

TIGHT BINDING.

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With particular regard to Canadian production on a larger scale than at present, Mr. MacKenzie believed that it would be necessary for the Canadian Government to take the following factors into account:-

- (i) The Canadian requirements would be estimated on the basis of this year's fiscal vote (\$35,000,000) for the Department of National Defence which included Navy, Militia and Air Force. It would be possible to work out a three-year plan which, of course, would be subject to Government policy and the will of the Parliament. His advisers were in a position to give full details when required.
- (ii) The development and extension of Government arsenals would receive first consideration.
- (iii) If, as would seem probable, private industry were permitted to produce munitions on a large scale, there would be close co-operation on the part of the Canadian Government, as well as limitation of profits, and complete provision for inspection, audit and control of production.
- (iv) Firms already well established would receive first consideration; it was not desired that new munition industries should be created without previous industrial background and experience.
- (v) Whether the Government of the United Kingdom would be prepared to place orders, supplementary to Canada's, with private industries mentioned in considerations (iii) and (iv) above. If so this would lessen overhead charges and make for economy. The Government of/

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