

expenditures was due mainly to the policy followed this year of liquidating the balance in the national defence equipment account by charging defence equipment purchases to that account.

Mutual aid to NATO countries and contributions towards the military costs of NATO were \$21 million less than in the previous year. Under the provisions of section 3 of the Defence Appropriation Act the Governor in Council may authorize the transfer of defence equipment or supplies and the provision of services or facilities for defence purposes to other parties to the North Atlantic Treaty. The expenditures of \$97 million for 1958-59 included \$75 million for the transfer of equipment and supplies, \$10 million for costs incurred in acquiring and supplying military equipment for, and in the training in Canada of aircrews from countries which are parties to the North Atlantic Treaty and \$12 million for Canada's share of the NATO military budgets and infrastructure costs.

Outlays for defence research and development were \$78 million compared with \$79 million in 1957-58.

The government's contribution to the permanent services pension account of an amount equal to $1\frac{2}{3}$ times the contributions by permanent services personnel was \$50 million, the same as in 1957-58.

Administration and general costs increased by \$1 million in 1958-59 over the 1957-58 total.

The total expenditure of \$14 million for the Department of Defence Production was \$1 million less than in 1957-58. A decrease of \$3 million in respect of the programme under which capital assistance is given to private contractors, Crown plants operated on a management-fee basis and Crown corporations undertaking contracts essential to the defence programme was partly offset by an increase of \$2 million in administration and general costs.

Civil defence expenditures of \$5 million were \$1 million higher than comparable costs in 1957-58.

In addition to these budgetary expenditures for defence, there were certain other cash outlays which must be considered in assessing the full effect of the defence programme on the economy of Canada.

For several years the estimated replacement value of equipment and supplies acquired by the Department of National Defence prior to March 31, 1950, and later transferred as mutual aid to NATO countries, was credited to the national defence equipment account, to be used subsequently for the purchase of equipment or supplies for the army, naval or air services thereby involving cash outlays which were not reflected as budgetary expenditures. Since 1956 no credits have been made to this account, instead the Defence Services Vote provides that where any equipment or supplies are transferred as mutual aid, the estimated present value thereof shall be credited to that vote. In accordance with the policy outlined in the budget speech of June 17, 1958, the balance remaining in the national defence equipment account has been liquidated in 1958-59. Total charges of \$212 million were made to the account in 1958-59 compared with \$24 million in 1957-58.

Under section 11 of the National Defence Act there is provision for the sale of materiel, not immediately required for the use of the Canadian defence forces or the Defence Research Board, to such countries and upon such terms as the Governor in Council may determine. The proceeds of such sales are credited to a special account to be used for the procurement of materiel. Net cash outlays from this account during 1958-59 were \$6 million leaving a balance of \$12 million at March 31, 1959.