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...Canada since 1957, has been ap-...
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Lines' Passenger Deficits To Be Probed At Hearings

By ROBERT RICE
Canadian Press Staff Writer
OTTAWA (CP)—Canada's Royal commission on transportation has served notice on the two national railways that it plans to probe the problems of passenger deficits.

Already engrossed in a study of the railways' difficulties in hauling Prairie export grain at low statutory rates, the commission now has decided specifically to investigate the passenger business.

"We might as well be realistic," said acting commission chairman M. A. MacPherson of Regina, in putting the passenger probe high on the commission's list of railway problems.

CPR counsel Ian Sinclair, who has fought Prairie demands to include the passenger question in the grain rate inquiry, agreed the issue should be considered "at the appropriate time."

NO IMMEDIATE STUDY
It is likely the matter will not go before the commission until sometime after March, following regional hearings across Western Canada. The commission plans to launch its Western tour in Winnipeg Feb. 4 and then proceed westward to Regina, Edmonton, Vancouver or Victoria.

Word on the passenger probe came as the CPR continued its explanation of how it figured out the total cost of moving western grain to export terminals at freight rates fixed by law at pre-1900 levels.

CPR research director John Stenason spent the whole day in the witness stand, outlining the methods used to isolate from all other railway operations the cost of grain shipments.

Both railways made a penetrating study of the grain problem and said they are losing \$70,500,000 each year because of the statutory rate level. Their cost analysis is a key to the rail bid for government help in moving export grain. Spokesmen for the three Prairie governments as well as grain interests have refused to cross-examine railway witnesses until they have had more time to look into the matter.

They want their cross-examination suspended until next March.



SCHOOL FIRE DAMAGE IS \$300,000

Flames too fierce for firemen to control Sunday destroyed the main building of the Knowles school for boys in the Winnipeg suburb of North Kildonan. Loss was estimated at \$300,000 as flames swept offices, workshops, classrooms and library facilities. No one was injured but 35 to 40 boys who lived in a nearby fire-proof building were moved because the outbreak cut water and electrical service. (CP Photo)

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Active Nato Role Urged In Disarmament Move

By JOSEPH MacSWEEN
Canadian Press Staff Writer
PARIS (CP)—Canada Tuesday urged NATO to take an active preliminary role in preparing disarmament proposals for East-West negotiations.

External Affairs Minister Howard Green outlined his disarmament idea at an annual meeting of the North Atlantic alliance—a meeting at which he and other foreign ministers sought to minimize a split between the United States and France.

U.S. State Secretary Herter, while emphasizing the American view that Europe should carry a heavier load on the defence question, spoke in a somewhat conciliatory way. The speeches are made behind closed doors but the gist of the ministers' remarks are customarily divulged at briefings.

U.S. WARNING
It was reported Herter did make a delicately veiled but unmistakable threat to NATO: Do your share or face the prospect of a cut in U.S. contributions.

At the same time, both Herter and Foreign Secretary Selwyn Lloyd, while agreeing the West must keep strong, said they believe Russia genuinely wants peace and a relaxation of tension.

Green met Canadian reporters following the formal opening session of the NATO ministerial council—at which all 15 foreign ministers delivered addresses—and explained in broad terms his ideas on disarmament.

The foreign chief said disarmament will be the biggest subject facing the East-West summit conference, expected in April, and that Canada feels a particular responsibility in this. Canada is a member of the United Nations disarmament committee of five Western members and five from the Communist side.

Said Green:
"We think that as an early exercise, dealing with the immediate future, it would be wise to organize the political and military staffs of the alliance to make preparations to establish the basic principles of the committee."

PRINCIPAL PROBLEM
This was in line with his earlier statements at the United Nations and elsewhere that disarmament is the most important problem.

While the details of Green's speech before the NATO council were not made public, it was known he reminded the group that all members of the disarmament committee are also members of either NATO or its Communist opposite number, the Warsaw pact.

It was clear, said Green, that the work of the disarmament committee would be of direct interest to all NATO countries. For Canada, it was the same search for peace and security which underlay Canada's approach to disarmament and to NATO.

He said there is no inconsistency between the maintenance of a high degree of military preparedness and Canada's strong desire to reach an acceptable disarmament agreement with the Soviet bloc.

A major part of Green's speech was devoted to disarmament, and he referred in some detail to the current Geneva conference on the cessation of nuclear tests involving Russia, the United States and Britain.

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University Grants Plan Stirs Frost's Interest

TORONTO (CP)—Premier Frost this week reiterated statements of three weeks ago that he is interested in a new federal-provincial plan of granting financial aid to universities.

Since then Prime Minister Diefenbaker and Premier Sauve of Quebec have announced they are in agreement on a plan in which Quebec would increase its own corporation income tax rate by one per cent and assume responsibility for paying university grants on the same scale as present federal payments.

Quebec has rejected aid to universities since 1952 on the grounds of federal interference in educational affairs.

"I have the same opinion today as I had three weeks ago," Mr. Frost said. At that time the premier said the new aid plan to universities is "a very definite step in the right direction."

Provincial tax experts "will immediately consider the desirability of making a change to the new alternative in 1969."

PRESENT AGREEMENT
The present agreement with provincial governments, except Quebec calls for a \$1.50 per capita payment to universities.

Ontario has accepted federal grants to universities since their inception. Federal grants to universities in the province for the year 1959-60 amounted to \$9,000,000.

If the new plan is adopted in Ontario, the provincial government would levy an additional one per cent tax although there would be no increase in the overall level of taxation for corporations.

The new tax would be "abated as against the federal taxation."

Mr. Frost said earlier the new alternative does not provide the province with additional revenue but it is a "very fundamental recognition" of the responsibilities of the two levels of government under the constitution.

In the administration of the university grants there "has undoubtedly been an infringement on provincial responsibilities, though not to any objectionable extent."

Capital Expenditure Criticized By Bank Of Canada Governor

TORONTO (CP)—Canadians should cut their coat rather more in accordance with the available cloth, James E. Coyne, governor of the Bank of Canada, suggested this week in an address to the Investment Dealers' Association of Canada.

"In Canada," Mr. Coyne stated, "we have had a scale of capital expenditure by the private economy and governments together at the rate of 26 per cent of our gross national product, as compared with 18 per cent in the United States."

"Though our own over-all saving rate has been relatively high, it has not been sufficient to match this extraordinary high rate of capital expenditure and we have in recent years had to import capital to the tune of \$1,000,000,000 to \$1,500,000,000 a year.

"It is perhaps not premature to suggest the time has come to give more and more thought to the question whether it is advisable or desirable to have so wide a gap between our savings rate and our capital expenditure rate, involving as this does such heavy borrowing abroad."

UNNECESSARY EXPENSE
"Some may feel that capital expenditures on this scale are necessary to maintain full employment. Surely not. No economy as advanced as ours should allow itself to be moulded into a pattern of employment which is dependent for any extended period on capital expenditures financed by foreign borrowings on such a scale."

Mr. Coyne's comments were contained in a text made available to the press before delivery.

Canadians are accustomed to thinking of the United States economy as being subject to sharper fluctuations than their own, Mr. Coyne commented.

"We must, however, recognize that the United States finances all of its own continuing economic growth out of the savings of its people, with enough savings left over to make a substantial net contribution to the capital requirements and economic growth of a large part of the rest of the world, including Canada."

SAVINGS TOP EXPENSES
"The United Kingdom and several other European countries also now produce savings in excess of their capital expenditures and export the surplus to other parts of the world."

"Canada is both an important industrial national and a large importer of capital—indeed by far the greatest importer of capital in the world."

Mr. Coyne said the possible useful degree of action by a central bank in modifying the supply of credit upwards or downwards for general economic reasons had, he believed, been greatly exaggerated. He added:
"My own view is that the most desirable way in which this influence can be exerted is through relatively small movements in the total supply of money or credit of the kind created by the central bank and the commercial banks."

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