

39. Evidence presented to the Committee shows that approximately 77% of Canada's total defence budget, 1963-1964, is allocated to the payment of salaries and to expenditures concerning maintenance and operations, while only 23% of the budget is for new equipment. In gross figures, this means \$1,253,300,000 for salaries and maintenance costs, and \$337,500,000 for equipment.

Evidence further indicated that there has been for a number of years a progressive increase in the proportion of the defence dollar going to salaries, maintenance, etc., with a corresponding decrease in the amount available for the purchase of new equipment. The proportion of the defence dollar available for new equipment is seriously affecting the fighting capabilities of Canada's armed forces.

40. Your Committee recommends:

- (a) That the Financial Reports of the Defence Department should reflect the cost of defence according to functions and operations.
- (b) That the division of the Defence budget among the services should be determined according to the changing overall military role rather than frozen to any traditional percentages.
- (c) That the Department of National Defence, in co-operation with the Secretariat of NATO, evolve as soon as possible a new method of assessing the contributions of each member country of NATO. The establishment of a weighted index would permit a more accurate assessment of the financial contribution of every member of the Alliance.
- (d) That, in addition to the annual review of budget appropriations, defence expenditures should be projected several years ahead in relation to a percentage of the gross national product and in respect to the planned programs.

41. In order to follow up the third chapter, further time is required to study:

- (a) Priorities in expenditures
- (b) The economic consequences of Defence budgeting
- (c) The possibility of decreased defence expenditure in the event of continuing lessening international tension, and in conjunction with mutual reduction in armament.

CHAPTER IV—NATO

42. Canada was one of the original 12 (now 15) nations signatory to the North Atlantic Treaty in April 1949, and played a leading role in the formation of the Alliance, the members of which are, in the words of the treaty "determined to safeguard the freedom, common heritage and civilization of their peoples . . . (and) are resolved to unite their efforts for collective defence and for the preservation of peace and security." NATO continues to be an essential foundation of Canada's foreign and defence policies. The treaty is to be in force until at least 1969. Section 13 reads as follows:

After the treaty has been in force for 20 years, any party may cease to be a party one year after its notice of denunciation has been given to the Government of the United States of America, which will inform the governments of other Parties of the deposit of each notice of denunciation.