

unreasonably increase the cost to place the contract in the United States. An instance of an exception in the national interest is the determination made by the Assistant Secretary of the Air Force, and now in effect, that Air Force purchases in Canada, other than food and clothing, will be exempt from application of the Buy American Act. On the question of "unreasonable increase in cost", I suppose the 25 per cent I have just mentioned is the ultimate criterion, but the Secretary has authority to decide in favour of the outside supplier where the best U.S. price is \$5,000 or more in excess of the outside supplier's price.

For Canadians seeking sub-contracts in the United States, the most relevant section, apart from the general exception for Air Force purchases, is the one which permits a sub-contract to be placed in Canada without any special authorization if the Canadian content, together with all other non-U.S. material, does not exceed 25 per cent of the total cost to the U.S. contractor in manufacturing the end item.

There is nothing new in what I have just been telling you about the Buy American Act, but as I said before, there has been a lot of confusion in people's minds as to what it means, and in some cases undue delay has been experienced because of insistence that cases had to be referred to Washington. To clear up this matter, the U.S. Air Force recently asked its regional officers to advise all their U.S. prime contractors of the position with respect to Canada in so far as the Buy American Act is concerned. If you still find that you are having trouble with U.S. Air Force contracts, you should ask to have the case referred through the regional office to Wright Field at Dayton, Ohio. In the case of U.S. Army contracts, difficulties should be referred to the Detroit Ordnance District, which has been designated to deal with all Canadian contracts.

That is the report that I bring, and which I hope you will find encouraging. There is still a substantial volume of direct contracts to be let in our own programme, though the pattern of the expenditures to be made is pretty well established. Some new facilities still have to be provided, and a few new programmes commenced; and undoubtedly there will be more sub-contracts to be arranged. Apart from our own programme, however, arrangements have been made which provide an opportunity for Canadian manufacturers to participate more readily in the United States programme. There can be no doubt of the willingness of the United States authorities to assist us in this, as evidenced by the steps that they have already taken, designed, I might add, not only for this purpose but also to help themselves. It is now up to us to take advantage of these opportunities.

Let me remind you that we do not have in our programme any large reservoir of business that can be placed just to suit local conditions or just to take up slack in manufacturing capacity that has developed. When plant capacity and labour become available, we will do all we can to help, but the real initiative must rest with industry itself. Some things can be done by government--some depend on industry initiative. With your help a good deal has been accomplished and some real progress made, but much still remains to be done.

S/A