

From the Government's point of view, there are a number of arguments in favour of this policy. In the first place, accelerated depreciation avoids many of the problems associated with Government ownership; it eliminates the need for continuing supervision; it does away with the problem of ultimate disposal; it provides a greater incentive for economy in making the original investment.

The advantages to industry are also considerable, particularly from a long-term point of view. In the first place, while accelerated depreciation offers an incentive to corporate and private business to invest in defence, it also offers industry a challenging opportunity to express its confidence in the future of Canada. It provides an opportunity to gain technical "know-how" and to share in possible Canadian industrial developments in the post-emergency period. Furthermore, in contrast to Crown-owned facilities, it enables the owner to plan for future operations with the assurance that the assets will not be disposed of to a third party. While accelerated depreciation is not an allowable element of cost in current Government contracts, it does provide protection for corporate and private capital investment. A further incentive to this type of investment is that consideration can be given to profit allowances at a higher level than those granted to firms operating with facilities furnished by the Crown.

So far we have been considering the question of what lies ahead for industry when we reach the objective of the present defence effort. I would like now to give thought to this question in relation to the immediate future. It is always a good thing to plan well in advance for a possible contingency but in doing so we don't want to neglect the job in hand. From the Government's point of view, the task immediately ahead of us is to maintain production schedules and to get deliveries as quickly as possible in order to attain the degree of strength needed to stop aggression.

I well remember the enthusiasm which Canadian industry first showed in tackling this defence job. Much of that enthusiasm is still in evidence and there are many companies today that are putting their best effort into defence work. On the other hand, we are facing situations where it is hard to get firms to take on certain types of defence contracts and also where there is a slowing down on work already in production. In other words, it seems to those of us who are looking at the picture from the Government side that there is a growing tendency to put priority on commercial work instead of defence contracts.

I know that there are reasons for this change in attitude. Some of it has been due to delays which were probably unavoidable but for which the Government must take some responsibility. I have already mentioned the difficulty of getting plans and specifications in the changeover to U.S.-type equipment which has held up production on a number of items. Then, too, an entirely new department had to be set up and it naturally took a little time to get under way and to iron out some of the administrative difficulties.

Another reason for the change in attitude is that the programme has been far more complex than any of us could foresee in the beginning. The technological progress in military weapons and equipment that has been made since the last War has been tremendous. This in turn has made the production of these items a more difficult proposition, calling for greater precision and skill than was needed before. We are up against examples of this every day.