

A number of measures have been taken to encourage investment and to cushion any recession that might occur. Other measures have been taken from time to time to meet special situations and conditions of the times. When the outbreak of hostilities occurred in Korea, national production, employment and income were at high levels and the Canadian economy was operating at close to capacity. This naturally meant some adjustment had to be made to meet defence requirements, but the impact of rearmament varied widely with different industries. In large measure, this impact has tended to be concentrated on metal working plants, since well over two-thirds of the orders placed have been for aircraft, ships, guns, ammunition and electronic equipment.

Additional capacity has mushroomed to handle military orders and to satisfy a growing demand for many of our basic resources. Not only has the Government encouraged such investment, but it has also taken steps to retard investment in consumer goods and services. As the defence programme continues and as the materials situation improves, it will be possible to replace defence outlays with some of this backlog on the consumer side.

A high level of investment is an important factor to Canadian prosperity. You may be interested to learn that a survey of industry's plans for the period 1952 to 1955 shows a total capital outlay of some 5 billion dollars. The expenditure of this sum would maintain Canadian investment at the 1951 level for nearly three years. It is, of course, difficult to forecast what is going to happen two or three years from now, but the general outlook for Canadian industry is encouraging.

Another point to bear in mind in considering what will happen to industry, is the way in which the Government has handled the financing of new investment for defence. As you know, the Government's policy has not been to call upon private enterprise to shoulder the burden of investment in facilities with little or no residual commercial value. To meet the more specialized requirements of the defence programme, the Government arranged for Crown-owned facilities to be built with capital assistance. This was done particularly in aircraft shipbuilding -- and here I am speaking of these industries in the broadest sense, including subcontractors as well as prime contractors -- where it was felt that private industry, on its own, could not justify the investment involved. In other cases, where the long-run commercial prospects were more promising but industry did not feel that it could undertake further investment at this time, the Government has granted accelerated depreciation.

The way in which these two measures have been used has, I feel, strengthened Canada's industrial base. By relieving industry from investing in new facilities that could be used only for defence production, and by encouraging investment in facilities of value in normal commercial operations, the Government has gone a long way towards ensuring smooth conversion from defence to civilian business.

As you may know, the Department has been giving some thought to the use that should be made of these two financial measures now that arrangements have been made for the creation of most of the new facilities needed to carry out the programme. It would seem that there is now a good deal to be said for using accelerated depreciation wherever possible in place of capital assistance.