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cost involved would be largely in sterling. However, in any negotiations as a result of this proposal, it should be pointed out that the Government was prepared to use some fixed sum, say the sterling equivalent of \$200 or \$500 millions, for such purposes, and it would probably be desirable to place a top limit on the total cost to be undertaken for each such project.

In this connection, the Committee draws attention to the difficulty that would apparently be involved in estimating in advance the cost of a given number of squadrons when the nature of the new squadrons being formed (that is to say whether they are to be bomber or fighter squadrons) must depend upon the military and supply conditions at the time. These difficulties should not, however, be insuperable if agreement can be reached in principle. It may be noted that the time required to organize and equip the new squadrons might prevent the expenditure for this purpose of as much as the sterling equivalent of \$200 millions in the next twelve months.

If Canada should care to assume some additional direct expenditures of this kind from its sterling balances, which will relieve Britain of a corresponding expenditure, the Canadian Government would then be in a strong position to ask the British Government to take a much more reasonable attitude in regard to the prices it is prepared to pay for Canadian agricultural and fishery products. These prices, the Committee believes, should be high enough to make it unnecessary for the Dominion to add a subsidy to what Britain pays in order to provide a reasonable return to producers and bring forth the necessary supplies. While it would probably not be feasible to establish a precise relationship between the expenditures undertaken by Canada and the action expected of the United Kingdom in regard to the prices of food-stuffs, <sup>it</sup> ~~which~~ would be most desirable to impress upon the British authorities that Canada would use a fixed amount of surplus sterling for additional direct military projects