughts and actions of the people of the United States, and by those of other peoples as well, nevertheless, to a considerable extent, we are masters of our own destinies. As a matter of fact, there are many factors that are reassuring and also some that are distinctly encouraging. . . . .

It is gratifying to us, as manufacturers, to remember that about two-thirds of Canada's total exports consist of fully manufactured or partly manufactured products. Canada now stands fourth among the nations of the world in the value of annual exports. Only the United States, the United Kingdom and Germany export more than Canada. That the members of this Association are doing their part is indicated by the fact that over one-third are actively engaged in export trade with over a hundred countries. . . . .

### **Mining**

Mining continues to be one of the brightest spots in Canada's national economy. The value of mineral production in 1935 was \$312,344,457; in 1936 it was \$361,919,372; and in 1937 it was \$457,793,260. Mining and manufacturing furnish a good example of complementary production. Practically everything the mines use, including the largest machines, are made in Canadian factories. That part of the population engaged in mining operations forms a valuable and steady market for Canadian products. On the other hand, industry uses a large part of mineral products, such as copper, lead, nickel, zinc and other metallics, non-metallics, such as asbestos, feldspar, gypsum, silica, talc and salt, fuels such as coal, natural gas, crude petroleum and peat, clay products, including lime, sand, gravel and stone. The steadily increasing production of Canadian mines has had a stabilizing and beneficial effect on material conditions throughout the whole country. . . . .

### **Employment Conditions**

It may be observed that government intervention in the relations between employees and employers is seldom effective. Fixing wages and conditions of employment generally implies fixing costs, and, if the matter is to be carried to a logical conclusion, fixing also the prices of the finished products to consumers. Governments cannot possess or acquire the neces-



sary knowledge or experience to fix all three, nor could they devise or operate the required machinery to accomplish such objects, and rigidly fixing one factor, while ignoring the others, cannot produce fair or satisfactory results when goods must be sold in competition with those made in other countries.

### Trade Agreements

In recent years, trade agreements have been made usually by bargaining with customs tariff rates. In such negotiations Canada has been under a handicap because she is a low tariff country while most of the countries with which she has been bargaining have much higher tariffs, and in addition, other protective devices such as quotas, currency control, and special import regulations. . . . .

We value the friendly relations existing between Canada and the United States and realize that there has been and should be a great volume of trade between the two countries. We are glad that this is so, and we hope that economic trade between the two countries will continue. It is well to remember, however, that Canada and the United States grow and make the same things to a large extent, and, consequently, that they are and will be friendly competitors in both domestic and external trade. Considering the fact that the United States has a population of one hundred and thirty millions and that Canada's population is only eleven millions, our per capita purchases from the United States will always be many times greater than the per capita purchases of the United States from Canada and this should be taken into account in considering trade agreements. There is definite and conclusive evidence that the existing trade agreements are more favourable to the United States than to Canada.

. . . . .

### Social Measures

During recent years, expenditures for social measures, such as workmen's compensation, old age pensions and relief, have been growing rapidly and there is in prospect the very costly item of unemployment insurance. While part of the cost may be included in the prices of products, much must be absorbed by industry as there is a definite limit to the amounts which consumers will pay for goods. An examination of manufacturers' statements shows that taxes now form a large part of costs, while, in many cases, governments take more in taxes than the shareholders receive in dividends. . . . .

There is a more serious aspect to the relationship between governments and industry. At present one-quarter of the entire population of Canada depend for their living on the salaries and wages paid by Canadian factories. In addition, there are large numbers of Canadians who are indirectly assisted, in part, by the activities of manufacturing—a fact that becomes apparent when the ramifications of manufacturing are taken into account. . . . .

. . . . . For instance, of all materials used by the manufacturing industries of Canada, 36 per cent. are of Canadian farm origin and to this must be added the consumption of farm products by the industrial population and their dependents. The growth of industry develops the capacity and value of the home market and, consequently, increases the volume of employment and business. Similar co-operation with industry is evident in the cases of lumbering, fishing, mining, transportation, finance and trade. . . . .

It has taken nearly a hundred years to establish and develop Canada's industrial system to its present proportions. The system is modern and efficient. The staffs, skilled workers and other employees, machinery, processes and organization will endure comparison with the best in the world. We respectfully submit that the industrial system of Canada should be regarded as a great national asset, which will continue to provide employment, furnish revenue and augment the national wealth.

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### CANADIAN MANUFACTURERS' ASSOCIATION 1937-38

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# THE CANADIAN BANK OF COMMERCE

## ANNUAL ADDRESSES

### SHAREHOLDERS' MEETING OF 1938

**Address of the  
General Manager,  
Mr. A. E. Arscott**

This is my first occasion to address you since my appointment as General Manager and I now have the honour to present the Seventy-first Annual Balance Sheet. I shall first deal with the more important changes in the Statement. Our total assets amount to \$650,899,000 as compared with \$637,737,000 a year ago, an increase of \$13,162,000. Our total Quick Assets aggregate \$407,009,000, equivalent to 67.88 per cent. of the Bank's total liabilities to the public and thus present a strong liquid position. Included in the Quick Assets are cash, deposits with the Bank of Canada and other cash items including cheques on and deposits with other banks, totalling \$110,525,000, or 18.4 per cent. of all liabilities to the public.

Dominion and Provincial securities maturing within two years are the next largest item in the Quick Assets. They total \$89,130,000, an increase over the previous year of \$37,033,000, reflecting our policy of carrying a large portion of the investment portfolio in short-term securities. This is necessary because of the position of responsibility we occupy in relation to depositors' funds. That relationship requires us, when we invest our surplus funds in securities, to do so with a minimum of risk from market fluctuations. Furthermore, we must always carry a very large percentage of our investments in securities of a character quickly convertible into cash to enable us to meet our depositors' demands at all times.

The remainder of the portfolio includes other Dominion and Provincial Securities, \$113,534,000, a large percentage of which matures within five years, in addition to which we have Canadian municipal securities, \$9,053,000, public securities other than Canadian, chiefly United States Treasury bills, \$26,483,000, and other bonds, debentures and stocks, \$24,655,000. All securities are included in the statement at figures not exceeding market value.

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Current loans and discounts in Canada at \$149,476,000 show an increase of \$3,704,000.

### **General Business**

We have come through an unusual year, marked in its early part by a high rate of economic activity over most of the world, and later by a slowing down in several countries and a sharp reversal of the recovery movement in the United States. For Canada, 1937, like the intervening years from 1933, was mainly one of progressive adjustment. In several branches of our national economy a record level of productivity and employment was attained. Notwithstanding the influence of the sharp recession in the United States upon certain of our industries as well as upon our stock and commodity prices, Canada's business volume as a whole was 10 per cent. greater than in 1936.



## Banking Trends

Conditions affecting Canadian banking have undergone a marked change in recent years. In the early days when great economic activity prevailed through the development of the older Provinces and later when the West was being opened up, the problem of the banks was to gather sufficient deposits to enable them to take care of the ever-increasing demand for loans. The World War added enormously to this demand which, after a brief post-war interval, continued active during the succeeding decade. Following the crash of 1929, however, a period of sharp contraction occurred, owing to drastic liquidation of commodities and securities, with the result that the banks have found themselves with more funds than they have been able to employ profitably, the precise reverse of former conditions.

The recovery in business, commencing in 1933, gained impetus until the peak was reached about the middle of the past year. During this period industry operated on rising price levels and consequently production and services yielded larger earnings. The banks, however, have been less fortunate and have not benefited to the same extent as trade and industry because their inventories are composed of cash and credit and, as you know, instead of the rise in interest rates which followed previous depressions, these have remained low or fallen further, partly by reason of a broader credit structure, but chiefly as the effect of governmental policy. This policy has been prompted on the one hand by a desire to refund maturing issues and to obtain new money at as low a cost as possible, and, on the other hand, by a wish to encourage business to expand by making it cheaper to borrow. To my mind this policy is sound up to a point, but beyond that fails to achieve its purpose because private capital will not take the natural risk involved in constructive enterprise without a fair rate of interest return. Failing that, it will remain on deposit with the banks or seek temporary employment in short-term high-grade securities.

## General

We have come a long way on the road of recovery since the dark days of the great depression, but we now find ourselves in another period of readjustment. This is not peculiar to Canada, but is being felt even more acutely in other countries, notwithstanding intensive remedial efforts on the part of their governments and the adoption of highly empirical regulations and restrictions designed to safeguard against major fluctuations in business and production. It has transpired, however, that these measures, while they have had a temporary stabilizing effect in some quarters, have retarded healthy progress in others, and it has, in my view, been now clearly demonstrated that the old well-known fundamental principles still govern the economic life of nations. These, however, are not being allowed to function in their natural way but are continually thwarted in their operation by the artificial, so-called emergency, measures I have mentioned. Nevertheless, there is, I believe, a growing realization that these fundamental principles are sound and also that business fluctuations are bound from time to time to occur. We have seen major upswings in the past and have observed that these movements have always been followed by reactions. It is inherent in mankind to be either over-optimistic or over-pessimistic. When a recovery period is in progress a spirit of buoyancy prevails, demand is over-estimated, orders are booked far ahead in an effort to stock up against anticipated increases in prices and, in consequence, goods are over-produced. Conversely, when the upward movement reaches the

point where the momentum falters or begins to decline, distrust develops and confidence is shaken. This is where we stand today—we are now slowly digesting an over-expanded condition. In endeavouring to appraise the outlook we are handicapped in our search for helpful precedents because of the many factors which now affect our economic life but did not formerly exist. I need only refer to the restrictions which have been imposed on world trade, the control of foreign exchanges, the vast armament programmes and the ever-present possibility of further international complications. It is my firm belief, however, that Canada with her vast natural resources, her wide range and variety of products which the world so greatly needs, and the industry, capability and enterprise of her people, is in a more favoured position than almost any other country to withstand any temporary recession in general trade and to participate fully in the advance which will inevitably occur when the necessary adjustments have been made and confidence is again restored.

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**Address of  
the President,  
Mr. S. H. Logan**

It is quite apparent that the economic progress in Canada during 1937 was due largely to a series of favourable developments affecting the country's export trade. This trade, though recently on a declining scale from the record volume of the preceding year, had a value above one billion dollars and, like that of 1936, was, on a comparable price basis, actually greater than in 1929. Had there been available for the autumn trade even a fair exportable supply of grains, instead of the smallest surplus ever on hand in relation to our productive facilities, the total volume of exports would have reached an all-time peak.

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The export trade of the past year provided the people of Canada with a new fund of purchasing power amounting to hundreds of millions of dollars.

**Exceptional Trade Position**

We continued last year, therefore, to derive a twofold advantage from our foreign trade: first, the employment of labour and other services necessary for the production, processing, transportation and distribution of our exportable commodities; and second, a wide range of domestic activities consequent upon the return flow of trade in the form of essential imports.

Canada usually occupies fifth place in world export trade. As, however, her population is the smallest of the five leaders—in fact, the smallest of the first eight ranking countries—her productive capacity for export, after providing for a high national standard of living, is the greatest per capita. It is indeed remarkable that this industrially young country, with a population of less than twelve millions, should be able to produce exports about one-third as large as those of the United States, a more highly developed nation, with a population of nearly one hundred and thirty millions and still in possession of vast natural resources.

**Great Enterprise of Canadian Exporters**

The great extent and variety of Canada's natural wealth partly explain her high standing in international trade. So, also, do the commercial

trade treaties effected by our forward-looking governments of the past five years. And, of course, in recent years there has been the stimulus of general economic recovery, spreading and accelerating from 1932 until early in 1937, by which time world industrial production had risen to an unprecedented level. To make the most of their opportunities, however, Canadian exporters had to show, and did show, a marked degree of enterprise and of adaptability to materially altered world conditions. Even when, in the early stages of the depression, international trade restrictions were most severe and longstanding connections of great value to this country were endangered, new markets were being developed, with such success as to broaden eventually the whole scope of our export trade.

It was in the diversification of exportable products, however, that the variety of our natural resources and the enterprise of our exporters showed to the greatest advantage. Changes in tastes, which alter currents of trade, are of common occurrence, but probably never did international commerce show such divergent trends as in the recent years of intense economic nationalism. In the countries most devoted to this policy of self-sufficiency drastic import restrictions were placed on foreign food-stuffs, with the result that world trade in these has been kept practically at the low depression level of 1932. But by 1937 there were such large gains in other raw materials and manufactures as to raise the volume of world trade as a whole (world exports and imports combined) by about 25 per cent. over that of 1932. This expansion may be ascribed to various causes, among them, the world rearmament programme, but one should be particularly emphasized, namely, the fact that the limited resources of raw materials, notably wood and base metals, in the countries mentioned, have made self-sufficiency more difficult than in the case of food-stuffs. The Old World, including the Orient, has had therefore to satisfy its growing demands for these materials by drawing upon the supplies of richly endowed countries such as Canada.

### Canada Conforms to Trade Changes

Now let us consider Canadian export trade in this period of abnormal change in the character of world commerce, taking three classes which make up 90 per cent. of our exports. The volume of agricultural exports in 1937 was slightly less than in 1932. But notwithstanding a continued narrow American market for our lumber, exports of all wood materials rose by about 70 per cent. over 1932 to account for about one-fifth of all exports. The most striking development was, however, in mineral exports, which gained by 170 per cent. and thus were more than one-quarter of our total trade, as compared with 15 per cent. six years ago.

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### Benefits of Existing Systems

In outlining the progress of Canadian export trade under exceptional difficulties, I have emphasized the achievements of constructive business enterprise in this naturally favoured land. The question might well be asked: Who in Canada are most likely to be effective in creating new wealth, employment and purchasing power for our people—men who have by their enterprise so greatly expanded our trade and industry and opened new markets for Canadian products, or those who seek to assume control of, or even to overthrow, the nation-wide systems of business and finance through whose efficient operation such nationally beneficial results have been achieved?



These systems are not of over-night growth. They are the product of centuries of evolution and adaptation to economic needs. They stand unrivalled in their capability to be of real practical service to the Canadian public.

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### Effects of Weak Markets

In the past few months we have witnessed steep declines in commodity prices, such as usually presage a business recession. A drastic fall in the exchange values of securities is likewise a warning, for stock exchange movements are generally accepted as barometers of the future state of business. Falling commodity prices are signals to the business man to avoid excessive inventories. Falling security prices affect the volume of retail sales, at least in luxury goods. They also cause many to defer purchases which they would otherwise make. Memories of the last depression are fresh in the public mind. Part of the current pessimism is a reflection from 1932 and due also to the troubled state of Europe and the dangerous situation in the Orient. The hope may be ventured, however, that after a period of adjustment and stabilization the upward march of business will be again resumed. It must not be supposed that all speculation in stocks is economically harmful. An outstanding illustration of this statement is the remarkable growth of our mining industry, highly speculative in nature, which now has a production value of over \$400,000,000 per annum. While no one can for a moment condone speculative investment to an extent that overstrains individual resources, the public must be willing from time to time to risk money in new enterprises if our natural wealth is to continue to be progressively developed. Canada is a country which despite its ups and downs has exceptional recuperative power and unlimited possibilities. It is one of the best in which to live and work.

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# IMPERIAL BANK OF CANADA

The Sixty-Fourth Annual Report Reviewed at

The Annual General Meeting, November 23rd, 1938

**Address of the  
President,  
Mr. A. E. Phipps**

At the last Annual Meeting I stated that we might look with some degree of confidence for increased or more profitable business for the Bank. Those conclusions were based on conditions of trade and business at that time—November, 1937—which you will remember were then showing considerable signs of improvement. This movement I am sorry to say continued only for a short period and by the turn of the year conditions again had become unsatisfactory. During the Spring and early Summer business was encouraged by the prospects of a large crop in Western Canada which unfortunately was severely curtailed through rust, drought, and pests during the latter part of July and August. In view of these conditions the statement laid before you by the management and which has just been explained by the General Manager we consider an excellent one and I hope will meet with your full approval. The Bank is in a strong liquid position, showing constant growth in all departments, with undiminished earnings, has strong aggressive management and is in a position to handle a full share of Canadian banking business. The statement is due to the hard work and devotion to duty of the staff who from the General Manager down give evidence of keenness, initiative, and ability, and I want to take this opportunity of thanking them for their efforts and the result. I would particularly like to thank those who have contributed interesting and constructive letters which have helped me considerably in the preparation of the remarks which follow.

## **World Conditions**

Canada is the fourth exporting nation of the world. As such we are interested in international markets and conditions abroad are of vital importance. The volume of world trade has fallen away sharply during 1938 with the result that marked increases have taken place in world stocks of primary commodities, the increases applying to both foodstuffs and raw materials, but mainly to the latter. Owing to the widespread decline of wholesale prices, coupled with the shrinkage in the volume of commerce, the income of exporting countries has again been hard hit and the buying power of these countries has been reduced. World industrial production, excluding the United States, has shown some decline, but not of a pronounced degree.

## **United Kingdom Conditions**

Decline in business activity has been in evidence in the United Kingdom where it is constantly being reiterated that hope for real recovery rests upon a sustained upturn in the United States. Pronounced recession seems to have been arrested in May. Since then any deterioration that has occurred has been slight. Commodity prices are well below the level of last year, and in the latest downward movement the fall in the prices of foodstuffs has been exceptionally heavy.

British external trade, both exports and imports, is running well below the level of a year ago. Much of the contraction of imports, however, is due to lower prices rather than to shrinkage of volume. The more serious feature is that exports have declined more than imports and the unfavourable merchandise balance, sufficiently high last year to cause concern, has been increased.

While British business is showing steady resistance to further decline, and there have, in fact, been intermittent signs of improvement, definite recovery is not yet apparent.

### **United States Conditions**

The business recession in 1938 in the United States turned out to be much more severe than was anticipated at the beginning of the year. By May of this year business activity had fallen to the lowest level since the autumn of 1934. Recovery has now been under way for several months but the gains that have been made thus far still leave the volume of business considerably below the level of last autumn.

United States foreign trade figures for the first seven months of 1938 show a drastic change from those of 1937. Imports have fallen by roughly 42 per cent. Exports, however, have been well maintained, with the result that for the seven-months' period an adverse balance of \$117,000,000 in 1937 has been converted this year into a favourable balance of over \$700,000,000. Having regard to the creditor status of the United States, this development is wholly out of line with what is required for a healthy condition of international trade. Its effects tend to back up in many directions to the detriment of exporting countries. An encouraging element in the outlook is that any recent evidence of increasing business activity in the United States is furnished by a wide range of industry. The United States business recovery is of paramount importance to a general improvement in world trade.

### **Public Financing in Canada**

At the time of our last Annual Meeting the Dominion Government was producing statements showing substantial surpluses at that time of the year compared with former deficits and it was anticipated that the result of the country's business for the year would be at least a balanced budget. Unfortunately owing to a number of circumstances, principally the railway deficit of \$42 million and relief expenditures amounting to \$68.5 million, the budget was not balanced, the deficit being about \$14 million. That there has been little or no improvement is indicated by the latest figures from Ottawa which show that while there has been an increase in revenue for the first seven months of the fiscal year from \$318.8 million to \$321.4 million the gain is more than accounted for by the increase in income taxes which for the first six months of the year to September 30th totalled \$117 million compared with \$95 million for the same period in 1937. Sales and excise taxes which are a sensitive barometer of month-to-month activity in retail trade showed a decline of 8 per cent. in the same comparison. Total expenditure was up 3.8 per cent. at \$236 million for the six months, increases in national defence and railway accounts more than offsetting the considerable reduction in the nation's interest bill and relief. It cannot be expected that the national budget position will improve this year unless an upswing in business activity carries prices and volume to the levels enjoyed in the closing months of last year.

The volume of bond sales, exclusive of Dominion Treasury Bill operations, from January to October, 1938, was \$425 million compared with \$496



million January to October, 1937. Of these sales in the 1938 period, \$340 million were accounted for by Dominion, Provincial, and Railway financing as against \$347 million in the 1937 period. Municipal, public utilities, and industrials were \$85 million in 1938 as against \$152 million in 1937. In 1938 the new capital was \$165 million of which \$120 million was Dominion, Provincial, and Railway as against new capital of \$71 million in 1937, of which \$37 million was Provincial and Railway financing, there having been no Dominion issues during that period. In 1938, with the exception of one loan of £10 million floated in London, the financing was done entirely in Canada.

The Municipal financial picture has continued to improve. Seventeen Municipalities, large and small, some of them quite important, had their affairs adjusted during 1938, making 41 in all adjusted since 1936. The list of defaults, particularly in Ontario, Quebec, and the Western Provinces, is still a very long one but it is noticeable that a great many rural municipalities, school districts, and so on in the list are of minor importance. I have not made any tabulation but I would say that municipal taxes have been paid better in 1938 than for several years past.

### Industrial Conditions in Canada

Crop production mainly due to better moisture conditions showed a marked improvement over 1937. Our Winnipeg Manager's latest advices are that the wheat production of the West is estimated at 334 million bushels of which 223 million have been delivered by farmers at 7th November and it is estimated that there are only 69 million bushels of wheat left to be marketed after providing for seed and feed. The wheat crop in Canada this year is the largest since 1932 and is almost twice that of last year. Prices, however, have been very unsatisfactory. Western wheat this year 80c. (Government fixed) against \$1.35 average price last year. The price of Ontario wheat is 58/60c. compared with \$1.00 a year ago. World prices of wheat are the lowest for years and the action of the Dominion Government in fixing the Western price I consider fully justified.

Cattle and hog marketings are below a year ago, the price level for hogs advancing due to short supplies and higher prices in the market of the United Kingdom. The prices for cattle are lower by about 20/25 per cent. with lambs about the same or a little lower for 1938 compared with 1937. Butter production in the first nine months was 217.7 million pounds, rating higher than any similar period, while cheese declined 10.8 per cent., the quantity amounting to 96.7 million pounds. The fruit crop in Ontario, with the exception of grapes which were about 30 per cent. below last year, was very satisfactory and through our Manager at Victoria, B.C., we learn that the fruit crop in that Province is satisfactory also, the production of apples alone being given at 5 million boxes. The catch of furs showed some decline as did fishing apart from British Columbia where it was better.

The forestry group of industries was adversely affected by the curtailment of demand in our principal external markets. Newsprint had been heavily stocked by publishers in the United States and the reduction in Canada's output during the present year was partly due to these special conditions. Newsprint production was 1,914,000 tons in the first nine months of 1938 against 2,728,000 tons in the same period of 1937. The War in the Far East and threats of War in Europe militated against the export trade in lumber.

The volume of new construction work this year has been disappointing, the drop in new business placed in the first nine months being 19.6 per cent., the falling off coming largely in September and October. The back-

log of construction is residential building which has been largely assisted by the National Housing Act and the Home Improvement Act. Up to October, 1938, the total volume of loans approved under the National Housing Act and the Dominion Housing Act was \$24.7 million and in number 6,272, while the Home Improvement Loans aggregated \$22.3 million and number no less than 55,820 items. These Acts have been of substantial benefit to the country and will continue to be so.

The output of power reached its high point in 1937 and the decline in nine months' comparison is limited to about 6 per cent. During the last decade the capacity of Hydro Electric installations in Canada has more than doubled.

Manufacturing operations have recently shown recovery after remaining at a moderate level during the greater part of the year. The official index of manufacturing production indicating the trend in the principal industries recorded a decline of 14 per cent. during the first nine months of 1938 from the same period of the preceding year. Working forces in manufacturing plants recorded a considerable gain at the beginning of September and the standing was nearly maintained on October 1st.

### **Mining**

Canadian mining has made more headway in the recovery movement than any other phase of primary development. Production in the first half of 1938 was estimated at \$209.7 million compared with \$215.4 million in the same portion of 1937, a decline of only 2.7 per cent. Gold mining has shown further expansion and prices for base metals have advanced. The mining industry made a leading contribution toward maintaining Canada's export trade. Not only was the value greater than for any other main group but Canada ranked as the world's leading exporter of base metals, excluding iron.

### **Stock Markets**

The latest report is to the effect that for the week ending October 20th, 1938, compared with a year ago the average index figures according to the index used by the Bureau of Statistics show 95 common stocks, index figure 110.8 compared with 102.2, being divided into 68 industrials, index figure 184.9 against 164.2; 19 utilities, index figure 47.1 against 49.9; 8 Banks, index figure 86.2 compared with 80.5. This indicates a substantial strengthening in this character of investment values but it is only fair to say that in 1937 prices were extremely low and that the volume of transactions has been below normal.

### **Employment**

Industrial employment at the beginning of October showed a further substantial improvement, the increase over September being 14 per cent. but there is a decline of 7.2 per cent. compared with October, 1937. Recent estimates place the number of workers in Canada at 2,750,000; of these 2,375,000 are reported to have been employed. The total number of unemployed is given as 362,000 compared with 245,000 the year before. The unemployed wage earners in 1932 reached a peak of 650,000, so that the situation in this respect appears to be getting steadily better. The total number receiving relief is reported to be nearly 800,000 which include 300,000 Western farm population located largely in Saskatchewan.

### **Tourist**

During the first eight months of 1938 foreign automobiles entering Canada for touring purposes on 60 day permits declined 9.5 per cent. as compared with the similar period of 1937 while cars on 48 hour permits

declined 3.3 per cent. There was a decrease of approximately 9 per cent. in tourist and other entries as reported by Immigration Officers. Information indicates a considerable curtailment in tourist spending and that the volume of Canada's tourist trade in 1938 will show a considerable decline from the 1937 high level of \$295 million. The only districts from which our Managers report increased tourist business are Victoria and Vancouver in British Columbia.

### Banking

During the year ended September 30th the total assets of the Canadian Banks increased \$60 million from \$3,339 million to \$3,399 million. The short date Dominion and Provincial securities held by the Banks increased \$40 million during the same period while the longer term securities of the same character decreased \$69 million. Call Loans in Canada decreased \$39 million, from \$99 million to \$66 million, and current loans increased \$58 million, from \$770 million to \$828 million. These figures indicate a slightly greater demand for money by business with a corresponding liquidation of the longer dated bond holdings. It may be remarked, however, that recent figures laid before me estimate that of the public debt of the Dominion totalling \$7,039 million nearly 18 per cent. is held by the Banks on their own account. This is an increase of 1 per cent. over last year. Deposits of the Chartered Banks have also increased, the current accounts being up \$12 million, from \$713 million to \$725 million. Notice or Savings deposits gained \$58 million, from \$1,574 million to \$1,632 million. These figures show a healthy condition in Canadian banking but earnings have been very difficult, the yield on prime securities of short and moderate term at this date being from less than 1 per cent. to a maximum of 2 per cent. Longer terms in the same class yield 3 per cent. or slightly better.

### Concluding Remarks

Since the above was written the new trade agreements between the United Kingdom, United States, and Canada have been signed at Washington. There has not been time to make a complete study of the various features, but it seems evident that the reduction of duties and increased quotas on Canadian lumber, livestock, fish, potatoes, and so on entering the United States will be of marked advantage to Canada. The question that will have to be shown is whether the price that has been paid is too great, but speaking generally any agreements that will permit enlarged and more active trade between the United Kingdom, United States, and Canada is a big step in the right direction.

Although the review of the past year is not as bright as we would like it, I cannot but help feeling encouraged looking to the future. We have suffered no major setbacks, the general position of the country as I see it is better than it was a year ago and as times improve our business men and Banks are in a splendid position to take advantage. We are looking forward to the visit of our King and Queen in the early summer which cannot but stimulate the hearts of all good Canadians. We know that our country is held in the highest regard in Great Britain. Quoting from a recent article in the London, England, Evening Standard, "It is doubtful whether there is any economy in the world which is so well balanced as that of Canada. That country has vast mineral resources, vast agricultural areas and timber resources. The long winter is, of course, a factor in unbalancing the economy, but taken all in all it is doubtful whether there is at present a better place for money. In addition there is the fine Scotch Canadian banking system and a security from war which no other country has."



# THE BANK OF TORONTO

## EIGHTY-THIRD ANNUAL GENERAL MEETING\*

### REVIEW OF THE YEAR 1938

#### Address of The President Mr. J. R. Lamb

We meet this year under the shadow of the deep loss which the Bank has sustained through the unfortunate and regrettable passing of our former General Manager and Vice-President, Mr. Harvey B. Henwood, whose death occurred in September last. Mr. Henwood had spent close to 50 years in the Bank's service, occupying the position of General Manager for the last 10 years, an exceptionally difficult period, during which he conducted the affairs of the Bank with marked success. He was a man of an unusually genial and kindly disposition, and you will, I am sure, appreciate how keenly those of us who were associated with him over a period of many years feel his loss.

We regret, also, to have to report the loss, during the past few days, of Colonel W. I. Gear of Montreal. Colonel Gear joined our Board in 1913, 25 years ago, and has always taken a keen interest in the affairs of the Bank. His good judgment and wise counsel will be very much missed.

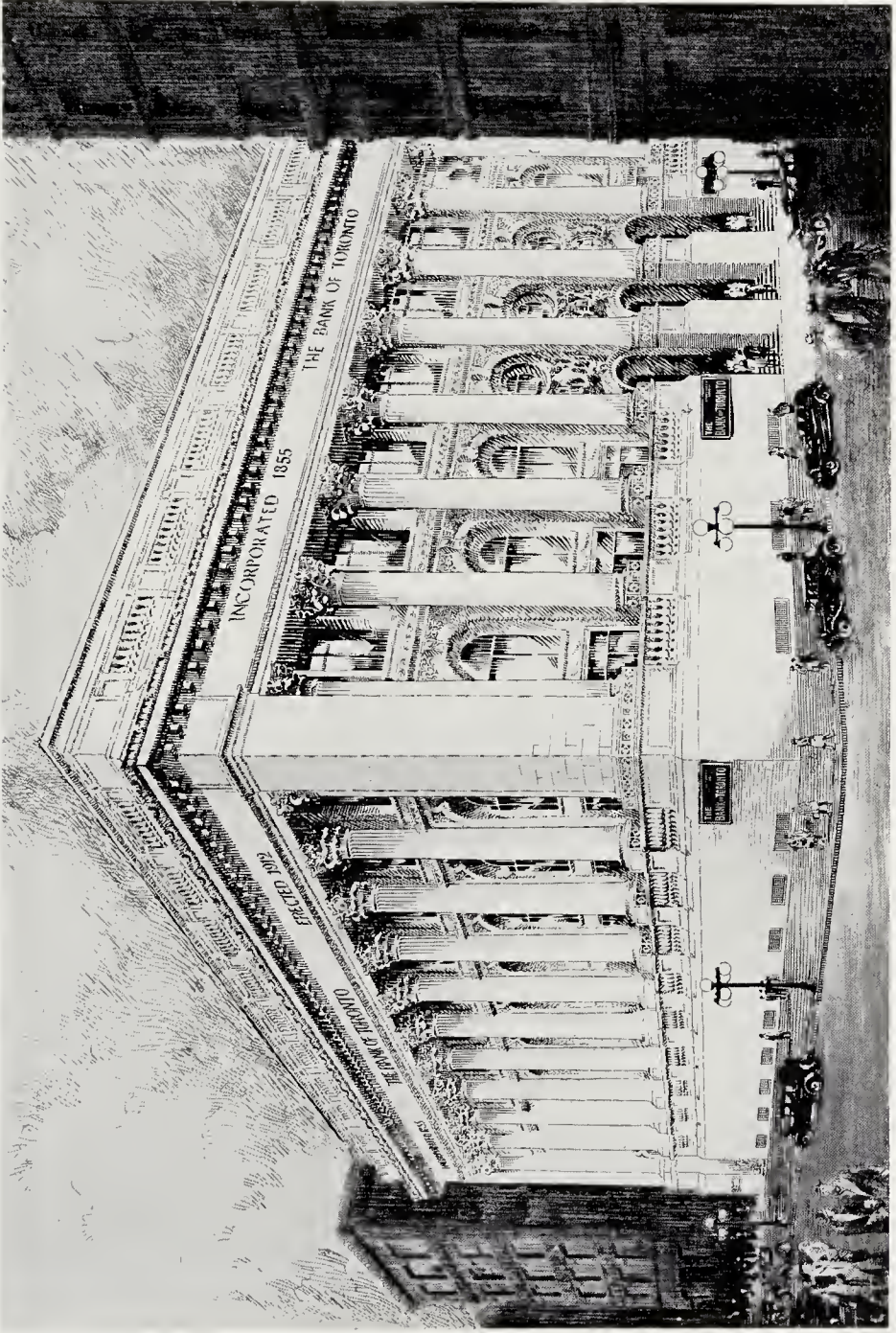
A year ago, when we were looking ahead to 1938, we had some fear concerning the outlook. That view was justified, because 1938 on the whole was not as good a year as its predecessor. The recession which was in evidence last January continued until about midsummer. The second half of the year brought a fair recovery. Most of the indexes are now up to or ahead of their levels of a year ago, and of course an upward trend, such as we have had in recent months, arouses some optimism regarding the near future.

The most important development of the year, and the one which could not in any way be foreseen, was the European crisis. True enough, there was evidence of new political alliances, and wars persisted in Spain and China, but it was a shock to all British peoples when they found themselves last September on the brink of a possible major war. We do not as yet know whether we should feel relieved, or more concerned than ever before. No one is fully satisfied or at ease, but most people throughout the Empire feel that we at least had competent leadership during the negotiations, and that a respite was secured where a panacea was not to be expected. Accordingly, we have to continue in a state of uncertainty, which as yet shows no sign of improvement.

In this age of nationalism and government control, the world situation has direct influence on business. The European crisis came into the picture just when business recovery had started. It caused some liquidation of securities and an international movement of gold. Fortunately, the business and financial world, having recently come through a major depression, was in a highly liquid state, and the amount of distress selling under these circumstances could not be large. After the Munich settlement, the revival in the stock markets and in business was resumed.

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\*NOTE.—Eighty-third Annual General Meeting held on Jan. 18, 1939.



THE BANK OF TORONTO, TORONTO





While the current trend is favourable, one could wish for a greater degree of assurance concerning the long-term outlook. So long as dictators seek to trample on personal freedom, and so long as taxation and ultra radical measures continue to consume the strength of our democratic nations, the future must remain cloudy.

Canadian production was fairly active throughout the year, but a drop in commodity prices impaired the value of our output. As primary materials, such as we sell, are usually the most susceptible to market changes, the result was a temporary handicap to Canadian economy. A recent analysis of prices of goods which we export, as compared with those which we import, showed a decline of 23 per cent. in the former, and a decline of only six per cent. in the latter, from the levels of a year ago. It is also significant that prices of our export goods average only 61 per cent. of their 1926 level, while prices of our imported commodities average about 83 per cent. of their 1926 level. That puts us at a disadvantage in trade. Economy and efficiency are needed to enable us to hold our own at a time like this.

Under the more favourable circumstances of 1935, 1936 and 1937, we had substantial surpluses of exports over imports. We were able to continue this showing in a modified degree in 1938. For the twelve months ended November, our exports were \$964 million, while our imports were \$686 million, leaving a surplus of \$278 million compared with \$337 million in the preceding period. Although these are technically known as favourable balances, and though they do demonstrate the ability to sell more to the outside world than we buy from it, we must admit that the reduction in our favourable balance demands economy in our Canadian standards. It prevents us from living as lavishly as we did when we borrowed from the outside world for investment here, and imported more commodities than we sold. In these later years we have been struggling to meet the interest payments due on what is already invested here, and we have succeeded to the extent that there has been some repayment of principal as well. This makes us more independent financially, but at the same time it has marked the close of a period of rapid growth. Such progress as we may be able to finance chiefly through our own savings will of necessity be relatively slow.

The 1938 wheat yield, estimated at over 350 million bushels, of which about 250 million bushels are available for export during the current crop year, was the best in several years, and may be enough to market under existing conditions. There is a considerable world supply at a time when importing nations are buying as little as possible, with the result that prices are low. The Dominion Government has guaranteed to the western farmer minimum prices based on 80 cents per bushel for No. 1 Manitoba Northern at the lakehead, and as this compares with the market price of about 60 cents in recent months, it is probable that a very substantial loss will be incurred by the Government in this bonus to the growers.

The hardships of the western farmer are recognized, but it is felt that this particular plan is not by any means the best that could have been found, inasmuch as it extends the maximum of assistance to those who have the largest crops to sell, but leaves those who have little or no crop to seek relief. Should extreme conditions continue, perhaps a better plan can be evolved.

In mining, gold output set a new high record. Base metal output increased in quantity but decreased in value. The mining industry as a whole has assumed a major place in our productive economy, and it is fortunate that the distribution is wide, extending from Nova Scotia to

Vancouver Island, and towards the Arctic regions of the north. There have also been some important developments by way of increasing our production of iron and steel.

Manufacturing was subject to the difficulties to be expected in such a year. But the greater stress experienced a few years ago had eliminated some of the inefficiencies and also some of the surplus capitalization. The latest decline accordingly did not make serious inroads on our industrial structure.

The inclusion of Canadian plants in the British armament and aircraft programme is significant, not so much as regards immediate profit as for the opportunity provided to our industries to show their efficiency and to find a place in a type of business that may be important for several years to come.

Behind the industrial scene, and contributing in some degree to the current rise in business activity, is a programme of public borrowing evident in various forms in the leading countries, and constituting a measure of inflation. In Great Britain it is mainly spending for armament beyond the tax-paying ability of that nation and therefore financed in part by loans. In the United States the emphasis has been on social services but armament is now being added, and the increase in the public debt of that country in recent years has been enormous. In Canada we have also had large deficits, though tax sources have been utilized to about the limit. From what we learn of continental countries, there is general abandonment of past precepts regarding the public finances, and a resort to the easiest way. In none of these nations is the end in sight. It may mean ultimate devaluation of debt, conscription of productive resources, or inflation of prices. The uncertainties at least are enough to debar that confidence and long distance planning which has been the basis of growth in the past. The net results are not satisfactory to either the worker or the investor, because they do not permit of expansion of employment or capital investment, which in the past provided the one with a rising standard of living and the other with an increase in security and income.

In the endless discussions concerning the debt problem, many people talk of "monetary reform" as a way out. Exactly what this means is not clear, nor is there any unanimity of thought among its advocates. If it means getting back to the old-fashioned virtues, living within our means and paying our debts, bankers will be all for it and the situation may yet be saved. But we strongly suspect that most of the "reformers" have in mind some kind of money manipulation designed to elude the payment of debt. In other words, it is our old acquaintance, repudiation, under a seemingly respectable name. There is, in our judgment, no excuse in this country to avoid the payment of our obligations, and notwithstanding statements made in some prominent quarters I do not believe that our democracy will deliberately choose this method. Repudiation, instead of being a solution, is a step which brings evils exceeding those of the debt problem as it now stands. This of itself should cause Canadians to seek a reasonable and fair remedy.

Our own business, taking the year as a whole, has been remarkably steady. Both deposits and loans are substantially higher, and net earnings show some improvement, enabling us, after all necessary provisions, to carry forward \$363,716.85 to the new year. This sum, of course, includes recoveries from debts previously written off which, fortunately, again exceed the total necessary to provide for the losses of the year. We cannot, of course, expect these gains from recoveries to continue indefinitely. You

will see that we are allowing surplus earnings, when we are fortunate enough to have them, to accumulate at the credit of Profit and Loss account against the possibility, in fact the probability, of losses on our portfolio when the present cycle of sub-normal rates on government securities passes.

There has been, we are glad to observe, some evidence of increased interest in public affairs. The fact that all taxes come eventually from the people is being gradually realized. But this interest will have to be further stimulated, through the aid of business and political leaders and the press, because governments are still squeezing the utmost from various tax sources, and are also dipping heavily into the accumulated savings of the people. These policies depress our living standards, decrease our markets, and undermine our export trade. Unless the public understands the danger in time, we will meet the same fate that has overtaken many older countries, involving not only a decrease in living standards but the loss of much of the freedom which we now enjoy.

The usual reference in detail to the financial statement will be made by Mr. F. H. Marsh, our new General Manager. Mr. Marsh has served the Bank efficiently as Assistant General Manager during the past 10 years, before which he was Western Superintendent for a number of years. His ability and intimate knowledge of the Bank's affairs well fit him to assume his new position.

Mr. James L. Carson and Mr. B. S. Vanstone, both of whom have served the Bank very capably for many years, the former as Manager of Montreal Branch, the latter as Chief Supervisor at Head Office, were recently appointed Assistant General Managers

We have much pleasure in advising you that Mr. Horace T. Hunter, B.A., President of the MacLean Publishing Company Limited, publishers of The Financial Post as well as various trade publications, has consented to join our Board, and his name will be put forward at this meeting.

Mr. Hunter is exceedingly well informed on the financial and business affairs of this country, and we are sure will prove a very useful and agreeable associate.



# THE BANK OF NOVA SCOTIA

HEAD OFFICE - - - HALIFAX, N.S.

GENERAL MANAGER'S OFFICE - - - TORONTO, ONT.

## BOARD OF DIRECTORS

S. J. MOORE, Esq., *Chairman of the Board*, Toronto, Ont.

J. A. McLEOD, Esq., *President*, Toronto, Ont.

H. F. PATTERSON, Esq.  
*Vice-President*  
Toronto, Ont.

HON. WILLIAM D. ROSS  
*Vice-President*  
Toronto, Ont.

W. W. WHITE, Esq., M.D. ....	Saint John, N.B.
ALEXANDER MACLAREN, Esq. ....	Buckingham, Que.
F. P. STARR, Esq. ....	Saint John, N.B.
HON. JAMES C. TORY .....	Halifax, N.S.
W. M. BIRKS, Esq. ....	Montreal, Que.
HON. F. B. McCURDY, P.C. ....	Halifax, N.S.
JAS. Y. MURDOCH, Esq., K.C. ....	Toronto, Ont.
L. A. LOVETT, Esq., K.C. ....	Halifax, N.S.
RUSSELL BLACKBURN, Esq. ....	Ottawa, Ont.
HON. GEORGE GORDON .....	North Bay, Ont.
SIDNEY T. SMITH, Esq. ....	Winnipeg, Man.
LEIGHTON McCARTHY, Esq., K.C. ....	Toronto, Ont.
J. FRED FRASER, Esq. ....	Halifax, N.S.
A. L. ELLSWORTH, Esq. ....	Toronto, Ont.
LT.-COL. J. D. FRASER .....	Ottawa, Ont.
CHRISTOPHER SPENCER, Esq. ....	Vancouver, B.C.

H. F. PATTERSON, Esq., *General Manager*, Toronto, Ont.

H. D. BURNS, Esq., *Assistant General Manager*, Toronto, Ont.

E. CROCKETT, Esq., *Assistant General Manager*, Toronto, Ont.

## 107th ANNUAL REPORT

### General Statement as at December 31st, 1938

#### Liabilities

Capital paid up .....	\$ 12,000,000.00	
Reserve fund .....	24,000,000.00	
Dividends declared and unpaid .....	360,976.05	
Balance of profits, as per profit and loss account .....	1,021,226.79	
		\$ 37,382,202.84
Notes in circulation .....	\$ 8,674,539.70	
Deposits by and balances due to Dominion Government .....	\$ 675,191.34	
Deposits by and balances due to Provincial Governments .....	2,146,511.54	
Deposits by the public not bearing interest .....	69,237,864.81	
Deposits by the public bearing interest, including interest accrued to date of statement ..	181,231,486.43	
		253,291,054.12
		\$261,965,593.82
Deposits by and balances due to other chartered banks in Canada .....	2,194,164.09	
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries .....	2,303,206.86	
Bills payable .....	50,732.49	
		\$266,513,697.26
Acceptances and letters of credit outstanding .....	5,095,261.83	
Liabilities to the public not included under the foregoing heads .....	314,653.30	
		\$309,305,815.23

**Assets**

Gold held in Canada .....	\$ 2,986.33	
Subsidiary coin held in Canada .....	343,505.90	
Gold held elsewhere .....	2,121.42	
Subsidiary coin held elsewhere .....	1,466,733.21	
Notes of Bank of Canada .....	4,482,897.50	
Deposits with Bank of Canada .....	19,736,566.44	
Notes of other chartered banks .....	373,524.25	
Government and bank notes other than Canadian .....	6,601,911.77	
		\$ 33,010,246.82
Cheques on other banks .....		9,946,054.61
Due by banks and banking correspondents elsewhere than in Canada .....		11,852,912.32
		\$ 54,809,213.75
Dominion and provincial government direct and guaranteed securities, maturing within two years, not exceeding market value .....		29,020,715.12
Other Dominion and provincial government direct and guaranteed securities not exceeding market value .....		70,792,695.77
Canadian municipal securities, not exceeding market value .....		12,877,157.71
Public securities other than Canadian, not exceeding market value .....		936,296.28
Other bonds, debentures and stocks, not exceeding market value .....		13,465,232.08
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover .....		6,941,908.01
Call and short (not exceeding thirty days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover .....		2,508,474.87
		\$191,351,693.59
Current loans and discounts in Canada, not otherwise included, estimated loss provided for .....	\$ 80,671,903.63	
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for .....	14,971,803.43	
Loans to provincial governments .....	1,184,261.25	
Loans to cities, towns, municipalities and school districts .....	6,045,406.60	
Non-current loans, estimated loss provided for .....	497,691.92	
		\$103,371,066.83
Liabilities of customers under acceptances and letters of credit as per contra .....		5,095,261.83
Mortgages on real estate sold by the bank .....		93,271.33
Bank premises, at not more than cost, less amounts written off .....		6,309,031.89
Deposit with the Minister of Finance for the security of note circulation .....		492,842.44
Shares of and loans to controlled companies .....		2,500,000.00
Other assets not included under the foregoing heads .....		92,647.32
		\$117,954,121.64
		\$309,305,815.23

J. A. McLEOD, President

H. F. PATTERSON, General Manager

**Auditors' Report to the Shareholders of The Bank of Nova Scotia:**

We have examined the above General Statement of Liabilities and Assets as at December 31st, 1938, and compared it with the books at the Chief Office and with the certified returns from the Branches. The Bank's investments and cash on hand at the Chief Office and at the Toronto and Montreal Branches were confirmed by us at the close of business on December 31st, 1938. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank.

We report that in our opinion the above statement discloses the true condition of the Bank and is as shown by the books of the Bank.

D. McK. McCLELLAND, F.C.A., of Price, Waterhouse & Co.	} Auditors.
G. T. CLARKSON, F.C.A., of Clarkson, Gordon, Dilworth and Nash.	

TORONTO, CANADA,  
16th January, 1939.

***Branches from Coast to Coast in Canada***

		Newfoundland		
Jamaica	Cuba	Puerto Rico	Dominican Republic	
London, England		New York	Boston	

# THE ROYAL BANK OF CANADA

## HEAD OFFICE, MONTREAL

### BOARD OF DIRECTORS

SIR HERBERT S. HOLT, K.B., *Chairman of the Board*, Montreal

MORRIS W. WILSON, *President and Managing Director*, Montreal

G. H. DUGGAN  
*Vice-President*  
Montreal, Que.

W. F. ANGUS  
*Vice-President*  
Montreal, Que.

A. E. DYMENT  
*Vice-President*  
Toronto, Ont.

JOHN T. ROSS	Quebec, Que.
W. H. McWILLIAMS	Winnipeg, Man.
A. McTAVISH CAMPBELL	Winnipeg, Man.
G. MacGREGOR MITCHELL	Halifax, N.S.
STEPHEN HAAS	Toronto, Ont.
W. H. MALKIN	Vancouver, B.C.
G. HARRISON SMITH	Toronto, Ont.
P. F. SISE	Montreal, Que.
J. McG. STEWART, K.C.	Halifax, N.S.
JOHN S. NORRIS	Montreal, Que.
G. W. MacDOUGALL, K.C.	Montreal, Que.
ARTHUR B. WOOD	Montreal, Que.
HOWARD P. ROBINSON	Saint John, N.B.
RAY LAWSON	London, Ont.
N. L. LEACH	Winnipeg, Man.
GRAY MILLER	London, Eng.
CONRAD S. RILEY	Winnipeg, Man.
JOHN BURNS	Calgary, Alta.
G. H. MONTGOMERY, K.C.	Montreal, Que.
J. D. JOHNSON	Montreal, Que.
W. C. WOODWARD	Vancouver, B.C.
S. G. DOBSON	Montreal, Que.
RT. HON. R. B. BENNETT, P.C., K.C.	Mickleham, Eng.
HAROLD CRABTREE	Montreal, Que.
G. A. DOBBIE	Galt, Ont.

### GENERAL STATEMENT, 30th NOVEMBER, 1938

#### Liabilities

Capital stock paid up		\$ 35,000,000.00
Reserve fund	\$ 20,000,000.00	
Balance of profits carried forward as per Profit and Loss Account	2,721,409.82	
	\$ 22,721,409.82	
Dividends unclaimed	16,831.66	
Dividend No. 205 (at 8% per annum), payable 1st December, 1938	700,000.00	
		23,438,241.48
		\$ 58,438,241.48
Deposits by and balances due to Dominion Government	\$ 1,446,609.61	
Deposits by and balances due to Provincial Governments	9,001,230.56	
Deposits by the public not bearing interest	356,526,649.64	
Deposits by the public bearing interest, including interest accrued to date of statement	422,500,481.66	
Deposits by and balances due to other chartered banks in Canada	278,077.25	
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	14,355,708.25	
		804,108,756.97
Notes of the bank in circulation		26,396,638.74
Bills payable		46,627.40
Acceptances and letters of credit outstanding		18,532,001.88
Liabilities to the public not included under the foregoing heads		542,445.14
		\$908,064,711.61



## Assets

Gold held in Canada .....	\$ 12,979.82	
Subsidiary coin held in Canada .....	1,314,935.16	
Gold held elsewhere .....	323,479.95	
Subsidiary coin held elsewhere .....	3,035,810.57	
Notes of Bank of Canada .....	12,093,077.75	
Deposits with Bank of Canada .....	60,949,061.65	
Notes of other chartered banks .....	1,273,185.81	
Government and bank notes other than Canadian .....	22,994,508.22	
		\$101,997,038.93
Cheques on other banks .....	\$ 26,394,958.81	
Deposits with and balances due by other chartered banks in Canada .....	4,002.09	
Due by banks and banking correspondents elsewhere than in Canada .....	71,891,264.92	
		98,290,225.82
Dominion and Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value .....		106,368,311.03
Other Dominion and Provincial Government direct and guaran- teed securities, not exceeding market value .....		153,333,715.19
Canadian municipal securities, not exceeding market value .....		7,687,405.60
Public securities other than Canadian, not exceeding market value .....		20,924,704.31
Other bonds, debentures and stocks, not exceeding market value .....		34,019,951.18
Call and short (not exceeding 30 days) loans in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover .....		12,964,423.50
Call and short (not exceeding 30 days) loans elsewhere than in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover .....		7,651,625.32
		\$543,237,400.88
Current loans and discounts in Canada, not otherwise included, estimated loss provided for .....	\$198,202,903.27	
Loans to Provincial Governments .....	1,159,796.12	
Loans to cities, towns, municipalities and school districts .....	18,848,358.65	
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for .....	101,629,915.30	
Non-Current loans, estimated loss provided for .....	2,704,226.83	
		322,545,200.17
Bank premises, at not more than cost, less amounts written off .....		14,756,029.06
Real estate other than bank premises .....		2,473,530.44
Mortgages on real estate sold by the bank .....		751,206.68
Liabilities of customers under acceptances and letters of credit as per contra ..		18,532,001.88
Shares of and loans to controlled companies .....		3,787,881.34
Deposit with the Minister of Finance for the security of note circulation .....		1,475,000.00
Other assets not included under the foregoing heads .....		506,461.16
		\$908,064,711.61

NOTE.—The Royal Bank of Canada (France) has been incorporated under the laws of France to conduct the business of the Bank in Paris, and the assets and liabilities of The Royal Bank of Canada (France) are included in the above General Statement.

M. W. WILSON  
President and Managing Director.

S. G. DOBSON  
General Manager.

## AUDITORS' REPORT

TO THE SHAREHOLDERS, THE ROYAL BANK OF CANADA:

We have examined the above Statement of Liabilities and Assets as at 30th November, 1938, with the books and accounts of The Royal Bank of Canada at Head Office and with the certified returns from the branches. We have checked the cash and the securities representing the Bank's investments held at the Head Office at the close of the fiscal year, and at various dates during the year have also checked the cash and investment securities at several of the important branches.

We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank, which have come under our notice, have been within the powers of the Bank. The above statement is in our opinion properly drawn up so as to disclose the true condition of the Bank as at 30th November, 1938, and it is as shown by the books of the Bank.

M. OGDEN HASKELL, c.a. of Haskell, Elderkin & Company	} Auditors.
JAS. G. ROSS, c.a. of P. S. Ross & Sons	

MONTREAL, CANADA  
December 20, 1938.

# THE CANADA LIFE ASSURANCE COMPANY

NINETY-TWO YEARS OF PROGRESS

1847—1939

INSURANCE IN FORCE: OVER \$800,000,000

## Canada's First Life Insurance Company

Twenty years older than the Dominion itself, The Canada Life Assurance Company bears the distinction of being the oldest Canadian life insurance company.

What began as an ambitious undertaking in a small, musty, thoroughly unimpressive office in Hamilton back in 1847, has now developed into an international organization whose policyholders own well over \$800 millions of insurance. To this "clearing house" for investment, these policyholders have entrusted savings of over \$268 millions.

First President of The Canada Life Assurance Company and first name in Canadian life insurance history, was Hugh C. Baker. The story leading up to his appointment is an interesting one: how, as a young man still in his twenties, he applied for insurance with one of the few "outside" companies which wrote business in Upper Canada; how he was obliged to make a long, tedious journey to New York, on horseback and by stage coach and river boat, to complete requirements; and how he reasoned that if would-be policyholders were willing to so inconvenience themselves a good market should be available for a Canadian organization.

The outcome of that reasoning is detailed in a small, plain memorandum book—one of those bound in marbled board and tied, perhaps not without significance, with red tape—which has grown yellow in the vaults of The Canada Life. One of the early entries concerns a meeting in November, 1847, when Mr. Baker, as first President of Canada's first life insurance company, signed the Company's first policy. And to make the story complete, the policy was on his own life.

## Early Problems of the Company

Those early days presented hard sledding. True, The Canada Life was modelled after the conservative old British companies. And seven companies had recently begun operations in the United States. But problems peculiar to this country had to be faced and overcome. There was no previous experience on which the Directors could base their decisions. Little wonder that the first Annual Report states that "the practice of life insurance was but little understood among us, while its governing principles were still less generally understood."

Thus it was that when the Company first went to the Legislature to obtain a charter, the application was refused, one witty Member remarking that the only capital the petitioners had was their "assurance". And so the Company operated without a charter for about a year and a half. Apparently during that time it operated much along the lines of under-

writers at Lloyd's of London. Policies provided that "the stockholders shall not be liable beyond the several amounts mentioned in the endorsement hereon".

The difficulty of educating the public insurance-wise may be appreciated when it is realized that in those days there were only a few struggling newspapers in all Canada; means of communication were exceedingly scant; stage coaches were the only means of transportation in settled districts; farmers still had to carry their grain in sacks on horseback to the mill. Postage stamps had not been introduced. There was no telephonic communication, only the beginning of a railroad, and no ocean steamers had made their way up the St. Lawrence to Quebec. It was seemingly impossible for new ideas to make headway.

### **Maximum Risk of £1,000 Until 1850**

Obviously, one of the chief considerations back in the forties and fifties was selection of risks. Until 1850, no matter how desirable, no risk for more than £1,000 was accepted. The maximum was then raised to £1,500. President Baker himself was granted only half of his £1,000 application. Once granted, the policy was still hedged with safeguards. "Death in consequence of a duel" would void a policy; as would travel anywhere outside "Europe, British North America or United States". Further, if the assured should "abandon himself to the use of fermented liquors to such a degree as shall render him an habitual or confirmed drunkard", the Company had the right to recall the contract, paying the assured a fixed cash settlement.

### **Expansion and Growth of Business**

The Company expanded westward in 1878 when the first policy on a resident of Manitoba was issued. Business was begun in Saskatchewan, Alberta and British Columbia five years later. The first western agency covered the northwestern portion of Ontario and stretched on westward to the Pacific Coast. In those days western business and travelling alike were slow and difficult. The largest city of the West, Winnipeg, had a population of about 4,000. The Company's first western representative recalls that in 1886 "the only three towns on the Saskatchewan River were Edmonton, Battleford and Prince Albert."

Another expansion move was to the United States in 1889—the first Canadian life company to take this important step. Since that time, The Canada Life has built up a large organization there. The Company entered the British field in 1903, initiating an organization which to-day plays a very important part in the Company's success.

Progress made by the Company has been steady. At the time of Confederation assets amounted to \$856,408 and business in force to \$4.5 millions. In 1918, at the end of the Great War, these figures had risen to \$65.9 millions and \$195.9 millions respectively. And since that time the Company has shown its greatest growth. At the end of 1939 policyholders owned more than \$800 millions of insurance with The Canada Life.

Throughout its long history the Company has adhered to a policy of absolute security and of fair dealing. Administered by men who rank high among financial and business leaders, that policy has established a reputation of which the Canada Life may be justifiably proud.



# SUN LIFE ASSURANCE COMPANY OF CANADA

FOUNDED IN 1865

## Origin

The charter of this world-known Company was granted in 1865, the first policy being written in 1871. From that time its history has been one of almost continuous expansion until it has attained its present stage of development.

The inception of the Company was sponsored by some of the most distinguished merchants and leading men of business in Montreal. Mr. Mathew Hamilton Gault, the founder, was for many years a Member of Parliament. He was also closely connected with the insurance world and had many other business associations which made his services invaluable. Associated with him in this new venture was George Stephen, later to become Lord Mount Stephen, President of the Bank of Montreal and one of the builders of the Canadian Pacific Railway. Mr. A. W. Ogilvie, the great miller, Member of Parliament, and later a Senator, was another eminent man of the period who assisted in the foundation of this concern. Intense patriots and devoted Canadians, these men were prominent alike in the public and commercial life of the Dominion. The tradition of service to the subscribers, which was their conception, has been scrupulously maintained by their successors, and has had much to do with the outstanding success of this Company.

## Development

The Dominion Insurance Act of 1868 imposed obligations on foreign life companies with which the Mutual Life of New York, which Mr. Gault then represented, felt it was impossible to comply, and the decision was taken to withdraw from the Canadian field. It was this action which prompted Mr. Gault to apply for his charter to be amended, the powers being limited to life and accident assurance and the name changed to the Sun Mutual Life Insurance Company of Montreal. Under this style the Company conducted its operations until 1882, when a further amendment changed the title to that of the Sun Life Assurance Company of Canada, as at the present day. It was a fortunate omen which selected the name "Sun" for a company whose connections have since become so nearly universal.

## Early Operations

The initial operations of this Company had to be undertaken in the face of a considerable amount of competition. Hitherto the British and United States companies had found in Canada a fruitful field for fresh business. In 1870, the only native institution was The Canada Life. The advent of the Sun Life, however, was vigorous and powerful and although the financial stringency and the business depression of the early 70's added to the perplexities created by the formidable rivalry of the established institutions, hard work and continual application enabled the Company to win through. At the end of 1872, 417 applications for assurances

totalling \$727,350 had been accepted, and no claims had yet been made. Within a few years the annual business had reached the million dollar mark.

## Organization

Following up the successes within the Dominion, the first overseas agency was opened in Barbados in 1879. From this date the history is simply one of regular growth leading up to that epochal year in 1891 when the Sun Life of Canada instituted the stupendous pioneering programme that was destined to carry the message of life insurance into the far corners of the earth. Business possibilities, health conditions, and mortality experiences in all parts of the world were investigated, and the first branch to be opened was that of the West Indies in 1891, a territory previously covered by agency service only. In that same year the Company sent out an emissary to Yokohama, China, Straits Settlements, India, Ceylon, appointing agents at Singapore, Colombo, and Bombay. He completed his round-the-world trip via Egypt and Jerusalem where another agent was appointed. The emissary returned to Montreal by way of the Mediterranean and England, thus ending a journey which for those early days was one of great magnitude, requiring initiative and courage analogous in many respects to that of the great travellers and discoverers associated with the more spectacular records of our world. While this journey was going on, other explorers were sent out from Montreal. Nicaragua, Peru, Equador, Chile—the name of the Sun Life of Canada spread southwards until it reached Puntas Arenas on the very Straits of Magellan, the most southerly town in the world. In 1893, an office was opened in London, followed two years later by the greatest venture of all, the entry into the United States; greatest, because the Sun Life of Canada had entered a field where already the most famous life companies of the world were thoroughly established and had secured undisputed leadership. Thus in 1895, in the State of Michigan, the Sun Life planted its banner on the friendly soil of its neighbour country. To-day the Company does business in forty States with a highly efficient staff and agency force, and in a manner worthy of the fine traditions so long associated with life insurance operations everywhere. The present extent of this unique organization can be better appreciated by a few brief statistics. To-day there are one hundred and forty branches doing business in different parts of the world. For the purpose of supervision these are divided into separate territorial groups covering thirty-nine countries. The Branch Office personnel totals over 1,200 together with nearly 5,000 agents under contract who are engaged by the branch managers concerned. The territories are covered by Supervisors from Head Office who visit their particular branch groups periodically. Supervisors, in many instances, are frequently absent from Headquarters as long as six or seven months at a time when visiting remote districts. They are for the most part familiar with the languages of the countries they visit. Sales literature is printed in four languages (English, French, Spanish and Japanese), but frequently where another language is dominant, local translations are made.

## Policies

The business of the Company is in life insurance and annuities only. It issues a wide variety of insurance and annuity plans and consequently is able to supply a policy that will fit the circumstances of any individual applicant. It also writes a considerable volume of insurance and annuity

business on the group plan. Many years ago the Company introduced and still adheres to the principle of the "unconditional" policy contract; that is, a policy free from the multitudinous minor restrictions which were once the usual features of insurance.

**Financial Standing**

The assets of the Company, which are in excess of \$875,000,000, are invested under Government supervision. Apart from the Company's own buildings, the securities consist of Government and municipal bonds, mortgages on real estate, shares in public utility companies and other first-class industrial companies, loans on the Company's own policies within the surrender values, etc.

**Government Supervision**

The Company operates under the supervision of the Insurance Laws of many countries and states. For example, under the Insurance Act of the Dominion of Canada periodically the Government examiners audit the Company's accounts, check every individual security held, and insist on a sufficient reserve, according to its maturity, being credited to each one of the Company's policies.

**Control**

The Directorate of the Company is elected partly by the shareholders and partly by the policyholders. All participating policyholders who are insured for \$2,000 or more are entitled by law to vote for their own directors at the General Meetings of the Company.

**DIRECTORS**

SIR EDWARD W. BEATTY	MR. E. A. MACNUTT	HON. L. A. TASCHEREAU
MR. W. M. BIRKS	MR. ROSS H. McMASTER	MR. JOHN A. TORY
HON. RAOUL DANDURAND	MR. ARTHUR B. PURVIS	HON. LORNE C. WEBSTER
SIR HERBERT S. HOLT	MR. CARL RIORDON	MR. MORRIS W. WILSON
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(CORRECTED TO 1/1/39)



# CONFEDERATION LIFE ASSOCIATION

BUSINESS IN FORCE OVER \$421,000,000

## EXTENSIVE OPERATIONS

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Founded by the late J. K. Macdonald in 1871, only four years after the passage of the British North America Act, the Confederation Life Association is one of the oldest Canadian life insurance companies.

### Substantial Development

Progress of the Confederation Life Association has been sound and substantial. The first year's business amounted to \$1,838,000. New business in 1938 was more than \$50,000,000. Assets have grown from \$101,000 in 1872 to \$125,000,000 in 1938.

In conformity with the Association's well-known conservative investment policy, it is noted that the market value of the total assets, as ascertained by the Dominion Department of Insurance, was approximately \$3,000,000 more than the book value as at December 31st, 1938. Over 64 per cent. of the Association's assets are invested in high-grade, widely diversified bonds, and over 12 per cent., in city and farm mortgages.

### Operations

In addition to 34 branch offices in Canada, the Association has extensive connections abroad. In the United Kingdom there are 19 branch offices, with a chief office located in Bush House, Aldwych, London W.C. 2. The Association is also established in Bermuda, British Honduras, China, Colombia, Cuba, Curacao, Dominican Republic, Egypt, Guatemala, Hawaii, Hongkong, Jamaica, Malaya, Mexico, State of Michigan, Newfoundland, New York State, Panama Canal Zone, Puerto Rico, San Salvador and Trinidad.

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# THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA

1897—1938

The Imperial Life Assurance Company of Canada was incorporated by special Act of Parliament April 23rd, 1896, and commenced business October 1st, 1897. Its operations are, therefore, subject to the conservative laws of the Dominion of Canada.

The Company carries on business in Canada, Newfoundland, Great Britain, California, Central America, Bermuda and the West Indies.

The Company has had a rapid and well balanced growth and at the 31st December, 1938, had total assets of \$88,209,303.86 and business in force of \$295,412,238.00. After providing for assurance and annuity liabilities on a basis some \$875,000.00 in excess of Government requirements and taking credit for its bonds, debentures and stocks at considerably less than their market value, the Company's surplus funds over all liabilities amounted to \$7,324,916.65, thus indicating an exceptionally strong financial position.

The Company's Board of Directors is composed of the following outstanding Canadian business men: J. P. Bickell, Toronto, President McIntyre Porcupine Mines, Limited; Mark H. Irish, Toronto, President, Irish & Maulson, Limited; S. H. Logan, Toronto, President, The Canadian Bank of Commerce; Hon. Charles McCrea, K.C., Toronto, Vice-President, The Toronto General Trusts Corporation; J. W. Mitchell, Toronto, Vice-President, The Dominion Securities Corporation, Limited; S. J. Moore, Toronto, Chairman of the Board, The Bank of Nova Scotia; G. A. Morrow, Toronto, Vice-President, Central Canada Loan & Savings Company; W. G. Morrow, Peterborough, Vice-President, Toronto Savings & Loan Co.; John S. Norris, Montreal, President, Montreal Light, Heat & Power, Consolidated; Hon. Donat Raymond, Montreal, Senator, Director, Canada Cement Company, Limited; J. F. Weston, Toronto, President, The Imperial Life Assurance Company of Canada; H. H. Williams, Toronto, Director, The Dominion Bank; Frank P. Wood, Toronto, Chairman, Burlington Steel Company, Limited.

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# THE CANADA PERMANENT TRUST COMPANY

INCORPORATED IN 1913

## TWENTY-FIVE YEARS OF PROGRESS

The Canada Permanent Trust Company was incorporated by a Special Act of the Dominion Parliament, which became effective on the 7th day of March, 1913. The Company was to have an authorized capital of One Million Dollars, and its affairs were to be managed by a Board of not less than seven nor more than twenty-one Directors—at least five, and at no time less than two-thirds of whom were to be resident in the Province of Ontario. The whole of the capital stock has been issued and is fully paid, and for many years the Board has consisted of ten Directors, of whom, at the present time, eight reside in the City of Toronto, one in the City of Winnipeg, and one in the City of Edinburgh, Scotland. The powers of the Company are the powers that are usually exercised by Companies of this class.

The first meeting of Shareholders was held on the 9th day of April, 1913, when the nine incorporators named in the Special Act were duly elected to the Board. They were all men prominent in the business and financial life of the country. Mr. W. G. Gooderham was elected President, an office which he held until his death in November, 1935, when Mr. F. Gordon Osler was chosen as his successor. Mr. W. D. Matthews became First Vice-President, and was succeeded in 1919 by Mr. R. S. Hudson, in 1922 by Mr. E. R. C. Clarkson, in 1931 by Mr. George H. Smith, and in 1935 by Mr. John A. Rowland, K.C., the present General Manager. Mr. G. W. Monk was made Second Vice-President, and was followed in 1917 by Mr. R. S. Hudson, in 1931 by Sir Albert E. Gooderham, and in 1935 by Mr. E. D. Gooderham. Mr. R. S. Hudson and Mr. John Massey were appointed the first General Managers of the Company, and were succeeded by Mr. George H. Smith, who continued as General Manager from 1922 until his resignation on July 1st, 1935, when Mr. John A. Rowland, K.C., was appointed in his stead.

The Canada Permanent Trust Company acts as Executor, Trustee, Administrator or Guardian. Its remarkable expansion during twenty-five years is an indication of the extent to which it has gained the confidence of its clients and the public. This progress of the Company, in the first quarter of a century of its operation, has been achieved in the face of a world war, of a major world depression, and of acutely disturbed economic and political conditions throughout the world.

During the years of the War of 1914-18 no serious and sustained effort was made to develop the purely trust business of the Company, and its operations were largely confined to the investment of its capital. On the 27th of February, 1918, however, Mr. A. E. Hessin was appointed Manager of the Ontario Branch, and the Company took possession of the northerly portion of the old premises at 18 Toronto St. On that date its history as an active institution may be said to have begun. Heretofore it had been overshadowed by the parent Company, the Canada Permanent



Mortgage Corporation. Henceforth it was to be known and recognized as a separate institution, and the growth of its business was both rapid and striking. At the end of 1917 the total of its Guaranteed Investment Receipts was slightly more than \$43,000.00, and the volume of Trusts and Estates under Administration approximately \$27,000.00. The following table indicates how the Company has shared in the expansion of Canadian business in general during the years 1918 to 1938:

Trust Companies are a necessary development in the modern business structure. In the complexity of present-day economy the administration of estates has become a business in itself. The only solution for the problem is a Corporate Trustee, which provides, in place of the uncertainty attached to an appointment of an individual, the permanency, continuity, and experience of a group.

Year	Guaranteed Investment Receipts	Trusts and Estates Under Administration
1918.....	\$ 42,012.50	\$ 772,850.41
1919.....	42,012.50	2,191,522.63
1924.....	193,050.18	8,469,584.46
1930.....	1,116,153.28	22,916,365.55
1936.....	1,353,875.38	44,854,892.50
1937.....	1,285,592.78	46,551,733.22
1938.....	1,157,868.30	49,884,201.44

### The Directorate

F. Gordon Osler, Toronto, President; John A. Rowland, K.C., Toronto, 1st Vice-President; E. D. Gooderham, Toronto, 2nd Vice-President; George W. Allan, K.C., Winnipeg; A. B. Campbell, W.S., Edinburgh; F. S. Corrigan, Toronto; John R. Lamb, Toronto; Charles S. Robertson, Toronto; George H. Gooderham, Toronto; Roy L. Warren, Toronto.

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# THE NATIONAL GALLERY OF CANADA

## AN EDUCATIONAL AND CULTURAL INSTITUTION

1937 and 1938

The Annual Reports of the National Gallery for the past eighteen years have told each year a story of expansion which is deeply significant of the cultural and educational growth taking place throughout the Dominion. This development in which the National Gallery is playing a considerable part, has been greatly accelerated in the past five years, and year by year makes increasing demands on the resources of the institution.

During 1937 and 1938 several works of unusual interest were added to the great master section of the Gallery and the Canadian collection was also extended by the purchase of a group of Canadian pictures, notably four examples of the work of J. W. Morrice, R.C.A. (1865-1924); a "Portrait of a Nun" by Antoine Plamondon, R.C.A. (1804-1895) and a landscape, "Return from Mass" by Albert H. Robinson, R.C.A.

"The Martyrdom of St. Andrew" by Jusepe Ribera (1589-1652), was generously presented to the National Gallery by J. W. McConnell, Esq., of Montreal. Another equally important and welcome gift was "The Tangled Garden", by J. E. H. MacDonald, R.C.A. (1873-1932), which was presented to the National Gallery by the Southam brothers, in memory of their brother Richard. Other notable accessions were:—"Vulcan and Aeolus as Teachers of Mankind" by Piero di Cosimo (1462-1521); "Christ Blessing Little Children" by Sir Anthony van Dyck (1599-1641); "First Duke of Chandos and His Family" by Sir Godfrey Kneller (1646-1723); and "John the Baptist" by the Spanish painter, José Leonardo (1605-1656).

### Drawings and Prints

It is significant to record that the past two years saw the foundations laid of what it is hoped will grow to be a worthy collection of drawings for Canada. Drawings of the Italian, Flemish, French and British schools, ranging over a wide field and covering a period of some three hundred years, were added to the collection, the most notable among them being "Study of a Nude" by Annibale Carracci (1560-1609); "Fantasy on the Pantheon" by Hubert Robert (1733-1808); "A Lady Standing at Her Dressing Table" by Henry Fuseli, R.A. (1741-1825) and "Oak Tree, Shoreham Kent" by Samuel Palmer, R.W.S. (1805-1881).

The print collection was extended on its modern side principally by a selection of various contemporary prints from Europe and the United States, which had not been formerly well represented in the department.

### The National Gallery Loan Exhibitions

Loan exhibitions totalled fifty-two, of which forty-nine were held in Canada and three abroad. The Canadian exhibition, consisting of 104 pictures, arranged for the Palace of Fine Arts at the Johannesburg Exhibition and later circulated in South African cities, was transferred to

Sydney, Australia, in May, 1937. After being on exhibition there during the months of July and August, the collection was shown in the following centres,—Brisbane, Perth, Adelaide, Melbourne and Launceston.

During the period of exhibition in Australia, three pictures were purchased by public art galleries in the Commonwealth. The exhibition was transferred to New Zealand in March, 1938, and its tour there extended until February, 1939, after which the remaining pictures were returned to Canada.

### **Canadian Art at the Tate Gallery, 1938**

A high compliment was paid to Canada and the National Gallery when an invitation was received from the Tate Gallery, London, to form an exhibition of Canadian art which was shown there in the autumn of 1938. This exhibition, which was called "A Century of Canadian Art", covered the story of Canadian art from its beginnings. It consisted of 263 works from the National Gallery and from public and private collections throughout Canada. The exhibition was opened by the Duke of Kent on October 14th, 1938, and was a notable success. Owing to its popularity, the period of exhibition was twice extended at the request of the Director of the Tate Gallery. It closed on January 2nd, 1939.

### **Children's Art Classes**

With the co-operation of the Ottawa Public Schools, the National Gallery has initiated an experimental programme of children's art classes. These are held every Saturday morning from October 1st until April 30th and are producing excellent results, which will be valuable in connection with extension work in other centres.

It is possible that educational practice in the past has over-emphasized the intellectual and documentary processes of learning at the expense of the development of artistic perception and expression. The educational system in which art, music, drama, and poetry find an early and enduring place, will furnish means to a fuller, happier and more enjoyable life.

Any development of this particular branch of art educational work which would naturally follow when the experimental stage has been satisfactorily passed will require better accommodation than is available in the present National Gallery premises.



# THE CANADIAN RED CROSS SOCIETY

Founded 1896

Incorporated 1909

“The purposes of the Society shall be:—

“To furnish volunteer aid to the sick and wounded of armies in time of war. . . .

“In time of peace or war to carry on and assist in work for the improvement of health, the prevention of disease and the mitigation of suffering throughout the world.”

—*The Canadian Red Cross Society Act.*

Founded in 1864 to assist in caring for the sick and wounded of armies at war, the duties of the Red Cross were very greatly increased after the Great War.

In signing the Covenant of the League of Nations the members of the League agreed to “encourage and promote the establishment and co-operation of national voluntary Red Cross organizations which shall have as purposes the improvement of health, the prevention of disease and the mitigation of suffering throughout the world.”

Thus there was delegated to the Red Cross the additional duty of maintaining an active organization in time of peace for the purpose of improving conditions of life by reducing sickness and alleviating suffering.

Ever since the war the Canadian Red Cross Society has not only continued to discharge to the utmost its responsibilities to those who were disabled during their military service but has also striven unceasingly to perform the further task assigned to it under the Covenant of the League of Nations.

Because of its continuing care for those who were disabled in the service of the Empire and of the value of its peace-time work for the welfare of the Canadian people, the Red Cross has become firmly established in the hearts and minds of Canadians.

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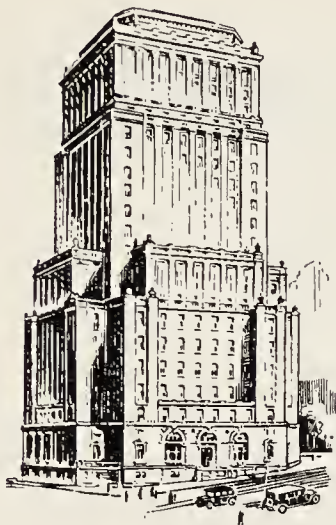
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