

Because of its flexibility, we feel we will be in a much better position to meet changes in over-all supply and demand, and in the United States priorities picture, than we would be if a more rigid system were adopted.

In the Chemicals Division, efforts are being made to assist industry with some of its supply problems and in arranging the mechanics of handling Canadian requirements for chemicals and chemical equipment to be secured in the United States. As a first step, a number of chemicals were placed on the essential list under the Defence Production Act. So far, it has been possible to work out satisfactory arrangements without formal control. However, in view of proposed international allocations, it will be necessary to place sulphur under control in the near future.

The continuing shortage of sulphur is a problem that is not confined to Canada, and, as part of our contribution to the over-all situation, every effort is being made to reduce our dependence upon the United States sources of elemental sulphur. Plant expansion has been approved to increase production of sulphuric acid in this country, as well as new capacity to produce elemental sulphur from natural gas in Alberta and liquid sulphur dioxide from the operations at Copper Cliff. Studies are also being made to increase our production from smelter gases and pyrites.

Expansion is taking place in other parts of Canada's heavy chemical industry, and many new chemical processes are being planned in this country for the first time, including the manufacture of nylon intermediates, polyethylene for plastic and electrical insulation, cortisone, and important new petrochemicals, the latter in Alberta. Altogether, priority assistance has been given for expansion amounting to more than \$150 million.

On the supply side, arrangements have been made with the United States for the allocation of chemicals to Canada, with distribution to be made where necessary under the direction of the Chemicals Division.

The development of the oil resources of Canada has assumed new importance with our defence programme placing increasing demands on available supplies. The Petroleum Division is doing everything possible to increase our own production and to work out with the United States authorities a satisfactory distribution of North American supplies. Since the division has been in operation, a survey has been made of tubular steel requirements in this country and a system of allocation set up to fit in with United States procedures. Canada was granted an allotment of 13,000 tons of steel for the oil industry for the third quarter of 1951, and distribution of this will be supervised through the Calgary office. A system of reserve supply depots, and the method of withdrawal from these depots, have now been established and will go into operation on July 1.

The division has also worked out, in co-operation with the United States authorities, a system of allocation of tetraethyl lead to Canadian refiners in order to conserve supplies and build up inventory. In addition to a number of surveys on the supply and consumption of certain petroleum products, the division has given assistance to the industry in obtaining materials for urgent projects already under way.