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Budget aims at record $650,000,000 deficit in try for major industry boost

Mutual development urged between Alaska, province

JUNEAU, Alaska (AP)—Public Works Commissioner Richard A. Downing urged British Columbia and Yukon Territory to work hand in hand with Alaska in the development of their resources and tourist industry.

Downing, speaking at the opening of a two-day conference on problems common to the three governments, said Far Eastern markets will play an increasingly important role in the search for new markets in the three areas.

Downing said Alaska and Canada may have to look to Japan for a market for their oil and it would be desireable, therefore, to consider joint efforts in the development of pipeline systems where adjacent Canadian and Alaskan production are consigned to a common market."

Alaska's production alone may soon exceed the volume which west coast refineries could absorb.

The B.C. projects are a proposed road from Hazelton to Jake's Corner on the Yukon section of the Alaska Highway, connections between Alaska Panhandle cities and the interior, reconstruction of the cutoff from the Alaska Highway to Haines at the base of the Panhandle, and paving of the Alaska Highway.

The new Alaska ferry system which is scheduled to start operation in 1962 would give the tourist industry and the fishing industry of southeastern Alaska a tremendous shot in the arm.

Tourist travel to Alaska by highway and ferry had direct economic effect on the Canadian provinces through which highway access is routed.

State and provincial governments would do well to co-ordinate their highway and service facilities information into a single document for general distribution."

Development of fisheries, dependent on fast reliable transportation, would free southeastern Alaska fishermen from dependence upon salmon and halibut.

Downing outlined the States plans for work on proposed highways which eventually will be connected with the Canadian road system.

In fiscal 1964 the state hopes to be able to start work on the Chitina-McCarthy leg of the Cordova - Chitina - McCarthy - White Rover - Alaska Highway route.

Some $16,000,000 worth of construction is contemplated on the highway south and west of Chitina through 1966.

He also noted that a 10-mile section of highway is being constructed on the south shore of the Mitkof Island. The highway eventually will become a portion of the long-proposed Stikine-Iskut highway, which would connect with the Cassiar-Stewart route in B.C.

Further engineering on the Stikine-Iskut route would be completed during the coming year. The state hoped to be able to bridge Dry Straits at the mouth of the Stikine in 1965.

The following year 10 miles of construction up the Stikine was being planned. "With 1966 set as the target completing date for the Cassiar-Stewart route, we hope British Columbia may be disposed to start construction down the Iskut as well as continue to work up the Stikine toward the border".

The United States and Canadian governments will probably have to foot most of the bill for any large-scale development of transportation facilities in British Columbia, Yukon Territory and Alaska, B.C. Highways Minister Gaglardi said Tuesday.

Mr. Gaglardi told a meeting of top officials of Alaska, Yukon Territory and his own province costs would be too high for the provincial and state governments.

Mr. Gaglardi said it would cost $152,180,000 to upgrade and pave those portions of the Alaska highway which are not surfaced at the present time in Yukon Territory and British Columbia.

Proposed highway developments in northern B.C. including the southern and northern portions of the Cassiar-Stewart route would cost some $54,800,000.

It would cost $13,310,000 to construct the B.C. portion of the Taku access highway to southeastern Alaska, $15,130,000 for the Canadian portion of the Stikine-Iskut highway and approximately $12,000,000 for B.C. share of the Unuk river - Burroughs bay highway, connecting the Ketchikan area to the Cassiar-Stewart highway.

The total cost to construct the Alaskan portions of the three routes, Mr. Gaglardi said would be approximately $47,350,000 for the 112 miles of roadway needed.

He said B.C. regards completion of the Cassiar-Stewart route as the top item on the province's highway priority list. He said completion of the southeastern ferry system was second and continued improvement of highway 16, Prince Rupert-Prince George link, was third on the priority list.

Next, in order, were reconstruction of the Haines cutoff; development of the Hazelton-Meziadin extension of the Cassiar-Stewart highway; the Stikine-Iskut route to serve Wrangell-Petersburg; the Taku route to serve Juneau, via Atlin; paving the Alaska Highway; and development of a connection from Lease lake to Atlin.

National debt record established

By ALAN DONNELLY
Canadian Press Staff Writer

OTTAWA (CP) — Finance Minister Fleming has pinned his hopes for strong economic growth on a series of intricate financial moves.

The keystone will be a bold move to push the Canadian dollar to a "substantial" discount on the exchange market.

The recovery program set out in his budget speech Tuesday night virtually ignored any big tax moves, except to wipe out the 7½-per-cent excise tax on automobiles and give corporations new incentives to modernize their plants and step up scientific research.

Mr. Fleming, leaving all tax rates unchanged, forecast a $650,000,000 deficit, Canada's fifth in a row and a peacetime record total.

The big news was the revolutionary decision to use the exchange fund administered by the Bank of Canada to buy United States dollars and thus depress the Canadian dollar's exchange value to a lower — unspecified — level.

The hoped-for goal is to give Canadian producers a price advantage against foreign competition at home and abroad and help them sell "many hundreds of millions of dollars worth of additional Canadian goods and services."

If it achieves its aim of increasing exports and displacing imports with Canadian goods, there would be a substantial drop in Canada's big international balance of payments deficit — $1,270,000,000 last year.

He also announced policies intended to reduce interest rates in order to promote Canadian expansion and discourage some of the heavy inflow of foreign capital that has helped cause the payments deficit.

Industrial lending boost

Lending power of the Crown-owned Industrial Development Bank will be boosted to $440,000,000 from $160,000,000 and its operations broadened to all types of industry.

There will be a new royal commission to study Canada's financial structure and institutions — including the Bank of Canada — and seek new means of generating Canadian savings for capital investment.

Liberal financial critic William Benidickson said the budget didn't live up to Mr. Fleming's "expansionist" promises. It was to have been "Fleming's flip-flop budget" reversing government policies, but it wasn't even that.

Mr. Benidickson continues his attack when the budget debate resumes Thursday.

Opposition Leader Pearson issued a statement saying the Commons "got expansion all right — in wind, words and debt." The budget was "a recognition of the government's failure after four years."

Observers saw chances of an early election fade when Mr. Fleming announced no big personal tax cuts.

Removal of the auto excise tax, effective today, is estimated to cut around $140 from the price of a $3,000 car if the saving is passed on to buyers.

The excise tax cut will account for $66,000,000 of the $100,000,000 in tax reductions provided by the budget in a full year.

Near record speech

Mr. Fleming read his 24,000-word speech in two hours and 38 minutes.

It was twice the length of normal budgets, but not a record.

He forecast record highs in budgetary spending and revenues for the current fiscal year which began April 1.

He predicted budgetary expenditures rising to $6,415,000,000 from $5,961,000,000. He figured economic growth would offset the tax reductions and increase revenues to $5,765,000,000 from $5,616,000,000.

Addition or $607,000,000 in old age pension payments — excluded from budgetary accounts — would boost total spending over the $7,000,000,000 mark.

The pension fund would get $640,000,000 in non - budget revenues from its special earmarked taxes.

The $650,000,000 budget deficit forecast would bring to $2,056,500,000 the total in five annual deficits in a row.

Mr. Fleming said the budget's economic impetus would bring "significant improvements" in the country's prospects.

The finance minister, concentrating on his planned moves in the financial field, provided only a smattering of tax and tariff changes.

He didn't touch consumer taxes on liquor and tobacco except for a change effective next January 1 to permit economic Canadian production of "king-size" cigarets containing more tobacco.

Sales tax exemptions

A few items were exempted today from the 11 - per - cent sales tax. Tariffs were increased on some textile items, poultry, record players and power lawn mowers and reduced on other textile products, motorcycles, pineapple juice and parts and engines for power lawn mowers.

The personal income tax change that will probably affect the most people is a provision that volunteer firemen may receive up to $300 in tax - free allowances from municipalities, retroactive to 1958.

Another change, effective in the 1961 tax year, wipes out the ceilings on medical expenses that may be deduced in computing taxable incomes. Still another added to the tax-exempt list is electronic speaking aids for persons who have lost their vocal chords due to cancer.

The big change in corporation tax will give a temporary 50 per cent increase in the rate of tax-free depreciation allowances on new capital plant expenditures exceeding a company's normal capital outlays. This will embrace assets purchased from now until March 31, 1963, and apply only in the first tax year in which the asset is acquired.

Mr. Fleming said the price advantage to Canadian producers from the dollar's discount won't last forever. They had to keep competitive, and any unwarranted price or wage increases could cost them the opportunity to reap the full benefits of the discount move.

The budget gave no hint of how far the government intends to push down the dollar's value.

Mr. Fleming said this program will be geared to other policies aimed at reducing interest rates and thus slowing down the inflow of foreign capital that has put upward pressure on the exchange rate.

A major objective, he said, is to meet Canadian capital requirements as far as possible from Canadian savings rather than from abroad.

Other policies tailored to the same general goals:

- Government encouragement to a further reduction in Canadian lending rates.
- Continuation of federal bond borrowing in the short-term field "for at least the next several months."

(Further budget details Page 8.)

Disarmament talks show no progress

WASHINGTON (AP)—Preliminary U.S.-Soviet disarmament talks headed into their third day today amid signs of a hassle even before the two sides get to a formal conference.

John J. McCloy, the U.S. disarmament chief, and Valerian Zorin, representing the Russians, arranged a mid-morning resumption of the talks which have shown no sign of progress since they began Monday.

Meanwhile, the chief U.S. delegate at the stalled Geneva nuclear test ban talks, Arthur Dean, was due to return to Washington late today for consultations with President Kennedy.

State department press officer Lincoln White said it was an "open question" whether Dean would return to the Geneva parley which has been under way since November, 1958.

During Tuesday's 2½-hour McCloy-Zorin meeting, Zorin was reported to have given a lengthy restatement of Soviet Premier Khrushchev's disarmament views. Both McCloy and Zorin declined comment after the closed session.

McCloy is trying to get agreement on a site for general disarmament discussions and on a list of participating countries. Washington and Moscow have agreed the conference should begin around July 31.

But the Russians want to merge the nuclear test talks with the general disarmament discussions, a move Kennedy opposes. And they want 15 countries at the conference table — five Communist, five Western and five neutral.

Kennedy advisers see the Russian 15-state plan as a form of Khrushchev's "troika" system — and they fear agreeing to this in the arms talks would promote its chances at the United Nations and in international organizations where Khrushchev wants it adopted.

Kennedy already has denounced Khrushchev's demand for troika, or a three-headed control system to police any ban on atomic testing.

U.S. strategists now believe the Kremlin is not interested in a nuclear test ban agreement.

German peace this year

MOSCOW (AP) — Premier Khrushchev told a cheering rally in the Kremlin today that a peace treaty with Germany will be signed at the end of this year. It was the most specific date he has given during the current crisis brought about by Soviet determination to force the western allies out of West Berlin.

Boat explodes

NORTH VANCOUVER (CP) — Bobby Lewis and Billy Johnston of Seshelt Indian Reserve were burned Tuesday when their gillnetter Rose-Marie III exploded while Lewis was attempting to start it at a dock here. They managed to untie the vessel and push it away from other boats before the fire could spread.

Halibut landed from six boats

Halibut was landed in Prince Rupert today by six vessels.

Selling on the exchange were: Fisher Lassie with 55,000 pounds including 34,000 pounds of medium at 20.3 cents a pound, 20,000 pounds of large at 22.5 cents a pound and 1,000 pounds of chix at 15 cents a pound, sold to Babcock; Seamaster, 60,500: 35,000 medium (20.3), 25,000 large (22.6), 500 chix (15), to Booth; B. C. Lady, 92,000: 55,000 med. (20.3), 35,000 large (22.4), 2,000 chix (15) to B.C. Packers; Atli, 33,500: 17,000 med (20.7), 16,000 large (22.6), 500 chix (15), to Pacific; Tootie Millie, 39,000: 30,000 med. (20.3), 6,000 large (22.4), 3,000 chix (14), to Atlin; Connie Jean, 21,500: 15,000 med. (20.3), 6,000 large (22.3), 500 chix (15), to Nelson.

Yesterday afternoon the Sunnyford landed with 86,000 pounds at the Prince Rupert Fishermen's Co-operative Association's plant at Fairview.

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BATTERED CAR belonging to Arvid Hellum of 940 Ambrose Ave., is shown above after wrecker pulled from newly-constructed guard rail in front of home of Mr. and Mrs. William Dunn of 649 Hays Cove Circle. Guard rail was only started by city works crews Monday but Monday evening Hellum's car partly demolished it. It is the 13th car in 15 years to have an accident in front of Dunn's home.

Coyne plan disputed

OTTAWA (CP)—Never has the unseen presence of one man weighed so heavily on a federal budget.

Threaded through Finance Minister Flemings' entire budget address Tuesday night were the ideas of James E. Coyne—some of them incorporated in government policy, but most of them rejected.

Seldom did Mr. Fleming miss an opportunity in his 24,000-word speech to dispute the Coyne theories. The speech's main summation: "This budget and Mr.Coyne were simply not compatible."

The central bank governor had warned against heavy deficit financing, against large federal cash borrowing, and against any tax cuts. In fact, he sought a temporary increase in personal and corporation income tax rates.

Mr. Coyne had said federal borrowing would drive up interest rates. Mr. Fleming said the government is trying to encourage a reduction.

But Mr. Fleming saw Mr. Coyne's statements as being in "fundamental conflict" with government policy. The Bank of Canada governor might agree with some points in the budget, but "it is in the basic elements that the differences lie," the minister said.

Driver fined, grounded as guard rail smashed

City Works Superintendent C. J. Gustafson and Mr. and Mrs. William Dunn have something in common—they just can't win.

The Dunns, who live at 649 Hays Cove Circle have been more than a dozen cars fail to make the corner in front of their home and land in their front garden.

Monday night at 7 o'clock the 13th car made a stab at it but, thanks to work begun that morning by city works crews, was prevented from making the complete trip by a newly-installed partly - completed guard rail.

However, Mr. Gustafson's new guard rail had two of the telephone-pole-thick uprights shattered and now needs complete repairing.

The old model car, driven by Arvid Hellum of 940 Ambrose Avenue, is considered a total loss with damage estimated at between $400 and $500. It was towed away by Shell Sunset Service. Neither Hellum nor his passenger Bruno Difant of Prince Rupert was injured.

Yesterday afternoon in police court, before Magistrate E. T. Applewhaite Hellum pleaded guilty to charges of driving without due care and attention and driving without a driver's licence. He was fined $50 on the first charge, $10 on the second and was forbidden to drive for three months.

Meanwhile, the Dunns are getting over the shock of not having a car coming completely over into their garden and Mr. Gustafson's men are busy resurrecting the job they started. Mr. Gustafson said that the city taxpayers are not out anything as Hellum has already paid the $177 cost of putting up the first guard rail.

The guard rail was erected after the Dunns wrote a letter to city council on May 11 after the 12th car had ploughed up their front garden. They told council that life at 649 Hays Cove Circle was too costly and too hazardous without a guard rail.

Spilled oil cause of house fire

Firemen were called to 1224 Eighth Avenue East, the home of H. C. Olsen, about 9:30 p.m. where an oil fire had threatened the home.

Oil had apparently spilled from tanks outside the house and it is believed that a child playing with matches ignited the liquid.

The blaze was out when the firemen arrived. There was no damage outside of a few scorched shingles.

B.C. ROUNDUP

Fish companies lose bid to keep probe secret

VANCOUVER (CP) — The British Columbia Court of Appeal today rejected an appeal and paved the way for release of information that eight fishing companies sought to keep confidential.

The court agreed with Mr. Justice Harry Sullivan that the conduct of a probe into the fishing industry is entirely under the control of the restrictive trades practices commission.

An inquiry into the fishing industry ordered by the commission in 1956 was halted last year by a temporary injunction granted eight B.C. companies and 17 individuals restraining the commission from making public information obtained from company records.

Power takeover?

VICTORIA (CP) — The Times, in a dispatch from Ottawa Tuesday, says there is a "growing belief" among federal authorities that Premier Bennett would have the provincial government take over B.C. Electric Company and Wenner-Gren plans as part of a new power policy.

Sommers parole soon

VICTORIA (CP) — An official of the National Parole Board said Tuesday Robert Sommers, former British Columbia lands and forests minister in prison for bribery and conspiracy, will be considered for parole this summer.

Labor board to arbitrate

A conciliation board has been appointed by the department of labor to consult on the dispute between the Prince Rupert Fishermen's Co-operative Association and the International Union of Operating Engineers, Local 510.

They are F. Cope of Victoria, chairman; R. G. Moore of Prince Rupert for the employers and H. Berger of Vancouver for the employees.

Shop entered

Superior Radio Sales and Service Ltd. at 204 Fourth Street was broken into sometime last night or early this morning and more than $100 worth of equipment taken.

RCMP said that no further details were available.

Prince Rupert has now gone 886 days without a fatal traffic accident.

Bennett favors cash devaluation

JUNEAU, Alaska (CP) — Premier Bennett of British Columbia interrupted transportation talks with Alaskan officials Tuesday night to say he was pleased Finance Minister Fleming has decided to devalue the Canadian dollar.

"It should have been done four years ago, but better late than never," the premier said.

"If the effect of devaluing the dollar is really to be felt it should be set at 91 cents in terms of U.S. money and should be pegged to the U.S. dollar."

Bus overturns

BURNABY (CP) — A B.C. Electric bus went out of control on a slippery steep hill here Tuesday night and overturned in a ditch. Dennis Mitchell, 16, suffered head injuries and Douglas Skidmore, 15, received chest and back injuries. The driver, Walter Wrigley, was taken to hospital suffering shock.

WEATHER

Mostly sunny tomorrow with little change in temperature. Light winds. Low tonight and high tomorrow, 48 and 60.

TIDES

Thursday, June 22, 1961 (Pacific Standard Time)

High	07:55	15.0 feet
	20:36	18.0 feet
Low	02:04	8.5 feet
	14:03	7.7 feet