

It now transpired that the full amount requested on December the 9th (\$12,500,000) was required since financial encumbrances had, in fact, been issued for \$11,007,482 in excess of the allotment made by Treasury Board. This had been an error in procedure but the full programme in process of completion should now be authorized. An explanatory report had been circulated.

(Secretary's memorandum, December 22, 1942 - C.W.C. document 371).

29. The War Committee, after discussion, approved in principle provision of the full amount of \$12,500,000 for increased facilities at Dominion Arsenals, Quebec.

Timber production in British Columbia

30. The Minister of Munitions and Supply submitted a letter addressed to the Minister of Finance, regarding a critical shortage of logs in British Columbia. Copies of the letter had been circulated.

The shortage was having a very serious effect on the war effort; existing orders could not be filled until next summer, despite cuts in certain programmes; the most serious shortage was that of plywood for aircraft manufacture.

The present grave situation resulted from labour shortage and taxation problems. The former was already being dealt with. As to taxes, it was suggested that, to encourage greater production, \$1.50 per thousand feet of non-taxable special depletion be allowed on production of saw logs in the coastal area. This allowance would, it was felt, stimulate production, possibly to the extent that some of Canada's export demands might be met.

As it was, necessary curtailment of export of British Columbia lumber had caused misunderstanding and criticism in the United States. In the circumstances, relief along the lines suggested would be justified and was, accordingly, recommended.

(Letter, Minister of Munitions and Supply, to Minister of Finance, December 14, 1942 - C.W.C. document 374).

31. The Minister of Finance said that officers of the Departments of Finance and National Revenue felt that special treatment for one area in regard to depletion allowance would be a most dangerous precedent and involve inevitably similar demands from other interests.

32. Mr. Howe expressed the opinion that the coastal area was in a special position; similar conditions did not exist in eastern Canada and no similar requests from other areas need be admitted.