

on a commercial basis. Generous allowance for depletion is deductible in computing both corporation and personal income taxes. Mining and petroleum enterprises are not subject to deferred depreciation, a measure which was introduced to check inflation and reduce non-essential investment. In addition, the government is prepared to grant accelerated depreciation where it is felt this is necessary to encourage further expansion.

In certain urgent cases capital assistance is granted to speed up development. This has been done in connection with the reactivation of the Emerald tungsten mine in British Columbia and to defray part of the cost of building a railway to a new nickel-copper mine in northern Manitoba. In addition, special priority assistance is given to industries developing other basic resources. Approved projects receive priority treatment in procuring scarce materials such as structural steel, copper wire and other items that are now under an order-approval system of allocation.

Without burdening the house with too many figures and statistics I have tried to give an appreciation of the progress to date of our defence procurement. No programme of this size can be expected to proceed without difficulties. Of course we have our difficulties, but the progress we have made to date is, I believe, such as to justify considerable satisfaction.

Let me remind the house again of the nature of our programme. It is not a programme designed solely to produce great quantities of war material in short order. There is a large element of insurance in it, since we are building now for production levels much in excess of anything that is included in the present planned procurement. For example, our programme includes fourteen destroyer escorts to be produced during a period of three years. We are, however, building a plant for the production of the propulsion machinery that would be capable of producing at more than this rate in a single year. Again in the aircraft programme we are building plants that are capable of doubling or trebling present output of engines and air-frames. In the explosives field, we are rehabilitating the Valleyfield plant of Canadian Arsenals so that it will be capable of producing at least double the currently planned rate of production. Many other examples could be given, but it is clear that a programme such as this is unlikely to appear spectacular in the early stages by any statistical measurement of output.

In his report to the President of the United States on his third quarter of 1951 production, Charles E. Wilson stated that his defence production programme is now emerging from the tooling stage. That is about the position of the Canadian production programme. We are now placing orders at a rate approaching \$200 million per month, and we are making actual cash outlays for procurement at the present time of \$70 to \$80 million per month. Within the next twelve months we will undoubtedly reach a rate of expenditure of between \$100 and \$125 million per month.

I make no apology for the present status of the programme I am satisfied that we are making good progress toward the sensible goals we have set, and I am confident that we will achieve our objectives.