

represented in these two cities, and in each case there is an office manager to co-ordinate the administrative work in these two centres. As space was limited in the Canadian Embassy in Washington, it was necessary to move the department's office to new quarters on June 1.

In the Washington office we have on-the-spot representatives for the different divisions of the department that have a direct interest in what is happening in the United States priorities field.

To avoid duplication of effort, arrangements have been made to use Trade and Commerce officers and facilities in London, England, and also at St. John's, Newfoundland, and Vancouver, British Columbia. In each case it was found that the interests of the two departments were sufficiently close to warrant such a course and that it was unnecessary at this time to set up separate offices.

Turning now to some of the problems with which we are dealing, I think I should start with the question that first arises in connection with the wide variety of things that are required by modern armies, navies and air forces. Should these items be produced in Canada, or obtained from other sources of supply? In many cases it has not been easy to arrive at these decisions. A number of factors are involved. As you know, a decision has been taken to adopt United States type equipment for our army. This means, in many instances, that before we can make production decisions we must secure rights to manufacture from the United States, as well as plans, specifications and bills of material. Frequently we must also secure special security clearances for departmental officials or Canadian industrialists to visit plants in the United States in order that they can study special production problems at first hand.

In the beginning we found that the securing of the necessary rights to manufacture, the specifications, and access to production sites was a time-consuming process. Naturally there are reasons why this might be so. The rights of private industry, as well as government proprietary rights, are involved. The security of highly classified material must be adequately safeguarded. I am satisfied, however that we have now worked out with the United States authorities procedures which will facilitate and accelerate the release of the rights and information which we require.

Another factor is our limited requirement for military end items in certain fields, which does not make it practical to undertake Canadian production if we would only be filling our own orders. In some instances we feel that because of special circumstances our production would be particularly efficient, and in such cases we attempt to interest the United States in our production facilities. According to our agreement on economic co-operation, signed by Canada and the United States last October, we are pledged to utilize the combined production facilities of our two countries to the best possible mutual advantage.

There are, of course, certain cases where, despite limited Canadian requirements and lack of United States orders, we feel that it is important that we initiate production in this country. The reason for such a decision is that we feel that if a war should develop, we would have immediate need of heavy production in certain fields, which could not be brought into being unless we establish a nucleus now. This entails partial tooling up, training key production personnel, and studying new production