KENSINGTON MAN GIVEN AYRSHIRE AWARD

During annual sessions on Thursday of the P.E.I. Ayrshire Breeders Association at Birch Court, a Kensington herd was awarded a certificate for the high herd average production over the past year. The certificate was presented by Elaine Bryenton, Brackley, P.E.I. Dairy Princess, to Wendell Moase of Kensington, owner of the prize winning herd. 1964

U.S. Agrees To Furnish More Aid To S. Viet Nam

SAIGON (AP)—The U.S. government has agreed to pour in more assistance to expand South Viet Nam's armed forces and economy for the anti-Communist war, Premier Tran Van Huong's troubled government has announced. The cost is undetermined.

A proclamation of a joint plan "to give greater effectiveness against the infiltration threat" hinted the war soon will be extended beyond South Viet Nam's frontiers. North Viet Nam has been routing recruits and supplies to the Viet Cong Guerrillas via Communist - controlled trails through eastern Laos.

Even as a government communique summarized South Viet Nam's view of decisions taken in recent urgent consultations in Washington and Saigon, the South Vietnamese Buddhist hierarchy called for support of the United States in a revived campaign to oust Huong.

The Buddhist leaders—influential in the downfall of the late President Ngo Dinh Diem last year—charged in effect that the premier is losing the war by alienating the people. Decrying the use of armed force against demonstrating critics, they said "Huong is seeking revenge against us." Help was solicited from U.S. Ambassador Maxwell D. Taylor.

But American backing on the buddhist drive seemed unlikely.

U.S. BACKS HUONG

The communique on war plans, drafted after a check with the American mission, made a point of saying that, "in the course of the discussions, the U.S. representatives expressed full support for the duly constituted government of Prime Minister Huong."

In saying air defences will be strengthened, the communique implied more U.S. war planes and other equipment were on the way. Strengthening of the air arm would be in line with expectations that Viet Cong supply lines in Laos will come under attack.

There was no indication, however, that the United States plans any substantial reinforcement of the 22,000 U.S. soldiers already on duty in South Viet Nam.

The new assistance will mean an increase in the American monetary outlay now running about $500,000,000 a year. Asked whether there was any ceiling, a U.S. spokesman said no limit has ever been placed on American support for the Saigon government and that as much will be given as seems necessary to do the job.

Canadian Group Due In Tanzania By Next Month

DAR ES SALAAM (Reuters) An advance group of about 30 Canadian military personnel will arrive in Tanzania next month to train and advise Tanzanian military forces, it was announced here.

The second vice-president and defence minister, Rashidi Kawawa, said in a statement that the group's main task would be to train and build up the armed forces.

Canada also had agreed to help establish a military academy for army officers and other military personnel, he added.

He noted with appreciation that Canada had given other help to the national development program and that 12 officer cadets were already training in Canada.

RATIFY CONVENTION

GENEVA (Reuters)—Canada has become the 50th country to ratify the International Labor Offices convention for the prevention of discrimination in employment and occupation, the ILO announced here Monday. Canada transmitted the instrument of ratification to the ILO last week.

SAYS WAR UNLIKELY

TORONTO (CP) — Former chief justice Ivan Rand of the Supreme Court of Canada said Wednesday a large-scale war between Israel and the Arab Countries is unlikely because of American and British influence in the Arab countries. Mr. Rand, who helped partition Palestine in 1947 for the United Nations, told a State of Israel bonds dinner leaders of moderation on both sides are working to ease tensions.

SPACE GARBAGE

Space debris crashing at terrific speed digs countless craters on the moon, some as small as a pinhead and some the size of Hudson Bay.

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Remarkable prosperity of the Canadian economy in 1964

Importance of the Bank Act revision

Extracts from address by the President of The Provincial Bank of Canada, Mr. J.-Ubald Boyer, at the 64th Annual General Meeting of Shareholders, held in Montreal, December 9th, 1964

The remarkable prosperity of the Canadian economy has been frequently analysed in the past few months. For the last four years there was an upward trend . . . Five well characterized growth periods have been noted since World War II; none lasted as long as the one we are now experiencing. As the months go by, it is natural to begin asking what the future holds. In this respect, we must not only examine the present state of the economy, but also identify those factors which have most actively influenced the economy in the recent past.

Growth factors before 1964

As we know, certain events or policies have had spectacular results in sustaining the growth of the economy. One example which has often been pointed out is the contribution made since 1962 by the devaluation of the Canadian dollar to the recovery of several industries and, in particular, the manufacturing industry . . .

Near the middle of 1963, the Canadian economy was showing definite signs of steadiness and it was feared that the period of growth had ended. Several factors then united to allow a new start. First, contracts for wheat sales to the Soviet Republic were signed in September 1963. At approximately the same time an extraordinary increase in car sales happened, lasting several months. Thirdly, by offering a $500 premium for each house built during the winter, the federal government activated the building trade to such an extent that, at the beginning of 1964, the total expenditure for the construction of private homes had increased by 50% over that of the previous year for the same period. This combination of different factors has accelerated the pace of investment in business concerns. It will be remembered that it had received appreciable inducement during the summer of 1963 when the fiscal programme was announced in the budget of the Federal Minister of Finance. Finally, during the same period of time, the American economy was reacting strongly to the reduction of taxes in the U.S.A., and this helped to maintain a high level of activity in Canada in many sectors of our export business . . .

Economic conditions in 1964

It is essential to stress these features of growth in the Canadian economy, even though they extend beyond the framework of the current year. In fact, some loss of strength was noticed in the middle of 1964, the scope of which can only be estimated if the broad aspects mentioned above are considered.

Symptoms of stabilization in several sectors

As a matter of fact, the second quarter of 1964 has indicated a certain slowing down in the growth of several sectors of the economy. However, this situation should cause no surprise, for instance, that after the stimulus given to residential construction, the level of such investments could not be maintained and would, sooner or later, quickly recede. It would also have been unreasonable to expect national car sales to continue increasing unendingly at the pace already noted. Apart from the above two sectors, the symptoms of slowdown are appearing elsewhere. In general, during the first eight months of 1964, production was stationary in non-durable consumer goods and dropped in the clothing business. The production of furniture fell off by the middle of the year and that of certain household appliances has now increased, after having lost ground at the beginning of 1964. Briefly, it seems that, after a rapid rise in his purchases, the consumer was satisfied to remain, for a time, at the level already reached. Again, it should be noted that the volume of retail sales, which increased regularly in 1962 and 1963, ceased to grow from January to August of this year. Under such conditions, the rate of increase in manufacturing production dropped strongly and, for the second quarter of 1964, investment in business enterprises remained at the same level as for the first quarter after nearly three years of sustained progress.

This pause in the growth of the Canadian economy is not yet strongly accentuated. By mid-year this pause had resulted in setting unemployment at a level slightly higher than might have been expected. It does, however, raise the question of the continuation of growth and threatens the dynamism of the activity shown up to the present.

Growth continues in other sectors

Let us note, however, that the trend described above is far from being general. In several important sectors the upward swing continues or is resuming. Such is the case in particular with the machinery industry and agricultural implements. Also, the production of non-ferrous metals, petroleum and gas, continues to advance, spurred on by an active international market and the development of new oil fields . . . Moreover, the export of manufactured goods, which was, as we noticed earlier, favourably influenced by the dollar devaluation, continues to gain in a remarkable fashion . . . However, it is possible that the United States government may seek to clamp down on imports of Canadian automobile parts, which the recent Drury plan had favoured so well. Should this happen, the dynamism in this section of exports would be lost. Similarly, the temporary rise in British duties on manufactured goods will also restrict certain Canadian sales. This, however, seems to be a factor which will have limited importance as far as our economy is concerned.

On the other hand, it can be clearly shown that the United States economy in 1964 was not affected by the same slowing down as that experienced by the Canadian economy . . . As long as American expansion goes on, the Canadian economy will continue to receive an impetus to offset the soft spots which have begun to appear.

Monetary policy

In 1964, as in 1963, monetary policy has reflected the general economic situation and, to a certain extent, it may be said that it has not played a very active part, aside from permitting the orderly development of the economy, which is in itself no small achievement.

As a matter of fact, to the extent indicated, where the Canadian economy has not yet reached a point of strain which would render it susceptible to inflationary pressures, it was to be expected that the increase in the monetary system be adequate to the demand. It had been increased at the annual rate of almost 9% in 1963. This rate was maintained until July 1964 but the money supply has tended since then to level while the pace of growth of bank loans was diminishing. Only in November has there been some expansion. This adjustment of the monetary system has been accompanied by a remarkable stability in interest rates, particularly for long-term financing . . .

Revision of the Bank Act

The Bank Act will be revised in the next few months. Already deferred until publication of the report submitted by the Royal Commission on Banking and Finance, this revision will have to give consideration to, if not to implement as they stand, the recommendations and conclusions of this Commission. Two of the recommendations made are exceptionally important: one concerns the removal of the interest rate of 6% as being the maximum which may be charged by banks, and the other refers to the control which the Bank of Canada would extend over other financial enterprises engaged in some form of banking activity. The acceptance of these two provisions would bring about important changes in the financial and monetary markets, changes likely to bring about considerable improvement in the credit structure of our country.

The first provision, the ceiling imposed on bank interest rates, has had particularly harmful results for the past fifteen years, that is to say since the general rates of interest are quite high. When the prime rate is equal or very close to 6% and the credit available is limited, it is practically impossible for banks to make loans to business enterprises which involve exceptional risks or which have not attained, with respect to their size and operations, the same reliability as others. Such disparities in the element of risk should call for disparities in rates. Because of the limit prescribed, this is rarely feasible. When its application for credit has been turned down, the business enterprise must call upon other lenders whose interest rates are much higher. It is not normal to have and to maintain such divergence in the gradation of rates. Our financial markets, partitioned as they still are, bring about interest rates maintained at a level which is too high in some cases and too low in others. In order to give the required flexibility to the market and to overcome the barriers that divide it, the existing composition must be accentuated. In this respect, the two recommendations already pointed out appear to us as being particularly useful.

Bank assets over half a billion dollars

Extracts from address by the General Manager, Mr. Léo Lavoie

The 64th annual report of the Bank, which I have the privilege to present, reflects not only the high level of the Canadian economy throughout the year 1964 but also the not so easy monetary policy followed by the Federal authorities during the last months.

Continued growth of the Bank

Total assets rose from $487.2 to $506.9 millions. If one considers the pace maintained to reach the half a billion dollar mark, it is now quite pleasant to note the accelerated rhythm in the growth of our Institution. Our assets have increased from $400 to $500 millions in a little more than three years, whereas the preceding $100 millions increase had required almost five years.

However, the rate of growth was somewhat slower in 1964. The total of our deposits which have reached $475.9 millions, is only 4% higher than last year, while in 1963 the increase was close to 9.5%. Certain changes in our accounting procedure made during the year have accelerated the payment of cheques issued by our depositors and, as a result, the rate of increase was reduced by at least 2%. However, the main reason for this situation is the slower rate of increase of the money supply this year.

Under these circumstances, it is fitting to be satisfied with the results obtained, especially in the division of Savings. Deposits from individuals which reached the total of $229.5 millions at the end of the fiscal year. The 6.5% increase under this heading compares favourably with the average of all chartered banks in Canada.

Maximum utilization of resources

By contrast to this moderate increase of our resources, our loans have increased by $27.5 millions, or close to 10%, to reach $309.2 millions at the close of the fiscal year.

In order to meet all justified submitted applications for credit, the Bank had to modify the distribution of its assets. As a result, the investment portfolio was reduced by $6 millions during the year and cash resources by another $5 millions. Nevertheless, the liquid position remains fully adequate, considering that the primary and secondary reserves, plus other federal government bonds and call and day loans, total $140.4 millions. This establishes a liquidity ratio of 29.5% of our deposits, compared to 31.3% last year.

Diversity of loans granted

We have again this year complied with the needs for credit of various categories of borrowers. A particular attention has been given to the agricultural group; advances in this sector now reach a total of approximately $15 millions, more than half of which is authorized under the "Quebec Farm Improvement Act". Our loans to industrial enterprises have increased by approximately 20% during the fiscal year. However, loans to individuals is the category which has progressed more rapidly. Our "Budget Loans" plan continues to be extremely well received and at the end of the fiscal year it totalled $20.5 millions, representing an increase of 65% over the previous year.

The building trade in general is enjoying a period of great activity which does not fail to reflect in our loans.

Under another caption, the financial needs of municipalities and school commissions continue to tax our resources rather heavily. We cannot but wish that such public bodies would, in certain instances, speed up the floating of bonds on the long term financial market in order to reimburse more rapidly their bank credits, which are short-term by definition and could be of use elsewhere also to the benefit of the community.

Profits on the increase

Our overall operating profits for the last fiscal year amount to $4,460,312., after depreciation and deduction of the usual provisions for contingencies. This is a $210,000. improvement over the previous year. After contributing $150,000. to the Staff Pension Fund Society and setting aside $2,170,000. for Income Tax purposes, remaining profits available to our shareholders stand to $2,140,312. This is a $2.38 yield per share, or an increase close to 8% over last year's earning of $2.21 per share.

A growth in our assets plus a decrease in cash resources of lower return, combined with our constant effort in controlling an ever increasing operating cost, account for such a progress.

Total dividends paid to our shareholders amounted to $1,485,000. This is a return of $1.65 per share. Close to 30% of net profits of the year were set aside to be added to the shareholders' equity and permit a $700,000. deposit to rest account. The paid-up capital and rest account now stand at $26.4 millions. This is approximately 5.5% of total deposits, which is a normal ratio.

Modernization of branches

We have opened four new branches in Greater Montreal: two on Sherbrooke Street East, one on Park Avenue and one in the City of Verdun. Two agencies, namely Mont-Rolland and Edmundston-East, N.B., have been converted into branches. We now have a total of 197 branches and 167 agencies. Furthermore, nine of our older branches either moved into new premises or were completely renovated.

As a result, the Bank Premises account of our Assets has increased by $1.1 million, after deduction of the appropriate amounts for depreciation.

The dynamic attitude of our personnel

A reorganization of our administration structure has been undertaken, which so far has permitted us to establish three Regional Offices similar to the one already in existence in the Maritime Provinces for the past few years. Two were created in the Quebec District and another in Windsor, Ontario. Our experience so far has clearly indicated that through such a decentralization we bring the Bank closer to its customers. Therefore, we will endeavour to complete our reorganization programme during 1965, which will bring all our branches under the supervision of Regional Superintendents.

Our success as an Institution rests upon the talent, initiative and zeal of officers, branch managers and all the members of our staff. I wish to compliment them for their excellent work and assure them that it is our honest desire to bring forward any improvement that will render, as beneficial as possible, the fulfilment of their duty and responsibilities.

In closing, on behalf of the directors, the staff and myself, I wish to express our gratitude to our shareholders for the confidence that they place in us and for their co-operation in directing new clients to the Bank. Thanks to their close interest in the activities of their Bank, higher peaks will continue to be attained.

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