

Production as it had for the Minister of Trade and Commerce in connection with procurement in Canada of defence requirements. Actually, as the situation stands today, all procurement, whether for Canadian account or the account of other countries, is, in fact, handled by officers of the Department of Defence Production, but to facilitate the contractual arrangements, the transactions with the purchasers outside of Canada are processed through the Canadian Commercial Corporation. Thus, for example, the Bureau of Ordnance of the United States Navy has a contract with the Canadian Commercial Corporation for the supply of naval guns; the Canadian Commercial Corporation looks to the Department of Defence Production for the supply of these guns; and the Department, in turn, has one contract with the Canadian supplier for the aggregate of the United States requirement as well as the Canadian requirement for that particular type of weapon.

Nature of the Program

Before describing the basic structure and organization of the department, it will probably be well to review briefly the nature of the program for which the Department was established. In introducing the Defence Production Bill in the House, Mr. Howe pointed out that the government was then embarking upon a \$5 billion defence expenditure program, which would be spread over a three-year period. This did not mean, however, that the new Department would make purchases of anything like that amount, for a very substantial part of the total cost was represented by military pay and allowances, Department of National Defence administrative costs, rentals, purchases of land, and various other services which are not dealt with by the Department of Defence Production. Over the three-year period, these expenses were estimated to amount to something over \$1½ billion, which would leave just under \$3½ billion for the purchase of goods and materials by the Department of Defence Production. To this figure would have to be added whatever production was done in Canada for purchase by other governments through the facilities of the Department.

These figures are cited to indicate the approximate proportion of the total defence budget—say 60 to 70 per cent—which could be expected to be spent by the Department of Defence Production. Little purpose could be served by any detailed analysis of the \$3½ billion figure quoted, since the program is continually changing as it develops and, further, the composition of the program, in any event, is not the responsibility of the Department of Defence Production. However, the Committee may be interested, and it may help to get the situation into focus, if I give a rough breakdown of the contracts let by our Department for the first six months of the current fiscal year. These figures, of course, may not be readily comparable to published program figures of the Department of National Defence, since we are concerned with the overall of, say, the textile program of the three Services, and not primarily concerned with the breakdown between the textile requirements of the Army, Navy, and Air Force. Again, when we refer to the field of electronics, we are thinking of all the electronic equipment that has to be procured, whether it will ultimately be incorporated in a stationary structure such as a radar station, in a gun, on a ship, or in an airplane. There is one other rather obvious qualification that I should mention in putting these figures on the record; that is, that the mere dollar volume of a particular program is not necessarily the measure of its complexity. Neither does the mere number of individual contracts tell the story. However, in order to give the Committee some indication of the job we are setting out to do, as background for a description of the general organization of the Department, I may say that in the first six months of this fiscal year the Department has placed orders to the extent of some \$1,100 million. Of this, over a third, or some \$430 million, was