

techniques. In some instances, in order to get better production runs, we have offered to make some of our output available as mutual aid to our NATO allies, financing the production from funds voted by parliament for this purpose. I might add that we do not make such offers unless we are assured by the Defence Production Board of NATO that such supplies would help meet a real deficiency which could not be adequately met from European production. Examples of items which we are now offering to NATO countries from current production include 155 millimetre howitzers and other artillery items, as well as certain radar and other electronic equipment.

So much for the questions involving decisions as to what to produce in this country, When a decision has been made to build a certain type of aircraft or a certain type of ship, certain types of armament or any other complicated piece of equipment, we are faced with establishing the necessary facilities.

In most cases existing plants have to be largely rearranged or new plants built, machine tools have to be purchased and production tooling and setting up expenses incurred. In some cases it is advisable to establish these facilities with capacities greater than our immediate requirements, as a measure of insurance. We have two basic policies that we follow in dealing with these cases. If industry will put up its own money we offer them accelerated depreciation so that they may reduce the value of their investment to a reasonable figure in the event that the facilities are not required for the original purpose and have again to be converted. I might add the obvious fact that, if the facilities are required by the Government after they are written down, the Government receives the benefit, as the assets can only be depreciated once. If it is not possible to persuade industry to advance its own money on terms satisfactory to the Government, we provide the facilities through direct capital assistance, but in that case we retain title to the assets. Sometimes one course seems advisable, sometimes the other, and on rare occasions some combination of the two.

To date we have concluded arrangements for accelerated depreciation in three cases. We have five formal applications under study, and nine or ten others in the early discussion stage. Because so many of these cases have not yet been settled, I cannot give the House much in the line of figures as yet, but the three settled cases involve assets to the value of approximately \$1,500,000. The formal applications before us involve assets valued at approximately \$20 million.

In capital assistance we have projects in various stages of completion which will ultimately aggregate \$107 million, only part of which, however, will be spent in this fiscal year.

One further matter that I might mention in dealing with the estimates is the department's revolving fund. This of course is a statutory vote, and was discussed at some length when the Defence Production Act was being debated. However, because of the importance of this vote, I should like to advise hon. members of the commitments which we have entered into and have financed through the revolving fund. To date a total of \$74 million has been allocated from this fund to provide for the purchase, and resale, during the year of textiles, wool, strategic materials, shipbuilding, and ammunition components, to the value of some \$250 million.