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DEPARTMENT
OF
EXTERNAL AFFAIRS

BULLETIN

January - March

1941

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EXTERNAL AFFAIRS BULLETIN

January-March, 1941

A. PARLIAMENT

1. CANADA'S WAR PLANS FOR 1941, EXTRACT FROM STATEMENT BY THE PRIME MINISTER ON CANADA'S WAR PLANS FOR 1941 GIVEN IN THE HOUSE OF COMMONS ON FEBRUARY 17, 1941.

Much careful thought has been given by the war committee of the cabinet to the organization of the new phases of Canada's war effort. In working out our plans we had not only the advice of our own military and industrial experts but the benefit of first-hand knowledge gained by the Minister of National Defence (Mr. Ralston) and the Minister of Munitions and Supply (Mr. Howe) during their recent visits to the United Kingdom. A program for 1941, based on the utilization of Canada's utmost productive capacity, has been drawn up in complete agreement with the British government. The measures which have been decided upon are being timed to fit into the program of the admiralty, the war office, the air ministry and the supply departments of the United Kingdom. As an introduction to the discussion of the war appropriation bill I perhaps cannot do better than to place on *Hansard* a brief outline of these measures. They will be dealt with in detail by my colleagues in the discussion of the bill. Perhaps this is a convenient moment at which to remind hon. members that very full reviews of Canada's war effort were given by the ministers of the departments concerned, in the debate on the address. These reviews will, of course, not need to be repeated.

To-day the strength of Canada's navy is 175 ships and over 15,000 men of all ranks. Under the new programme the expansion will continue at a rapid rate, bringing the navy by March 31, 1942, up to an estimated strength of 413 ships and 26,920 men. I should add that, in addition to the merchant ships being built in increasing numbers, it is proposed to undertake the building of destroyers in Canadian shipyards.

The plan for the army includes the dispatch overseas, successively, of:

1. The balance of the corps troops for the Canadian corps of two divisions now in England;
2. An army tank brigade for employment with the Canadian corps;
3. The third Canadian division, with its complement of corps troops; and
4. A Canadian armoured division.

The air training plan will be developed vigorously and energetically throughout the year. All the projects and schools connected with the plan will be opened and in operation before September next, representing a clear gain of eight months on the original schedule. The aerodrome construction will be equal to that of last year. The present strength of the Royal Canadian Air Force will be doubled. The number of aeroplanes now in use in the air training plan, namely, 1,700 aeroplanes, will be increased to well over 4,000 before the end of this year. In Canada, our air defence will be strengthened by an increase in the number of operational squadrons attached to the home war establishment. Overseas, the three Canadian squadrons, fully equipped, manned and maintained by Canada, will be kept up to strength. There will, in addition, be constituted out of the graduate pupils of the joint air training plan, and identified as Canadian, twenty-five new squadrons. Our aircraft industry will concentrate on building in Canada enough aeroplanes for the air training plan. Our surplus capacity, at the request of the British government, will be used for the manufacture of long-range bombers which can be flown across the Atlantic.

A vast increase in production of war equipment and supplies has been arranged. Since the United States is prepared to manufacture for Britain only such munitions as are in common use for United States' defence purposes, Canadian armament production during 1941 will be concentrated on types of war equipment and weapons which are not obtainable in the United States, such as mark-3 tanks, small arms, Bren guns, aircraft machine guns, and anti-tank guns. Canada will also specialize on the production of ammunition for these weapons and on the manufacture of explosives.

The production of a wide range of naval guns and 25-pounder field guns will be enlarged. Canada is the only source of supply, outside Britain, for these guns. Canada will also produce anti-tank guns for infantry use, and heavy anti-aircraft guns for defence purposes. Canada

is now the only source of supply, outside Britain, for motor transport vehicles. Hon. members were, I am sure, pleased to learn that practically all of the motor vehicles in use in the African campaign were of Canadian manufacture.

It will be apparent that the needs of the armed forces and our war industry will make large demands upon available Canadian man-power. It is estimated that, for the purposes mentioned, 200,000 additional men and women will be required during the present year. An additional 100,000 will probably be needed in industries such as transport, lumbering, mining, et cetera. It is realized that industrial expansion on this scale will require the services of a large number of skilled and semi-skilled workers. Accordingly, the federal government, in co-operation with the provincial governments, is establishing vocational and plant training schools capable of training 100,000 persons a year.

In considering the magnitude of these measures and of what has already been done by the Canadian people in providing men for the armed forces and in producing weapons and materials of war, we should also remember that Canada has sent and is sending to Britain great quantities of foodstuffs and raw materials of war-time industry and trade. We know from our inquiries that Britain is not now faced with any serious shortage of supplies. There are, however, commodities which the United Kingdom government has found it expedient to ration. If shipping space were not so valuable, more could and would be done to make additional provision for British needs from our surplus stocks. In foodstuffs, however, as in the provision of military aid, it is necessary to be guided by the wishes of the British government. It alone has the full knowledge enabling it to balance the need for foodstuffs and consumption goods generally against the need for arms and war materials, and to determine in what direction our aid can be most timely and most effective.

In none of its important aspects has Canada's war effort been planned in isolation. We engaged in the war as partners in a joint enterprise. If our effort is to fit into the efforts of the other British nations to produce a strong unified whole, our plans must be made in consultation with them. This does not mean that the Canadian government is not finally responsible for what is done by Canada, but it does mean that, before reaching our final decision, we discuss our plans with those with whom we are co-operating. Plans must, as I have so often said, be modified constantly to meet the shifting needs of war. This implies constant consultation in every field, military, economic and financial.

2. INTRODUCTION OF THE WAR APPROPRIATION BILL,
ADDRESS OF THE MINISTER OF FINANCE, HOUSE OF
COMMONS, FEBRUARY 18, 1941.

Perhaps the shortest way in which I can bring the subject matter of the resolution before the house is to read the resolution as it appears in the *Votes and Proceedings*:

Resolved, that it is expedient to introduce a measure to provide, inter alia,

1. That sums not exceeding \$1,300,000,000 be granted to His Majesty towards defraying any expenses or making any advances or loans that may be incurred or granted by or under the authority of the Governor in Council during the year ending March 31, 1942, for—

- (a) the security, defence, peace, order and welfare of Canada;
- (b) the conduct of naval, military and air operations in or beyond Canada;
- (c) promoting the continuance of trade, industry and business communications, whether by means of insurance or indemnity against war risk or in any other manner whatsoever; and
- (d) the carrying out of any measure deemed necessary or advisable by the Governor in Council in consequence of the existence of a state of war.

2. That the Governor in Council be empowered to raise by way of loan under the provisions of the Consolidated Revenue and Audit Act, 1931, such sum or sums of money, not exceeding in the whole the sum of \$1,300,000,000 as may be required for the purpose of defraying such expenses or making such advances or loans, the principal and interest of any such loan to be a charge upon and payable out of the Consolidated Revenue Fund.

3. That the Governor in Council be empowered to re-expend, advance or loan moneys that may be received by way of refund or repayment of advances, loans or expenditure under the War Appropriation Acts of 1939 (2nd session), 1940 and 1941.

If this resolution pass it will be followed by a bill, the War Appropriation Act of 1941.

Perhaps I should follow the precedent which was set in the introduction of war appropriation bills in the last war, and give the house some indication of the expenditures that were made under the last War Appropriation Act. It might be more appropriate if I did that at the time of the introduction of a supplementary war appropriation act, which will be necessary before the end of the present fiscal year, but it is a little difficult for the house to give intelligent consideration to the war appropriation bill

which we are introducing now unless the house knows something of the disposition that was made of the moneys provided by the last War Appropriation Act.

Expenditures under last year's act:

Under the War Appropriation Act of 1940, which was assented to on May 29, \$700,000,000 were provided for war expenditures. In the budget brought down by the present Minister of National Defence (Mr. Ralston), then Minister of Finance, in June of 1940, he stated that the amount required for the full fiscal year would be larger than this total by perhaps \$150,000,000 to \$200,000,000.

On the second day of August last I spoke in this house and indicated that the total commitments then outstanding for the present fiscal year were approximately \$940,000,000. I think the leader of the opposition (Mr. Hanson) will remember that occasion, because for some days he was pressing the government to state what the commitments were for the present fiscal year, and \$940,000,000 was the best estimate we could make then, after crediting the money that we expected to be repaid to us by the United Kingdom government.

Now, what has been the actual experience? For this fiscal year up to January 31 the actual cash outgo on the dominion war account has amounted to \$538,804,000, excluding \$27,133,000 of disbursements recoverable from the United Kingdom or other allied governments. This amount is broken down as follows:

Militia services	\$268,686,000
Naval services	57,990,000
Air Force	
Home war defence and overseas.....	41,188,000
Air training plan—Canada.....	86,294,000
Other defence services (administration, intern- ment, censorship, Royal Military College, etc.)	4,155,000
Department of Munitions and Supply.....	61,951,000
Other departments	18,540,000
	\$538,804,000

This total does not take full account of obligations incurred overseas for which accounts have not yet been rendered by the United Kingdom government. We have made certain advances on account pending the working out of final accounting arrangements, including per capita issue rates for various supplies and services.

For the full fiscal year it is now estimated that our total war expenditures will approximate \$875,000,000. That is the closest, the most accurate estimate that can be made now. It means a rapid expenditure during the

remaining months of the fiscal year; the expenditure being made now is at a rapid rate. Starting at relatively low levels in the early spring and summer months—approximately \$25,000,000 a month in the first quarter of the fiscal year—our war expenditures increased rapidly, amounting in December to \$84,000,000 and in January to \$87,000,000. This is at a rate of over a billion dollars a year.

In planning the war programme for the coming year we have had regard to the following factors:

- (a) The physical capacity of Canada to produce equipment and supplies for ourselves and Britain;
- (b) Our consultations with the British government as to the forms our effort should take in order to make the most effective contribution to the joint cause; and
- (c) Our belief that the Canadian people desire that this country do its utmost, and that they are willing to make the sacrifices and bear the burdens which such an effort involves.

To finance the programme that has been developed on the basis of these considerations we have decided to ask parliament for a war appropriation of \$1,300,000,000 for the coming fiscal year.

The war program which was outlined by the Prime Minister yesterday and the war activities which will be carried on during the next fiscal year, as set out in the statements made by the defence ministers in the debate on the address, will involve a total estimated expenditure in excess of this sum by perhaps as much as \$150,000,000. But, as the house will realize, there are very great difficulties in making precise estimates of war expenditures. In particular, there are at least three factors which make accurate estimates impossible.

First, there is the impossibility of calculating wastage of equipment and the amount of ammunition that will be used, as this will depend upon the nature of the warfare that develops.

The second factor has to do with the capital assistance which has been given to manufacturing plants through the Department of Munitions and Supply. Large sums of money have been advanced, and additional sums will be advanced, to contractors to pay for adding to their plants or to build new ones. Additional sums will be advanced to provide working capital. In many cases Canada and the United Kingdom are making advances on a joint basis, but in some of these cases the division between the two countries has not been settled. In the meantime the money has been put up in order that there shall be no delay; the division will be worked out later.

A part of these advances may be returned during the course of the year, but this cannot be determined now. Furthermore, a portion of the amortization cost of the capital expenditures resulting from such advances may be included in the cost of the equipment which is included in the estimates of the Department of National Defence. If this is the case there may be some duplication in the amounts included in the estimates of the Department of Munitions and Supply and the Department of National Defence. At this stage it is difficult—impossible, I should say—to determine the extent of such duplication because the costs of the equipment which is to be produced are themselves based on estimates. The accuracy of these estimated costs will depend to a considerable extent upon the quantity of equipment which will be produced.

The third factor making for uncertainty in estimating is the question of the amount of war materials and equipment which can be physically produced and delivered within the coming fiscal year. Estimates have been made of the probable deliveries, and I assume that the Minister of Munitions and Supply (Mr. Howe) will be discussing the whole question of the production program at the proper time. It will suffice if I say that this program is dependent in certain important aspects upon the delivery of machine tools and parts from the United States. If there should be delays in such deliveries the completion of the equipment in question will be held up.

In view of these various uncertainties I thought it preferable not to ask at this time for the total of the estimates which have been submitted. Instead, as I have said, the bill calls for an appropriation of \$1,300,000,000. It may be that the total cost of our war effort expenditures during the coming fiscal year will exceed this figure by a considerable amount, and if it does it will be necessary for me to come back for an additional appropriation at a later date.

However, in determining the magnitude of our total war effort we must not overlook another burden which Canada has assumed. I refer to the assistance which we are giving to the United Kingdom in financing the war materials, equipment and other supplies which are being produced for the United Kingdom in Canada. During the first eleven months of the war we made available to her 184 million Canadian dollars by our repatriation program; that is, by buying in or paying off Canadian securities which were held in the United Kingdom. For the succeeding six months' period ending January 31 of this year we agreed to provide \$150,000,000. We have done this, and indeed by the end of this month will have provided an additional \$137,000,000 by accumulation of sterling which, in part at least, is in anticipation of repatriation to be carried out in later months of the year. I cannot now estimate the total amount which we will be able to do

for the second full year of war or for the fiscal year 1941-42, but I can say that we are following the policy of going as far as it is practically possible to go.

While repatriation involves the repayment of foreign indebtedness, and thus will strengthen the economy in the long run, it is obvious that to-day it imposes additional strain on Canada by increasing the amount her people must save in order to purchase the securities which are being returned to this country. For practical purposes, in considering the burden which is to be placed upon this country it is just as much a part of our war effort as the expenditures which we propose to make on our own account.

If we assume that we will be able to provide assistance in this way to the extent of, say \$400,000,000—I am speaking about repatriation still—and if our direct war expenditures do not exceed the \$1,300,000,000 which the present resolution asks parliament to appropriate, we get a total of \$1,700,000,000 as the financial measure of the burden of our war effort. If we add to this total the non-war dominion estimates of \$433,000,000 and probable provincial and municipal expenditures of say \$575,000,000 we get a total of over \$2,700,000,000 which governments will have to raise from the Canadian people during the coming fiscal year. We get talking of these hundreds of millions and billions, and after a while some of us lose our sense of the importance and significance of these sums, but \$2,700,000,000 is an important amount of money for governments to raise from the Canadian people in one year. This is over fifty per cent of the national income, which for the coming fiscal year we estimate will be about \$5,300,000,000.

In this calculation hon. members will have noted that I do not take into account the additional moneys which will have to be tied up in wheat financing, or the possibility that our direct war expenditures may exceed the amount we are now asking from parliament.

I pause, Mr. Speaker, to let the meaning of this programme and these amounts sink in. Probably none of us can realize the true significance of passing over to governments on the average half of our individual income; or, to put it another way, devoting half the labour and productive facilities of the country to war and other governmental work. When it is remembered that a large part of our population is now at such a level of living standards that it can bear very little of the increased burdens which Canadians as a whole must bear, the burden on the remaining part of the population becomes recognized as all the more staggering. Let each of us in this house ask himself what would happen to his own standard of

living if he were to pay or lend more than half his individual income to the state. We are asking the house for this appropriation because we recognize the fact that probably this will be the most critical year in the history of civilization.

I need not say that to carry out the war programme for which we are asking the house to make provision will tax Canada's productive capacity to the limit, will necessitate a continuing and more rapid shift from peacetime to war-time production, and will require for many of us drastic changes in our mode of living and habits of life. As the Prime Minister said in his Sunday night broadcast about two weeks ago, it will "mean more in the way of united determination, effort and sacrifice than has ever before been asked of the Canadian people."

The War Appropriation Bill (1941) was passed on March 25, 1941.

3. *WAR APPROPRIATION BILL, STATEMENT OF THE PRIME MINISTER, MARCH 25, 1941.*

More than a month has now elapsed since the resolution was introduced on which the war appropriation bill is based. During that time, discussion on the resolution and the bill have, with the exception of a few days, occupied the almost continuous attention of hon. members. I am not objecting to what there has been in the way of consideration in detail of the various aspects of Canada's war effort. That, I believe, has been all to the good. I feel, however, that the detailed discussion, and the many by-paths explored, may have tended to obscure from the house, and certainly from the country, the tremendous significance of our war appropriation.

A Stupendous Effort

We are enacting a measure which pledges Canada to the most stupendous effort in our national history. I feel we should not allow the bill to receive its third reading in this House of Commons without giving the fullest possible credit to those who have made the measure possible, and who are bearing the burden of the tremendous task which it imposes, namely, the people of Canada.

There has been far too great a tendency, both in the house and in the press, to speak of what we are doing as the government's war effort. We all know it is something far greater than that; it is Canada's war effort. What is more, it is an effort which is wholly worthy of Canada, and of which every Canadian is entitled to be justly proud.

As a tribute to the people, whom all of us in this chamber represent, I am going to try this afternoon to put that effort in its true perspective; to give a broad picture of what Canada is already doing, and what we have undertaken to do in the coming year.

Canada's Armed Forces

It is only eighteen months since we entered the war. Yet, in that year and a half, our armed forces have grown to the point where to-day, in the three services, there are a quarter of a million men on active service. I might add that this figure does not include over 175,000 additional men, enrolled in the reserve army, who are subject to call for the defence of Canada.

A Canadian Army Corps, Canadian destroyers, and Canadian air squadrons are sharing in the defence of Britain. Our navy and our air force are doing their part to keep open the vital sea lanes of the north Atlantic. Canadian garrisons in Iceland, Newfoundland and the West Indies are on guard in the outposts of this continent. Canadian engineers are strengthening the defences of Gibraltar. In recent months we have also sent overseas, hundreds of radio mechanics for vital defence duties with the Royal Air Force.

From the Atlantic to the Pacific, Canada to-day is throbbing with military activity. Soldiers, sailors and airmen are co-operating in the defence of our ports, our coasts and our coastal waters. The Canadian navy, which had only fifteen ships when war broke out, now has over 180. Nearly sixty military training camps are distributed across the country. In these camps, the soldiers in our active army, and the young men called up under the National Resources Mobilization Act to prepare them for the defence of Canada, are now training side by side. Some ninety establishments of the British commonwealth air training plan are already in operation. In addition, facilities are being provided for training schools of the Royal Air Force under the jurisdiction of Canada's air ministry.

It is for the maintenance and expansion of this military programme that the present appropriation is being voted. The Minister of Finance has already told the house that he expects the appropriation to be exceeded, and that his best estimate at present is that, in the next fiscal year, Canada's direct war effort will cost the Canadian people \$1,450,000,000.

Canada's Two-fold Task

But Canada has a two-fold task in this war. Not only are we sharing as a full partner in the struggle; not only are we, with but one important exception, ourselves bearing the whole cost of equipping, supplying and

maintaining our military, naval and air forces at home and overseas, giving of life as well as of treasure, but we are also helping to supply to Britain equipment, munitions and the other essentials of war. The exception I have referred to is this: Canada is paying the entire cost of three air squadrons already in Britain. But as Canada is bearing the major portion of the cost of the British commonwealth air training plan, the United Kingdom, on its part, will maintain in the field Canadian pilots and airmen graduated from the plan. The number of Canadian pilots and airmen on active service overseas is steadily increasing month by month. The flow of trained aircrew from the plan will soon be measured by thousands.

What I have said up to the present relates to Canada's outright national contribution as a belligerent. It is being paid for in full by the Canadian people. It is not something that has been leased to Britain. It is not something that is being lent to Britain. It is a direct contribution by Canada to the cause of freedom. It represents the freewill offering which our country began to make over a year and a half ago, when this parliament decided that Canada should enter the war at the side of Britain. It is a contribution which we are making to-day, and which we will continue to make.

Canada: A Major Source of Supply

Canada, as I have indicated, is also a major source of supply for Britain. In common with the United States, Canada is an arsenal of democracy. Since the war began, the British and Canadian governments have undertaken capital advances of over \$380,000,000 for the expansion and equipment of Canadian industry. New plants have been built; old plants extended to make the complex instruments of war, many of which were never before made in this country. The creation of a vast new war industry has taken time. Occasionally impatience has been shown at delays. The same impatience has been evidenced elsewhere—even in Britain. I might say that none in Canada are more impatient of delays than members of the government itself.

I should like to remind hon. members of what Mr. Churchill said not long ago in the British house on this very subject. Here are his words:

It is not possible to make a warship go to sea, and fight against the enemy, until fires have been lighted, and the water in the boilers changed from cold to tepid, to warm to hot. The steam is generated and the vast power is given. While this is going on there is no use rushing about uttering alarming cries.

I might add that it is equally useless to utter alarming cries about any aspect of war production. Careful critical scrutiny is of great aid to the government, and is appreciated by the country. But general charges, doubts or suspicions serve only to belittle the country's effort and to discredit Canada in the eyes of the world.

Wartime Industrial Expansion

We have every right to take pride in our industrial expansion. Canadian labour and Canadian industry have responded splendidly. We have been building an aircraft industry from the ground up. We have already built over fifty small naval vessels and more are being built. We are turning out motor transport vehicles at the rate of hundreds a day. We are producing universal carriers, Bren and Colt-Browning machine guns, trench mortars, bombs for aircraft, great quantities of shells and ammunition, a wide range of chemicals, electrical apparatus and radio equipment, many other types of essential manufactured goods, large quantities of base metals and alloys, and an increased output of steel. We will shortly begin to produce field guns, and before the year ends, naval guns, anti-aircraft and anti-tank guns and Lee-Enfield rifles. The production of tanks and of cargo vessels is already under way. Plans are also being made to build destroyers in Canada. Such are the highlights of our programme of war production.

The expansion of production has already been reflected in the absorption of between 330,000 and 350,000 additional men in industrial employment since the outbreak of war. Nor must it be forgotten that the armed forces and industry will make additional demands estimated at over 300,000 men in the coming year. Skilled labour and specialized plant facilities will have to be increasingly diverted to the production of vital war supplies. All along the line, Canadian industry has been geared up to make a maximum contribution to the prosecution of the war.

Canada's Indirect Effort

Perhaps the best illustration I can give of the magnitude of the indirect contribution by Canada to the war is to say that, over and above what is being appropriated for our direct war effort, we expect, during the next twelve months, to send to Britain approximately \$1,500,000,000 worth of munitions of war, raw materials and agricultural products. This total is larger than was originally estimated, but it has been arrived at as the result of a careful re-examination of the figures relating to British orders already placed, or to be placed, in Canada, and the probable production of our war plants and other Canadian industries.

It is only at this point, when we have fully realized the magnitude of Canada's direct and indirect contributions to the war, that, with justice to the Canadian people, comparisons can be made of the financial arrangements between Britain and Canada, and the arrangements between Britain and the United States.

Financial Assistance to Britain

Britain, of course, cannot herself find all the necessary dollars with which to pay for her enormous purchases of Canadian products. For the new fiscal year, Britain's deficit in her balance of payments with Canada is now estimated at over \$1,150,000,000. Canada must provide Britain with the Canadian dollars to meet this deficit, either by purchasing Canadian securities now held in Britain, or by the accumulation of sterling balances.

In this connection, it may interest the house to know that from September 15, 1939, to the end of February this year, the United Kingdom's deficit with Canada amounted to approximately \$737,000,000. Of this deficit, Canada provided 45 per cent by the repatriation of securities, and 21 per cent by the accumulation of sterling balances in London, while only 34 per cent was met by the transfer of gold. During the six months' period ending February 28 last, Britain's deficit with us was \$359,000,000, and Canada financed the whole of that deficit, except for \$65,000,000 which was covered by gold shipments. Since the early part of December, no gold has been received from the United Kingdom.

In order to facilitate Canadian purchases in the United States which are essential to keep up Canadian war production, Britain, we hope, will continue to be able to make up a part of her deficit by providing Canada with some gold, or United States dollars. I wish, however, to emphasize the fact that whatever gold, or United States exchange, Britain makes available to Canada is for one purpose only, and that purpose is to enable Canada to make payments to the United States for war purchases. The gold, or its equivalent, assists Canada in meeting our exchange deficit with the United States, but it does not decrease by one dollar the net amount which must be raised from the Canadian people in taxes and loans.

The Total Burden

To meet the total burden upon the Canadian people of our direct war effort and our indirect effort in the form of financial assistance to the United Kingdom during the next fiscal year will, according to the best estimates which can now be made, require almost 44 per cent of the

national income. I may add that, as a result of the recent investigations to which I have referred, and which took into account the effect of the increased estimates of British purchases in Canada, and our own expanded war programme, the estimate of Canada's gross national income in the new fiscal year has been raised to \$5,950,000,000.

For the benefit of those, either in this or in other countries, who have not a due appreciation of the magnitude of Canada's war effort, or who may have been misled by comparisons between our war effort and what has been said concerning the lease-lend programme of the United States, I am going to translate a few of these figures into comparable American terms. I understand the national income of the United States this year is expected to exceed 80 billion dollars. On that basis the estimated war expenditure, direct and indirect of Canada, in 1941-42, would be equivalent to an expenditure by the United States, in a single year, of almost 35 billion dollars. In providing the Canadian dollars necessary to meet the deficit in Britain's balance of payments with Canada next year, the Canadian people will be rendering financial assistance to Britain which would be equivalent, in comparable American terms, to something over 15 billion dollars a year.

A Maximum Effort

These figures may help members of parliament and the people of our country to appreciate what Canada is committed to, and what is meant by the statement that, in our opinion, Canada is making the maximum effort of which this country is capable.

But this is merely the financial side. Let me also make the comparison in terms of human lives. Apart from Canada's material contribution, Canada's men are participating in this war. The quarter of a million Canadians on active service would, in terms of the population of the United States, be equivalent to an armed strength in the forces of the United States of over two and three-quarter million men, and this without taking account of a reserve army for home defence.

For the great contribution which the United States is making; for the still greater contribution which it will make, the government and people of Canada have nothing but admiration and gratitude. Since the United States has pledged its strength to a victorious issue we know that the struggle, though hard, will be shorter. But in the enthusiasm of our satisfaction that the United States has resolved to throw the decisive weight of its material aid into the struggle, we as Canadians have no reason to discount the magnitude of the material contribution and the contribution in man-power which the people of this dominion are making.

It should never be forgotten that Canada is spending not only her treasure but her blood. Our eleven million people have given freely and pledged fully their treasure, their resources and their manhood. Canadians, also, have reason to be proud of the part which Canada has had in the reconciliation of the English-speaking peoples, the healing of ancient wounds, and the closing of the great schism of the Anglo-Saxon race.

Surely in the light of such a war record, without boasting and without vainglory, we may all take pride in the vision, the unity, the resolution and the achievement of the Canadian people.

4. *WAR SAVINGS MOVEMENT, REVIEW OF OPERATIONS AND RESULTS MAY 1940 TO MARCH 1941, ISSUED BY NATIONAL WAR SAVINGS COMMITTEE.*

On May 27, 1941, War Savings Certificates and Stamps will have been on sale for one year. The initial published objective for the first year was \$50,000,000. From results to date, it seems certain that sales for the first twelve months of operation will aggregate around \$70,000,000. In recent weeks, sales have attained a level equivalent to an annual volume of over \$120,000,000, a level which does not fully reflect the expansion in volume of savings pledged to the purchase of War Savings Certificates as a result of the special campaign in February, 1941. No ultimate level of sales is being established as an objective, it being recognized that the volume of sales at any time is governed only by the level and distribution of the national income, and by the willingness of Canadians to consume less and save more.

The objectives of the War Savings movement are briefly as follows:

1. Restriction of civilian consumption through a transfer of purchasing power out of current income to the Government, and the consequent release of labour, plant, material, and foreign exchange to war use;
2. Development of the thrift habit among persons in the middle and lower income levels which will result in an accumulation of purchasing power in the hands of the working classes, particularly those in war industry, to meet post-war conditions; and
3. Financing of governmental borrowing requirements through a method designed to diminish social and economic distress in the reconstruction period following the termination of hostilities. The rise in volume of applications and sales of War Savings Certificates and Stamps constitutes eloquent proof that the merits of, and need for, this medium of loans to the Government, are being appreciated by an ever increasing number of Canadians.

The development of the War Savings movement began in the early months of 1940 following the First War Loan and took definite form with the passing of an Order in Council on May 24, 1940, which provided for the issue of War Savings Certificates and Stamps, and the creation of a War Savings Committee to promote their sale, consisting of two Joint National Chairmen and a Chairman in each province.

On May 26, 1940, the Minister of Finance of Canada, through a nation-wide radio address, formally announced the launching of the War Savings movement. Sales of Certificates and Stamps began the following day through all post offices, branches of the chartered banks, and many other selling agencies. Education of the public as to the vital need for regular savings out of current income throughout the war period, and the particular merits of War Savings Certificates and Stamps, was undertaken through various advertising media.

With the sharp acceleration of Canada's war effort in the latter part of 1940 and a consequent increase in Governmental borrowing requirements, it was decided that the original objective of \$50,000,000 was insufficient. A special meeting of the Provincial Chairmen and other leaders in the War Savings movement was held at the end of October to establish plans for a more intensive appeal to the public. In the light of the larger borrowing requirements of the Government and of the higher level of incomes due to war expenditures, a new objective was set at a rate of \$120,000,000 a year, equivalent to \$10,000,000 a month. Sales at that time were ranging between \$2,000,000 and \$2,500,000 per month. Plans were begun immediately for the development of a program of aggressive publicity and for a broadening, and increase in numerical strength, of the sales organization. All arrangements were focused on an all-out campaign throughout the entire country early in the new year. In the meantime, a special new appeal to employers was started in order to gain increased support for the Payroll Savings Plan.

By the end of December 1940, Certificate sales from the inception of the War Savings movement aggregated over \$26,400,000, representing in excess of 1.7 millions of applications. In addition, Stamps purchased by the public but not surrendered for Certificates amounted to about \$1,100,000. Until December 31, 1940, when the statutory limit was raised to \$600 face value, sales were limited to \$500 face value per person in any one year. Limit purchases in 1940 accounted for \$8.1 millions of Certificate sales and were most numerous in the early months of the campaign.

February 1941 was chosen for the all-out appeal, arrangements for which had been underway since the October meeting of Provincial Chairmen. The theme of the appeal was the enrolment of an army of

2,000,000 regular war savers for the duration, the quota for each community being set at 20 per cent of the local population. It was anticipated that an army of this size should produce at least \$120,000,000 annually for the purchase of War Savings Certificates. Intensive development of a comprehensive sales organization was carried out in each province with the result that over 2,500 local committees with about 50,000 voluntary workers went into action during the February campaign.

The results of the campaign justified the effort, and reflects the determination of Canadians to provide the tools to hasten victory. Returns from District Chairmen, while incomplete, indicate that over 1,500,000 persons have been pledged as regular war savers for the duration. Sales of Certificates throughout March have been at an annual rate of over \$120,000,000 and it is confidently expected that increased returns under the Payroll Savings Plan, the bulk of which are received at the end of the month, will swell this figure to even higher levels. To keep pace with the growth in volume of sales, production facilities of the issue and registration division have been more than doubled within a month, all without serious disturbance to the regular clearance of applications.

At the present time, the National and Provincial Chairmen are engaged in the formation of a co-ordinated sales organization throughout the Dominion to continue for the duration, composed entirely of voluntary workers. To stimulate and service this organization, a small nucleus of paid workers are attached to headquarters staff in each province. However, as from the very beginning, the War Savings movement is essentially the work of voluntary workers.

5. GOVERNMENT POLICY REGARDING WHEAT, STATEMENTS OF THE MINISTER OF TRADE AND COMMERCE, AND OF THE MINISTER OF AGRICULTURE, MARCH 12, 1941.

At this time I wish to make a statement as to the government's policy with regard to the 1941-42 wheat situation. Before outlining the policy I wish to deal with the 1940 wheat quota system, and how it has worked out; the general 1940 deliveries and certain over-deliveries; the wheat position as we expect it to be on July 31, 1941; the wheat situation during the last war and the directly opposite situation in which we find the wheat problem to-day; our possible local wheat consumption and exports for 1941-42; our storage situation; the world wheat situation; the possibilities of wheat disposal, and the financial aspect of the wheat situation. Then I wish to outline the proposals as to our policy as it affects my department. I would appreciate it very much, Mr. Speaker, if I could proceed without questions until after I have made my statement.

On November 22 last I made a statement to the house dealing with the wheat position as at that time. On that occasion I reviewed the work of the government and the wheat board in meeting the unprecedented conditions which had arisen in the early part of the present crop year. It is my purpose to-day to review the main developments in the Canadian wheat situation since my report of November 22. Because some of the members may not be familiar with wheat terminology, I would explain that the crop year runs from August 1 of one year to July 31 of the succeeding year. I would like hon. members to keep this in mind when I am speaking in terms of crop years.

Quota system. The most important development in connection with the handling of the 1940 crop was the establishment of a quota system intended to allow the equitable use of available storage by farmers throughout the three western provinces. This quota system was provided through amendments to the wheat board act in July last.

On November 19 out of a total of about 2,200 shipping points in western Canada nearly 1,600 points had quotas of 12 bushels per acre or less and slightly over 500 points had quotas of 15 and 20 bushels per acre. By the end of this week it is expected that every shipping point will have quotas of 15 or 20 bushels per acre. These increases were made in two ways. First, by increasing the general quotas at all shipping points in western Canada as soon as storage conditions warranted, and secondly, by increasing quotas at individual points, where local storage was available. The wheat board is making every effort to relieve the few points which remain on a 12 bushel basis. It may be said, therefore, that as far as the west as a whole is concerned a general 15 bushel quota is now in effect. In addition over one-half the shipping points in western Canada are now on a 20 bushel basis.

If every farmer wished to deliver all his remaining wheat up to 15 bushels per acre, local storage space at many points would at present be insufficient to house the wheat. However, many farmers are holding their wheat until spring or later to earn the farm storage payments. In addition the restrictions on shipments to the lake head are now being eased which will help to relieve pressure on country elevators.

The plan of payment for farm storage put into operation this year had the effect of slowing up deliveries which have, generally speaking, lagged behind the quotas established. I placed a statement on *Hansard* in November showing the basis on which farm storage is being paid. For example, wheat now being delivered to the board has earned 3 cents a bushel in farm storage. This plan has not only assisted a great number

of farmers in a financial way, but has given an incentive to holding wheat on farms and has thus taken some of the load of the heavy delivery months usually experienced in the fall.

Up to November 19, as I pointed out to the house at that time, 221 million bushels had been delivered under the quotas then established. Since that time another 100 million bushels have been delivered so that the total receipts as at March 7 were 326 million bushels.

Before leaving the question of wheat quotas I would mention that in certain cases over delivery of the established quotas has been permitted. Over deliveries were permitted to enable farmers to contribute to war service funds, such as the Canadian Red Cross Society, the Salvation Army Red Shield war service fund, the Young Men's Christian Association war services fund, the Canadian Legion war services fund, and the Knights of Columbus Canadian army huts fund.

More recently the wheat board has permitted deliveries by producers who wished to buy war savings certificates or non-interest-bearing bonds. By permitting over deliveries in these particular cases, many of the farmers in western Canada have been able to contribute to these important causes.

In addition to these over deliveries under the quota which can be made without individual permission, the wheat board has in some cases upon special application issued special permits to allow of the delivery of low grade wheat over and above the quota established at the farmers delivery point, so as to relieve the feed situation in eastern Canada and British Columbia. It will be remembered that for the same purpose the board removed the quota on barley and oats early in the marketing season. In addition the board has facilitated the movement of feed grains and low grade wheat from country elevators.

On the basis of the present estimate of the 1940 crop, and after making allowances for seed and feed, we anticipate that approximately 472 million bushels of wheat will be delivered during this crop year. As I have stated, approximately 326 million bushels have already been delivered, leaving a balance of approximately 146 million bushels to come in during the next five months, an income of approximately 75,000,000 dollars in cash.

I said in November that it was the expectation of the wheat board that by the end of next July farmers would have had the opportunity to deliver the entire surplus production from the 1940 crop. I feel very confident now that that will be done. In connection with remaining deliveries, however, I would like to suggest to farmers to keep storage space at their local shipping points filled as far as possible in order to prevent an undue rush of wheat in the closing weeks of the crop year. I wish to stress this.

There is, I believe, no doubt that the quota system as it was applied this year by the Canadian Wheat Board has given general satisfaction, and in no small degree the successful working out of a quota system has been due to the splendid co-operation which the wheat board has received from wheat producers throughout Canada, from elevator companies and their country agents and from all those who have business interests generally in the prairie provinces.

When I say that, I am not in any degree minimizing the excellent work which has been done by the wheat board. I have received dozens of letters, entirely unsolicited, from individuals, farmers' organizations, business men, municipal organizations, and others, giving the highest possible praise to the wheat board for the way in which they tackled and overcame the many difficult problems which they had to face. In the west there is a general realization that the wheat board throughout their activities acted in a completely fair, equitable and impartial manner in all their dealings with the 1940 wheat crop.

As to the expected position July 31, 1941, there are certain important factors, Mr. Speaker, which have had and are having a distinct bearing on our present wheat situation and although I do not intend to deal with them in detail, I am of the opinion that they should be brought to the attention of the members.

May I say first of all that in the last war the Canadian farmer was faced with a position which is definitely reversed in this war. Our wheat acreage then was little more than half the present level and the whole difficulty was shortage, not surplus. In this war the government had to intervene to prevent prices being radically reduced. Then the government intervened to put an upper limit on wheat. For part of the 1916 crop \$2.40 per bushel was paid by the board of grain supervisors; for the 1917 crop \$2.21 was paid and for the 1918 crop \$2.24½. Finally in 1919-20 the then wheat board paid \$2.63 per bushel. All these prices were on the basis of No. 1 Northern Fort William and Port Arthur.

Since the over-running of Norway, Holland, Belgium and France, the United Kingdom has provided the only volume market for Canadian wheat in Europe and only very small shipments have gone to Eire, Portugal and Spain. At least as long as the war remains in its present phase, Canada cannot look forward to large exports of wheat. We expect exports during the present crop year will amount to about 150 million bushels, most of which will be taken by the United Kingdom. This, of course, will have a very definite effect on our wheat position at the end of the present crop year.

There are only two ways at the moment of disposing of Canadian wheat. We can either use it in Canada or we can sell it abroad. As far as using wheat in Canada is concerned we need about 50 million bushels for human

consumption and another 77 million bushels for seed and feed, giving us a total domestic utilization of 127 million bushels. If in addition we can only export this year about 150 million bushels, it is apparent that we can look forward to the disappearance of only 277 million bushels of wheat during the present crop year. We started the year with 852 million bushels, by far the largest amount of wheat ever held at one time in this country. This means that on July 31, 1941, we will have a wheat carry-over of about 575 million bushels, and within a few weeks after that the 1941 wheat crop will be coming on the market.

I would now like to deal with the probable position in terms of the storage situation in Canada. The rated capacity of grain elevators in Canada is 521 million bushels including 84 million bushels of temporary annex space built in the last two years in the prairie provinces. After allowing for the storage of coarse grains and flax seed, a certain amount of Canadian wheat in the United States, wheat in transit, and space which for one reason or another cannot be used at particular times, it was obvious that additional grain storage would be needed in Canada prior to July 31, 1941, in order to take care of the balance of deliveries from the 1940 crop, and the government had given the wheat growers of Canada an assurance that they would accept from them the total deliverable portion of their wheat.

To meet this situation the government entered into an arrangement with western elevator companies for the construction of approximately 50 million bushels of temporary terminal storage space at Fort William-Port Arthur. The arrangements made were approved by order in council of February 19, 1941. I am assured a large part of this new space will be ready by July 31 of this year and the remainder in August and September. These facilities are being constructed by the elevator companies. The government has agreed to maintain all elevator tariff charges now prevailing without reduction until July 31, 1943, and to allow the companies to write off as depreciation for income tax purposes 50 per cent of the actual cost of construction in each of two successive years.

It is further agreed by the companies that after the 31st day of July, 1943, they will, upon request, each enter into agreements (upon the basis of payment of reasonable remuneration for each operation) as may be mutually satisfactory in the light of the operating experience gained during the period up to July 31, 1943, for the operation of its temporary facilities during the balance of the time such facilities are needed.

The following storage, it is expected, will be available at July 31, 1941, or shortly thereafter:

Statement showing approximation of storage in bushels as at
July 31, 1941

Permanent storage, all classes.....	437,000,000	
Temporary country annexes.....	84,000,000	
Suggested new, temporary terminal.....	50,000,000	
		571,000,000
United States storage available for Canadian wheat.....		36,000,000
In transit, rail and water.....		15,000,000
		622,000,000
Allowance for working space and provision for coarse grains..		40,000,000
		582,000,000

It is most likely that several million bushels of temporary elevator space will be erected in eastern Canada in addition to the above amount.

Another important factor is the increase in acreage which has taken place in the prairie provinces in the last six years. The Canadian Wheat Board Act has been on the statute books of this country since 1935. The passing of the act itself constituted national recognition of the wheat problem and national recognition of the fact that certain assistance must be given to the wheat industry especially in the direction of the maintenance of price. Paralleling this guaranteed price, there has been an increase in the wheat acreage in western Canada. In 1940, according to our statistics, there were 4,457,000 more acres sown to wheat than there were in 1935. I believe many farmers increased acreage this year despite the warnings that were given because they had in mind the situation which existed in the last war to which I have just referred—a great shortage of wheat with access to European markets. It is estimated that if wheat acreage had remained at 1935 levels during the past six years, we would have had 175 million bushels less wheat to deal with to-day.

Not only has there been an increase in acreage, but because of the tremendous advance which has taken place in developing rust-resisting varieties of wheat, we are now in the position that in years of good precipitation we may expect large crops such as those of 1939 and 1940. The reason is that rust damage had largely affected crops that otherwise would have yielded very well.

Another development has taken place in the west at the same time as the wheat industry has expanded and this has been the production of live-stock, particularly hogs. This has secured for the western farmers a greatly

needed source of farm revenue but it has not as yet brought about a compensating adjustment in feed grain acreages. If the west is to continue its present rate of livestock production, larger feed grain acreages are required to provide adequate reserves. I mention this fact because it is a matter which I am not sure is fully appreciated by all farmers in the west.

Having touched on these factors, which have a distinct bearing on our problem, I wish to deal with the situation which we must face in the crop year 1941-42. As I have stated, as at July 31 this year, the Canadian carry-over in all positions will be approximately 575 million bushels. In addition we will have the 1941 crop on our hands. We do not know how large that crop is going to be, but if we produce an average crop we will have to deal with about 1,000 million bushels of wheat in 1941-42.—a supply of wheat greater than anything ever before contemplated and never before thought possible in Canada, and a supply which is beyond the immediate grain storage facilities of this country.

To emphasize further the seriousness of the wheat situation, I would point out that the United States will have a record carry-over this year, estimated at 400 million bushels. In addition, the winter wheat prospects are much improved over those of last year. Every effort is being made in Europe to increase wheat acreage. If this additional acreage is maintained after the war, possibilities of a large demand for our wheat are very much reduced.

The next question is how much of our actual and prospective supply of wheat can be disposed of in 1941-42. For seed, feed and human consumption an estimated total of 127 million bushels will be required. In addition we will export some wheat but our most optimistic estimate at the present time is that these exports will not exceed 180 millions. The maximum disappearance, therefore, will in our opinion be 307 million bushels.

On the basis of an average crop in 1941, we will have a carry-over at the end of July, 1942, of approximately 700 million bushels. Even on the basis of a very short crop (really a crop failure) we will still have a carry-over of over 500 million bushels. I do not need to stress to the house the seriousness of this position.

The financial aspect of the wheat situation is one which can only call for anxiety. The report of the Canadian wheat board for the year ending July 31, 1940, recently tabled showed a total loss of \$67,401,986.33, sustained in the wheat board operations on the 1938 and 1939 crops. These losses do not include interest on outstanding bank balances in connection with the 1938 crop or carrying charges in connection with the 1939 crop accruing since July 31, 1940.

The dominion government, through the Canadian wheat board, will own the bulk of the estimated carry-over of 575 million bushels as at July 31, 1941. It is obvious that the obligation of the dominion government in respect of this wheat will be at least 400 million dollars. In addition it will require 50 million dollars to carry this wheat for the ensuing 12 months. To these commitments already made must be added any additional commitments which we undertake in respect of the 1941 crop. It is in the light of these facts that we have had to reach a decision in regard to the wheat policy to be followed for the crop year 1941-42.

The government has been alive to the difficulties of the wheat situation and the whole wheat problem has been under constant and persistent study by various branches of the government and of the wheat board. The advisory committee, appointed last fall under the Canadian Wheat Board Act, has been giving a great deal of consideration to every aspect of the problem. From the many representations which have been made to me from people in all walks of life, throughout the west and throughout all Canada, I think I am safe in saying that no Canadian problem has received more careful attention and consideration than has the wheat problem.

I shall now outline the plans the government proposes to make effective this year in connection with the 1941 crop.

(1) To take such action as will ensure as nearly as possible that the visible supply of Canadian wheat on July 31, 1942, shall be no larger than on July 31, 1941. In other words we feel that we have reached the limit of the volume of wheat reserves which should be carried.

(2) To accomplish this a definite limit will be set on the amount of wheat which it will be possible to deliver either to the board, on the open market or otherwise, during the crop year 1941-42. The limit will be 230 million bushels—for the whole of Canada, an amount which it hopes can be sold in the domestic and export markets in 1941-42.

(3) The Canadian wheat board and the government have given the most careful consideration to an equitable plan by which deliveries of the 230 million bushels will be distributed among wheat producers. The quota system so successful this year will be maintained and these quotas will be based on the production from 65 per cent of the 1940 acreage. The first quota will be a general one and will allow the delivery of the same amount of wheat per acre from every farmer. The second and following quotas will be certain proportions of the 1941 yield for the farmer's shipping point; that is a high yield point in 1941 will have a higher quota per acre than a low yield point. I cannot at the moment give further details of the delivery plan but I can say that the plan will be equitable as between farmers and as between areas in the prairie provinces. This plan of quotas will operate

only if total production provides a marketable surplus of wheat in excess of 230 million bushels. In the event of the crop being smaller than this the system of quotas will require to be varied to meet this condition.

(4) The dominion government through the Canadian wheat board will continue to guarantee an initial payment of 70 cents a bushel basis on No. 1 Northern wheat delivered during the crop year 1941-42.

(5) The Canadian wheat board will continue to pay storage to the producers on the same basis as in 1940-41, but only on the undelivered portion of the 230 million bushels.

(6) No change will be made in the amount or incidence of the processing levy as at present established.

My jurisdiction as Minister of Trade and Commerce covers the marketing of wheat. With this I have dealt. Agricultural production lies within the jurisdiction of my colleague the Minister of Agriculture. The restrictive measures I have outlined are deemed necessary. There must be compensations in view of these restrictions and the Minister of Agriculture will now deal with these compensatory measures.

The Minister of Agriculture, the Hon. J. G. Gardiner then made the following statement:

As has been stated by the Minister of Trade and Commerce the minister of that department has, ever since there was a Canada Grain Act, been responsible for its administration, and on each occasion when we have had a wheat board act the minister has also been responsible for its administration. I think I can say without fear of contradiction that no minister of trade and commerce and no wheat board has ever had a more difficult year to deal with up to the present than the year 1940. I think I can say at the same time that the minister, his department, and the wheat board in particular, should be complimented upon the efficient manner in which they have handled that difficult situation.

We have just been given an outline of the activities of the year and of the difficulties facing us this year. As my colleague has already intimated, I desire to deal with that section of wheat policy which has to do with production and its relation to the statements that have been made.

The Minister of Trade and Commerce has stated to the house what will be available to provide handling facilities and advance upon the wheat which can be taken by the government this year.

It is considered by the government that only 230 million bushels of wheat can be delivered to the board on the open market or otherwise. In view of all the uncertain circumstances, the government is of the

opinion that the advance upon the amount delivered should not be increased. The outstanding reason for that conclusion is the opinion that production of wheat should be decreased.

The figure arrived at will suggest that farmers keep before them an objective of not more than 65 per cent of last year's acreage. It has also been pointed out that a certain farm income is necessary to the maintenance of western economy. It is generally agreed that this should be not less than 325 million dollars.

If this income is going to be realized it will be necessary for the farmer to obtain from the lands which were in wheat last year a net return at least equal to that of 1940.

The government has therefore attempted to set up a plan under which that may be accomplished, while at the same time securing a reduction of the acreage in wheat to an area which is not likely to produce more than 230 million bushels.

It is not our intention to pay farmers for not growing wheat or to compel them to reduce acreage. It is our intention to pay them to do something other than grow wheat, which we believe in the long run will improve western agriculture.

We intend to do this in a manner in which, if the happenings of the war or the after-war period require it, reasonable quantities of wheat may be produced.

But, most important for the time being, we will attempt to do it in a manner which will give the farmer a net cash return comparable with what he would have had if he had followed his pre-war methods of agriculture and could have disposed of his products in the usual way.

It is our intention, therefore, to make payments of certain sums per acre on all reductions made in wheat sowings in the prairie provinces in 1941 as compared with 1940, provided the farmer does certain specified things with the land.

1. If he summer-fallows the reduced wheat acreage or part of it, the government will pay him \$4 an acre for the reduced wheat acreage which is black July 1, 1941; payments to be made as soon as possible after July 1, 1941.

2. If he sows the reduced wheat acreage or part of it to coarse grains in the spring or, in the case of rye, in the fall of 1941 on lands not summer-fallowed, the government will pay him \$2 an acre in 1941 as soon as possible after proof of sowing is established.

3. If he sows the reduced wheat acreage or part of it to grass or clover during 1941 provided the land has not also been sown to coarse grain or summer-fallowed, the government will pay him \$2 an acre as soon as possible after proof of sowing has been established and an additional \$2 an acre if the same land is still seeded down to grass on July 1, 1942.

4. If he sows reduced wheat acreage or part of it which is also sown to coarse grain, or which is summer-fallowed in 1941, to grass or/and clover or to rye in 1941, the government will pay \$2 an acre as soon as possible after July 1, 1942, provided the same land is in grass or/and clover, or rye, on that date.

The above payments are considered to be liberal allowances for the work necessary to utilize the lands for the different purposes outlined. The methods by which the money can be earned are intended to be varied enough to permit of the farmer adopting the one most suited to his farming conditions in order to obtain revenue which he has been denied because he is unable to deliver the amount of wheat he has been accustomed to market.

An estimate of the amount of money which can be earned is possible. If the entire 9,000,000 acres were removed from wheat as summer-fallow, the amount distributed would be \$36,000,000. If 6,000,000 acres were utilized as summer-fallow and 3,000,000 for coarse grains and grass, the amount distributed in 1941 would be \$24,000,000 for summer-fallow and \$6,000,000 for coarse grains or grass, or both, whereas the farmer would have additional returns from the increased coarse grains in this latter case, and in 1942 could collect additional amounts if the grass and rye lands are still out of wheat. Any other combination can be estimated similarly.

Certain regulations will be necessary to prevent corporation farmers or those operating farms on the tenant plan from taking advantage of the plan to the detriment of their tenants. Other safeguards may be needed. Such regulations will be provided as soon as possible.

A distribution of the funds made available by these payments between seeding and summer-fallowing, and between cultivation and harvest should be even more helpful in this difficult year 1941 than funds distributed in an increased price spread over the latter five months of 1941 and the first seven months of 1942. With this suggestion I desire to leave with the house the statement of policy as set out, in the first part by the Minister of Trade and Commerce (Mr. MacKinnon) and in the second part by myself.

6. *RELATIONS WITH BULGARIA, ROUMANIA, AND HUNGARY,
STATEMENT OF PRIME MINISTER, MARCH 5, 1941.*

I should like to make a brief statement to the House on the present situation in the Balkans, as it affects nationals and citizens of certain of those countries.

Acting upon instructions from the government of the United Kingdom, His Majesty's minister at Sofia has broken off diplomatic relations with Bulgaria to-day. There is no Canadian diplomatic mission in Bulgaria and there are no Bulgarian diplomatic or consular representatives in this country. There was, therefore, no occasion for any action by the Canadian government with regard to the severance of diplomatic relations.

The breaking off of diplomatic relations does not necessarily bring about a state of war. On the other hand, in breaking off diplomatic relations the United Kingdom felt it could not overlook the action of the Bulgarian government in aligning Bulgaria with the axis powers and in permitting German forces to enter Bulgaria and to use that country as a base from which to conduct hostile operations.

Action has been taken and is being taken by the Canadian government to protect Canadian interests during the period that may intervene between the breaking off of diplomatic relations and actual hostilities should such take place. Action has already been taken by Order in Council making Bulgaria proscribed territory which means that all transactions with Bulgaria will be subjected to the regime of the trading with the enemy regulations. In this manner it is made unlawful to conduct any transactions involving, directly or indirectly, economic aid to the enemy. Precautionary action is being undertaken to prevent any transactions that might result in assistance to the enemy.

Police action that is necessary to preserve the security of the state is, of course, being undertaken. While this is so, Bulgarian nationals and persons of Bulgarian descent will not be disturbed so long as they show by their conduct that they are rendering loyal obedience to the laws and institutions of this country.

The action taken to make Bulgaria proscribed territory extends also to Hungary. Hungary is a country with which diplomatic relations are maintained by the United Kingdom. On the other hand it is not possible entirely to overlook the fact of the contiguity of Hungary to territory under German domination, and Hungary's alignment with the axis and the according by Hungary to the enemy of privileges which are not consistent with neutrality. Hungary maintains a consulate general in Montreal and a consulate in Winnipeg. The action taken in making Hungary

proscribed territory has subjected transactions with that country to the regime of the trading with the enemy regulations and makes it possible to prevent transactions that might be of advantage to the enemy. The measures taken are precautionary and consistent with the continuation of existing regulations.

Diplomatic relations between the United Kingdom and Roumania were broken off on the 10th of February of this year. Subsequently the consul general of Roumania in Canada received instructions from his government to close the consulate general in Montreal, and this action was taken on the 15th February of this year. The consul general and his staff have withdrawn. Roumania was made proscribed territory and other precautionary measures were undertaken similar to those which are being adopted with regard to Bulgaria. In the case of Roumanian nationals, and persons of Roumanian descent, the same position is maintained as in the case of Bulgarians. They will not be disturbed so long as their conduct conforms to our laws, and is consistent with the allegiance which, under the laws of Canada, is due from all residents, irrespective of their national status or racial origin.

(B) WAR ORGANIZATION AND REGULATIONS

1. NEW FOUR-MONTH TRAINING PERIOD UNDER NATIONAL RESOURCES MOBILIZATION ACT, STATEMENT OF PRIME MINISTER, FEBRUARY 3, 1941.

Replacing the original 30-day military training scheme under the National Resources Mobilization Act, the first of a new four-months' training plan will begin about March 15, when it is planned to call up between 6,000 and 6,500 men, and the same number each month afterward, according to announcement made on February 3, 1941 by the Prime Minister.

Those to be called, according to present arrangements, are all young men as they reach the age of 21. There will be no exemptions, though postponements may be worked out by the Boards of Review in the different districts.

The four months' period of training will be divided into basic training for two months and advanced training for a further two months. At the end of the first two months those who volunteer and are accepted for the Royal Canadian Navy or the Royal Canadian Air Force will be withdrawn and will go to Naval or Air Force schools. The others will go to advanced Training Schools where special training will be given in the particular arm of the service to which they are posted, preference being given as to the branch of the service for which each would like to qualify, as infantry, artillery, signals, army service corps, or ordnance.

At the end of four months, and unless the recruit desires to volunteer and is accepted for some active unit, he will be posted to a reserve unit and will return to civil life, being liable to recall if he should be required for service in Canada or for additional training.

2. STATEMENT REGARDING THE REPORT OF THE SPECIAL COMMITTEE ON ORIENTALS IN BRITISH COLUMBIA, RELEASED AT OTTAWA, JANUARY 6, 1941.

The Prime Minister announced at Ottawa to-day that the Government has been making a re-examination of the oriental situation in British Columbia and that a Special Committee appointed for this purpose has recently reported.

The Committee which carried on its study both in Ottawa and subsequently in British Columbia consisted of Lieut.-Col. A. W. Sparling, D.S.O., of the Headquarters Staff, Military District No. 11 (British Columbia), Convener; Dr. H. L. Keenleyside, Counsellor, Department of External Affairs, who was for some years on the staff of the Canadian Legation in Japan; Assistant Commissioner F. J. Mead of the Royal Canadian Mounted Police; and Sir George Sansom, who was until recently Commercial Counsellor of the British Embassy in Tokyo and who is recognized as perhaps the leading occidental authority on the history and culture of Japan.

The Government has now examined the Report prepared by the Special Committee and has decided to implement many of its conclusions.

As a result of the Committee's study and of its own knowledge of the situation, the Government is satisfied that the great majority of the people of oriental racial origin who are now in Canada are thoroughly loyal to their adopted or (in the case of the large percentage who have been born in Canada) their native land. The Government is further satisfied that all necessary measures have been and are being taken by the various military and police authorities to deal with any disloyal or subversive activities that may arise.

After careful study of the entire question it is the opinion of the Committee, and in this the Government fully shares, that the most serious danger in the British Columbia situation is that arising from ill-informed attacks against the loyalty and integrity of the oriental population. Some weeks ago such attacks became widespread and public opinion was aroused in a manner that was prejudicial to the welfare of the community as a whole.

Fortunately, public minded citizens, organizations and newspapers, realizing the unfairness and danger of basing suspicion on mere rumour and hearsay, sought facts before serious developments occurred.

In this connection the Prime Minister stated that the Committee and the Government had been very greatly pleased by the temperate and reasonable attitude adopted, in this critical time, by the newspapers of the Province which, almost without exception, have contributed to the enlightenment and pacification of public opinion on this serious subject. The Prime Minister expressed the hope and belief that this policy would be continued in the future.

The Government is determined that every step will be taken to see that no subversive act is committed by any resident of the Province, and that if any such act is committed the full penalty of the law will be invoked

against the guilty person. At the same time the Government will take whatever measures are necessary to see that no loyal and law-abiding oriental shall be made to suffer in his person or his property through acts of persons who may be misled and provoked to illegal action by inaccurate rumours and intemperate words such as featured the recent anti-oriental campaign in British Columbia.

The Special Committee paid particular attention to revived charges that many orientals had entered Canada illegally in recent years. Both the Committee and the Government are satisfied that these charges are unjustified but it has been decided, after consultation with leaders of the Japanese community, that in order to protect the Japanese themselves—and to eliminate any illegal entrants who may in fact be in Canada—a special registration of all Japanese residents of the Province will be carried out in the near future. Each member of the community will be registered and if found to be legally in Canada will be given a Certificate and a card which will be final proof of his legal residence in this country and will thus exempt him from future suspicion or annoyance.

As a special registration of the Chinese population was effected a few years ago they will not be included in the present project.

In accordance with the recommendations of the Committee the Government has decided that for the time being Canadians of oriental racial origin will not be called upon to perform compulsory military service. It is felt that in the present state of public opinion unfortunate incidents might occur and that under the circumstances Canadian citizens of oriental race should be allowed to make their contribution to the national war effort in some other form.

The Government appointed a small standing committee to supervise the carrying out of the proposals outlined above. This Committee will also be in a position to advise the Government constantly in regard to the situation in British Columbia and to recommend any steps that may be necessary to provide against a recurrence of the recent campaign against the oriental population with its disturbing effect on public opinion in the Province. The members of the Committee are:

Fred. J. Hume, Mayor of New Westminster, Chairman;
Prof. H. F. Angus, University of British Columbia,
Asst. Commissioner F. J. Mead, R.C.M.P.,
Lt.-Col. McGregor McIntosh, M.L.A.,
Lt.-Col. A. W. Sparling, D.S.O.

3. PROGRESS OF COMMONWEALTH AIR TRAINING PLAN, STATEMENT BY THE MINISTER OF NATIONAL DEFENCE FOR AIR, MARCH 17, 1941.

In an informal way I should like to discuss the air training plan in particular and to explain to the committee in a broad and general way just where the money which the committee is asked to vote this year—\$250,000,000—is going.

As I said this afternoon in answer to a question by the leader of the opposition (Mr. Hanson), the estimates, broadly speaking, are divided into three parts. It is proposed to spend during the year 1941-42: on the home war establishment, \$154,000,000; on the overseas war establishment, \$15,800,000. Then there is the commonwealth air training plan, and if the committee will permit me I shall deal for the moment only with the commonwealth air training plan, being quite willing to answer in due course any questions that may be asked with reference to the other two branches of the service.

There has been a great deal of confusion in the minds of the public and of members of the house and in the press as to the air training plan. It is a huge, complex and complicated undertaking, but in a word it is this: The government of Canada is a contractor for the whole British Empire to turn out—and this is what I wish to emphasize—an output of air crews, consisting of pilots, gunners and observers. That is the job of work we undertook to do. All else—aerodromes, buildings, aeroplanes, trained technicians, instructors—is only incidental to the process of doing the job we were asked to do, namely, to turn out thousands of pilots, gunners and observers, and I submit to the committee that we should be judged on the results of the job of work which we have been asked to do.

We are at the same time partners and contractors for our partners. The partners are the United Kingdom, New Zealand, Australia and Canada. We are contracting, but at the same time we are contributing, in that we contribute about 65 per cent of the joint funds and 90 per cent of the raw material, which is the young men who go into the plan and afterwards become the output, the air crews that are handed over to the Royal Air Force as members of that force. We are producing for the Royal Air Force the human units which belong to the Royal Air Force as they are graduated from our schools. I hope to make that clear to-night because I have not perhaps made it clear enough on other occasions when I have addressed the house. Our contract calls for the delivery of a certain number of human units at certain specified times.

Canada was selected from among the nations of the commonwealth to undertake this job, partly on account of our freedom from prospective

attack, partly on account of our proximity to the United States, which would furnish us with a supply of raw material, and partly on account of our proximity to the United Kingdom, which would also supply us with material, and which was close enough and accessible enough to make delivery of the output easy. Fourth, I suggest that Canada was chosen because of the reputation of Canadian youth for efficiency and gallantry during the last war as members of the Royal Air Force and of the air arm of the navy.

A large part of the energies of the officers, staff and men of the Royal Canadian Air Force is devoted to this job. We might have preferred, I imagine that most of the officers of the air force would have preferred, a more direct contribution, that is to say, that we send over more all-Canadian squadrons. We were, however, asked to do this job as a matter of empire co-operation. It was believed, and I think in the event it will be proved, that the belief was founded upon common sense and reason, that by pooling the efforts of the empire to produce these young men and put them in the firing line, we would do much better than if each part of the commonwealth endeavoured to carry on, on its own.

4. NEW POWERS CONFERRED ON DIRECTOR-GENERAL OF PRIORITIES BRANCH, DEPARTMENT OF MUNITIONS AND SUPPLY, ANNOUNCEMENT OF MINISTER OF MUNITIONS AND SUPPLY, FEBRUARY 22, 1941.

Extensive powers have been conferred by Order in Council on the Director-General of the Priorities Branch of the Department of Munitions and Supply, according to an announcement by Hon. C. D. Howe. These powers, under which priorities will be regulated, were formulated and recommended by the Wartime Requirements Board.

The Order in Council sets forth and puts into effect a priorities plan. It is designed to assure that all war requirements of the Crown will be met in an orderly fashion, and that they shall have priority over all other requirements. It also provides that the priorities officer, who is the Director General of the Priorities Branch of the Department, will allocate and determine the transport and delivery of supplies in accordance with wartime needs.

To meet these needs, the order provides that the priorities officer of the Department of Munitions and Supply with the concurrence of naval, military, and air force officials, will set up a list approved by the Minister of Munitions and Supplies on which priorities are required. The priorities list may be subdivided, classified, or revised from time to time.

In addition, the priorities officer may issue general or special orders deemed necessary to meet the supply needs of the forces, or of the dominion.

Permits granting priorities in obtaining supplies or other requirements may then be issued by the priorities officer. Permits may also be issued permitting the production of materials which, by reason of action already taken by the priorities officer, could not otherwise be produced.

Except by virtue of such permits, no person shall produce or transport munitions or supplies contrary to the provisions of the priorities list, or contrary to any order of the priorities officer.

In order that all the industrial and transportation facilities of the dominion may be available when required to meet national needs, the minister may also issue any general or specific order to give effect to the general intent and purpose of the priorities plan. This purpose is that the plan operate completely in mesh with the resources and productive capacity of the dominion.

Under the order, the industrial and transportation facilities of the dominion are generally subject to the rulings of the priorities officer. They may at any time be diverted into the production of wartime supplies.

The needs of the Crown are thus given priority over all private requirements and will take precedence over any contract or agreement. Hence production under private contracts of any kind, completed or uncompleted, may be diverted to wartime needs. Any failure to comply with the rulings is an offence under the Department of Munitions and Supply Act.

Orders may be issued also by the priorities officer in order to give priority over non-essentials to the production of goods essential for the welfare of the civil population, and also to goods required for export. Orders issued by the priorities officer will be immediately effective, but they must later also be approved by the minister.

(C) OTHER WAR MEASURES

1. REGULATIONS RESPECTING PAYMENT OF REHABILITATION GRANT

Order in Council P.C. 7251 of the 19th of December, 1940 (Canada Gazette p. 2376 of January 4, 1941)

This Order provides that every member of the Naval, Military, or Air Forces of Canada who has served continuously on active service therein during the present war, for a period of not less than 183 days, shall, on his retirement or honourable discharge, or upon ceasing to serve in active service, be granted an amount equal to thirty day's pay of the rank last held in said forces. It is further provided that such a member shall also be granted a marriage and/or Dependent's Allowance for a period of thirty days. The total grant thus provided shall be designated as "The Rehabilitation Grant".

2. AMENDING NATIONAL WAR SERVICES REGULATIONS

Order in Council P.C. 7215 of the 24th of December, 1940 (Canada Gazette p. 2429 of January 11, 1941)

This Order amends the National War Services Regulations, 1940, to provide specific exemption from military training for Mennonites and Doukhobors on application to the Board for the Administrative Division in which such persons reside. A similar provision is made for persons who are conscientious objectors. In both cases, however, non-combatant services are required of such persons and administrative provision is made to ensure that such service will be given.

3. EXTENDING THE VISIT OF PERSONS OF CHINESE ORIGIN TO THEIR NATIVE LAND

Order in Council P.C. 7722 of the 31st of December, 1940 (Canada Gazette p. 2541 of January 18, 1941)

Under this Order, all persons of Chinese descent, who under Section 23 of the Chinese Immigration Act, 1923, have registered on or subsequent to December 1, 1938, and all persons of Chinese origin or descent who may register under the said Section 23 on or before December 31, 1941, may delay their return to Canada for a period of two years or over and above the statutory period as set by Section 24 of the same act.

4. PROHIBITING THE EXPORT OF CERTAIN ARTICLES WITHOUT A PERMIT

Order in Council P.C. 1124 of the 13th of February, 1941 (Canada Gazette p. 3010 of February 22, 1941)

Under the authority of Section 290 of the Customs Act, this Order prohibits the export, except under permit issued by the Minister of National Revenue, of the following articles: wheat, wheat flour, petroleum and gas well equipment, drilling and refining machinery.

5. BULGARIA AND HUNGARY DECLARED TO BE PROSCRIBED TERRITORY

Orders in Council P.C. 1561 and P.C. 1562 of the 4th of March, 1941 (Canada Gazette p. 3257 of March 15, 1941)

These Orders extend the provisions of the Consolidated Regulations regarding Trading with the Enemy (1939), to the territories of Bulgaria and Hungary.

6. PLAN IN RESPECT OF PRIORITIES

Order in Council P.C. 1169 of the 20th of February, 1941 (Canada Gazette p. 3131 of March 8, 1941)

This Order puts into effect a plan of priorities in connection with the production of munitions of war and supplies, formulated by the Wartime Requirements Board. The purpose of this plan is to ensure that war requirements shall have priority over all other requirements, and to determine, whenever necessary, priorities of production, transport, and delivery, and the amount or quantity of any munitions or supplies to be made accessible to the various purchasing agencies representing the Commonwealth and Allied Governments, and to industries, when such amounts in quantities are insufficient for war requirements. This Plan is to be administered by a Priorities Officer, appointed by the Minister of Munitions and Supply, through creation of a list of commodities to be placed on the priorities list.

7. AMENDING NATIONAL WAR SERVICES REGULATIONS (1940)

Order in Council P.C. 1822 of the 18th of March, 1941 (Canada Gazette Extra No. 94 of March 18, 1941)

By virtue of the powers conferred by the National Resources Mobilization Act, 1940, and the War Measures Act, this Order amends and consolidates the National War Services Regulations (1940); the said amended and consolidated regulations to have effect from and after February 25, 1941.

8. PROHIBITING EXPORT OF PRODUCTS TO CERTAIN DESTINATIONS

Order in Council P.C. 2050 of the 24th of March, 1941 (Canada Gazette p. 3395 of March 29th, 1941)

This Order rescinds the following Orders dealing with export control: P.C. 286 of January 23, 1940; P.C. 885 of February 29, 1940; P.C. 1471 of April 11, 1940; P.C. 2833 of June 27, 1940; and P.C. 3724 of August 6, 1940, and establishes the following Regulations as from April 1, 1941:

- (a) No person shall export any goods to any country outside the Western Hemisphere, other than to parts of the British Empire, or territories under British occupation or control, without first having obtained a permit issued by the Minister of National Revenue.
- (b) No person shall export any goods to the colonies or possessions of France within the Western Hemisphere without first having secured such a permit.
- (c) For the purposes of this Order, the Western Hemisphere shall be understood to embrace all land west of longitude 30° West and East of the International Date Line.

These new Regulations do not affect the requirement of export permits covering the commodities included in the lists of essential commodities which have been published from time to time, for which permits are required to all destinations.

(D) INTERNATIONAL CONFERENCES AND AGREEMENTS

1. RADIO ENGINEERING CONFERENCE, WASHINGTON, D.C., JANUARY 14, 1941.

A Radio engineering conference was held in Washington, on January 14, 1941, for the purpose of harmonizing the action of the radio administrations of Canada, Cuba, Dominican Republic, Haiti, Mexico and the United States, in bringing the assignment of broadcasting frequencies into conformity with the provisions of the North American Regional Broadcasting Agreement signed at Havana on December 13, 1937.

2. RATIFICATION OF PROTOCOL AMENDING THE INTERNATIONAL AGREEMENT FOR THE REGULATION OF WHALING, FEBRUARY 27, 1941.

Ratification of the Protocol amending the International Agreement for the Regulation of Whaling was authorized, on behalf of Canada, by Order in Council P.C. 1957 of the 22nd of July, 1939, and took place on the 27th of February, 1941.

The Protocol, like the Agreement which it supplements, provides regulations for the conservation of the whaling industry.

3. GREAT LAKES - ST. LAWRENCE BASIN AGREEMENT, STATEMENT OF PRIME MINISTER, MARCH 19, 1941.

Mr. Speaker, an agreement between the government of Canada and the government of Ontario with regard to the Great Lakes-St. Lawrence basin development was completed to-day at 1.35 p.m. It was signed at Ottawa yesterday by Mr. Howe and myself on behalf of the Canadian government and at Toronto to-day by Mr. Hepburn and Mr. Nixon on behalf of the government of Ontario.

This agreement is designed to enable the two governments in co-operation with the government of the United States to carry out the developments which are necessary to make beneficial use of the waters of the Great Lakes-St. Lawrence basin, including the development of power from the Ogoki and Long Lac diversions at the Sault, Niagara and ultimately in the international rapids section; the preservation of the scenic

beauty of the Niagara river and falls and the more effective use of the waters in the Niagara for power purposes and the building of a controlled single-stage project in the international rapids section of the St. Lawrence.

An agreement with the United States of America was signed at Ottawa at 2.40 this afternoon in the Prime Minister's office by the plenipotentiaries appointed by His Majesty the King in respect of Canada: myself as Secretary of State for External Affairs, Mr. Howe, Minister of Munitions and Supply, and Mr. Read, legal adviser of the Department of External Affairs; and by the plenipotentiaries appointed by the President of the United States of America: Mr. Moffat, the United States Minister to Canada, Mr. Berle, the Assistant Secretary of State of the United States, and Mr. Leland Olds, Chairman of the Federal Power Commission of the United States. This agreement covers the development of power throughout the Great Lakes-St. Lawrence basin and makes provision for a deep waterway from the head of the lakes to the harbour of Montreal. It also contains provisions dealing with and controlling diversions from the Great Lakes-St. Lawrence watershed and for the preservation of the scenic beauty at Niagara. Generally, its scope is similar to that of the Niagara convention of 1929, and the St. Lawrence Deep Waterway treaty of 1932.

The copy of the signed agreement for the President of the United States of America is being taken to Washington to enable the president to communicate it, in a formal manner, to the United States congress. The agreement will be formally brought to the attention of congress on the afternoon of Friday, the 21st. On the same day, when the House of Commons assembles, it will be communicated to the parliament of Canada together with the texts of the Canada-Ontario agreement, the texts of relevant correspondence between Canada and the United States from May, 1938, to the date of signature of these agreements, the texts of relevant correspondence with the governments of Ontario and Quebec during the same period, and a general plan of the power and navigation development in the international rapids section. In order to permit simultaneous publication in congress and in parliament, the agreements will not meanwhile be tabled.

By an exchange of correspondence tabled in the House of Commons at an earlier date, provision was made for the establishment by the two governments of temporary Great Lakes-St. Lawrence Basin committees, in order to make the engineering investigations that were necessary to expedite work on the project, in the event that the development was approved by parliament and by congress. Reports addressed to the President of the United States of America and to the Prime Minister of Canada have been submitted by these committees, which have been working in co-operation. These reports give the general description of the project, the recommendations of the committees and the estimates of costs.

I shall now table copies of these reports in English and in French. They will be distributed without delay.

The report being tabled is styled:

St. Lawrence Deep Waterway, International Rapids Section.

Reports submitted to the President of the United States of America and the Prime Minister of Canada by the Canadian temporary Great Lakes-St. Lawrence basin committee and the United States St. Lawrence advisory committee.

1. Joint report submitted by the committees.
2. Engineering report transmitted by the committees.
3. Detailed estimate of cost.

The question of the relationship of the St. Lawrence waterway project, both to the immediate war effort of our country and to the broader defence problems in which the governments both of Canada and the United States of America are interested, has been carefully considered by the two governments. I deem it advisable immediately to bring to the attention of parliament the exchange of correspondence, which contains a personal message addressed to me by the President of the United States of America, with regard to this aspect of the question. I do not think that it would be desirable to comment on Mr. Roosevelt's statement at the present stage, but I feel bound to express the satisfaction and gratification of the government, and, I am sure, of all Canadians, at the president's action in placing on record in a formal state paper the determination of the government of the United States to supply such aid and material to Great Britain, the members of the commonwealth and their allies, as may be necessary to enable them to bring the war to a successful termination.

As these communications are of the greatest possible public interest, I shall now read to the house the exchange of notes between the United States minister and myself of March 5 and March 10, which contain the message referred to.

The following is the message addressed by myself as Secretary of State for External Affairs to Mr. Moffat, the United States minister to Canada. It is dated Ottawa, March 5, 1941:

Sir:

I have the honour to refer to certain questions which have arisen in the course of the St. Lawrence waterway negotiations, and which we have discussed recently.

As you are aware, my colleagues and I have been giving prolonged consideration to the problems presented by the St. Lawrence waterway project. We have noted the progress made in the preparation of the engineering plan for the international section and in the drafting of the general agreement. There is, however, one consideration of a fundamental character to which we desire to call attention.

The growing intensity of the war operations and the apprehension that still more serious perils will have to be faced in the very near future, necessitate the most careful examination of any proposed expenditure from the point of view of public need and in the light of war requirements.

In existing circumstances, the Canadian government desires to know whether the government of the United States is of the opinion, in view of the position in Canada, and, of course, the position in the United States as well, that the project, as outlined in the State Department's proposals of 1936 and 1938, and under consideration since that time, should now be proceeded with.

We have, of course, been fully aware of the desire of the government of the United States to have a treaty or agreement respecting the St. Lawrence waterway concluded at as early a date as possible, and negotiations, which have been carried on more or less continuously for some time past, have had in view the desire on our part to arrive, at the earliest possible date, at terms of agreement which would be mutually advantageous. We are also aware of the pronouncements, which have been made from time to time by the president, respecting the added emphasis given by the war to the importance alike of power and navigation developments in the Great Lakes-St. Lawrence waterway project. We are also duly appreciative of the agreement recently reached between our respective governments, whereby the province of Ontario has obtained the right to the immediate use of additional power at Niagara, and the diversion of the waters of the Ogoki and Long Lac rivers into lake Superior, in consideration of which, authority was given for the immediate investigation by United States engineers of the project in the international section of the St. Lawrence river in Ontario, in order to enable work of future development to proceed with the least possible delay, once an agreement between the two governments, respecting the St. Lawrence development was concluded.

We would naturally be prepared to give every consideration to power or navigation developments which the United States may deem necessary to the prosecution of measures calculated to aid Great Britain, Canada and other parts of the British commonwealth of nations in the present war, or to further the security of the United States itself against possible future events, which, at the moment, cannot be foreseen, but of which in times like the present full account must be taken. We realize that the government of the United States will be as solicitous as our own government to appraise the project at the present time in terms of its contribution to the efforts which are being put forward by our respective countries to preserve and to restore freedom.

It is from this point of view and in this spirit that we would ask that the St. Lawrence project be again reviewed by the government of the United States before an agreement or treaty be finally entered into.

Accept, Sir, the renewed assurances of my highest consideration.

W. L. MACKENZIE KING,

Secretary of State for External Affairs.

To that communication I received from Mr. Moffat, the United States Minister to Canada, the following reply:

Legation of the United States of America

OTTAWA, March 10, 1941

SIR:

I lost no time in bringing to the attention of my government your note of March 5 in regard to the St. Lawrence waterway negotiations. In view of the importance of the question you raised, the matter was laid before the president, and I have been instructed by way of reply, to transmit the following personal message from him to you—

The remainder of this communication is in quotations; it is the message from President Roosevelt:

"I have given careful consideration to your recent request that in view of the growing intensity of current war operations and the apprehension over perils which may have to be faced in the near future, the government of the United States review the St. Lawrence project and give you an indication of its views as to whether, in the existing circumstances, this project as outlined in the State Department's proposals of 1936 and 1938 should now be proceeded with.

"May I say at the outset that I am aware of Canada's increasing war effort and I readily agree that it must have first call upon your country's resources and man-power. I also agree that in view of the existing situation the most careful examination of any proposed expenditure is necessary from the point of view of the public need and in the light of defence requirements.

"With these considerations in mind the government of the United States has as you requested reviewed the St. Lawrence project. We have welcomed this occasion to review the project because of the fact that our own defence programme renders it desirable that all public expenditures in the United States be weighed in the light of considerations similar to those set forth in your communication. The government of the United States is engaged in a great defence programme. It is determined to supply such aid in material to Great Britain, the members of the commonwealth and their allies as may be necessary to enable them to bring the war to a successful termination. Simultaneously our own defences are being strengthened to the extent necessary to prevent any foe from menacing the security of this hemisphere. It is indispensable that all public projects contemplated by the government of the United States be considered from the standpoint of their relationship to these supreme objectives.

"The government of the United States regards the Great Lakes-St. Lawrence basin project as directly associated with the accomplishment of the foremost national objectives of this government. It believes that the project should be proceeded with and that construction should commence at the earliest possible moment. It regards the construction of this project as a matter of vital necessity.

"You refer to the engineering investigation now being conducted in the international section of the St. Lawrence river. I need hardly say that I directed the release of \$1,000,000 from the special defence fund for this

purpose only because of my conviction that the completion of this project by 1945 might prove of vital importance to our defence effort. It is gratifying that there has been sufficient progress to make possible the initiation of construction this spring.

"I am sure you will agree with me that, while our countries must put forth maximum immediate defence effort, we must also prepare for the possibility of a protracted emergency which will call upon the industries of both sides of the border to meet constantly expanding demands. The combination of advantages offered by the St. Lawrence project makes it imperative that we undertake it immediately.

"In terms of the time factor, the St. Lawrence project as a part of our defence program is not exceptional, since we are to-day appropriating money for construction of vessels of war which will not be ready for service until the completion of the St. Lawrence undertaking.

"I am convinced of the urgent need for the large increment in low cost electric power which the St. Lawrence project will provide. Already the demand for power is running ahead of expectations. In fact one of the most serious handicaps to the rapid expansion of aeroplane production is the difficulty of finding the large supplies of high-load factor power required for aluminum production. We are of course expanding our electric facilities for this purpose as fast as practicable but by the time the St. Lawrence power is available other sources of cheap power will have been largely allocated.

"The St. Lawrence project offers by far the soundest and most economical provision for the power requirements of certain portions of our long-range defence program, more particularly for certain high-load factor defence industries. Furthermore the manufacturing facilities and skilled labour available for the construction of steel turbines and electric equipment will be needed to meet the requirements of the vast areas of our continent where water power is not so economically available.

"I am also convinced that the opening of the St. Lawrence deep waterway to afford an outlet for naval and cargo ships constructed in great lakes shipyards, far from representing a diversion of funds and resources from the defence effort, would have the opposite effect. Our shipbuilding program, to meet the requirements of defence, will call for a great expansion of shipyards with their associated machine shops and adequate supplies of skilled labor. The extent to which intensified submarine and air attacks on convoys may necessitate an expansion of the program is still unknown. If the war is protracted however it seems certain that the number of shipyards required will have to be several times those at present available. In terms of our present industrial arrangements, many of these can be most readily and economically available in the great lakes area.

"If the full burden of our expanding ship construction must fall on seaboard shipyards the time required to complete the vessels themselves must, in many instances, be increased by the period necessary to construct new shipyards and facilities. With this in mind it is apparent that the deep waterway could be completed in time to provide an outlet to the sea for many of the new vessels included in the present program.

"In the light of these facts it is my belief that the funds and man-power required for the earliest possible completion of the St. Lawrence project could not be better spent for our joint defence effort, including aid to Great Britain. It is my feeling that failure to take advantage of the possibilities of this project would be short-sighted, in no way contributing to an increase in our immediate defence effort, while limiting our defence program in the difficult years which lie ahead."

Accept, Sir, the renewed assurance of my highest consideration.

PIERREPONT MOFFAT.

I now table copies of this correspondence in English and in French, and also French copies of the report of the engineers.

I should like to repeat what I said a moment ago, that, while I do not think it is desirable to comment upon Mr. Roosevelt's statement at the present stage, I feel I should emphasize the great appreciation of the government and the people of Canada of the president's expression in a formal state paper of the determination of the government of the United States to supply such aid and material to Great Britain, and members of the commonwealth and their allies, as may be necessary to enable them to bring the war to a successful termination.

4. *TABLING OF DOCUMENTS RELATING TO GREAT LAKES-ST. LAWRENCE BASIN DEVELOPMENT, 1938-1941, STATEMENT OF THE PRIME MINISTER, MARCH 21, 1941.*

I rise to table the correspondence and documents relating to the Great Lakes-St. Lawrence basin development, 1938-41, which I promised the house on Wednesday last would be tabled to-day.

I am tabling the documents in the form of a white paper which comprises the following:

Part I. Agreements with the United States and with Ontario concerning the Great Lakes-St. Lawrence basin development;

Part II. Correspondence between the governments of Canada and the United States, concerning the Great Lakes-St. Lawrence basin development;

Part III. Correspondence between the government of Canada and the government of Ontario concerning the Great Lakes-St. Lawrence basin development;

Part IV. Correspondence between the government of Canada and the government of Quebec concerning the Great Lakes-St. Lawrence basin development, and

Part V. General plan.

A publication regarding correspondence and documents relating to the St. Lawrence Deep Waterway treaty, 1932, and Ogoki river and Kenogami (Long Lake) projects, and export of electrical power, was tabled in the House of Commons on February 28, 1938. A supplementary publication was tabled on March 21, 1938. The white paper now tabled includes the correspondence and documents relating to the Great Lakes-St. Lawrence basin development subsequent to those publications and up to the date of the Canada-United States agreement of March 19, 1941. With what is contained in this white paper and the two previous similar papers that have been tabled the house will I believe have before it the essential documents and correspondence relating to the Great Lakes-St. Lawrence waterway agreement.

I have in my hand a summary of the outstanding features of the agreement, something in the nature of a historical sketch of the events leading up to the agreement, essential features of the agreement and the like. This has been prepared by officials of the Department of External Affairs and was given out to-day as a release to the press. It might be of some service to hon. members in subsequent discussions in the house if, for purposes of reference, this statement were printed in the *Votes and Proceedings* of to-day. I shall table it for that purpose.

My hon. friend the leader of the opposition (Mr. Hanson) asked me to place on the table the legal opinion of the law officers of the crown with respect to the position of the agreement as an agreement in contrast with its presentation in the form of a treaty, more particularly with relation to the binding nature of the agreement upon both countries. I now table the correspondence setting forth an opinion from the legal adviser of the Department of External Affairs and from the Deputy Minister of Justice, also an opinion of the legal adviser of the state department, and of the Attorney General of the United States. They relate respectively to the validity of an agreement passed upon the legislative authority of parliament and of congress.

I propose that this correspondence be also printed in *Votes and Proceedings* so that it may be available to hon. members for future reference.

5. *TABLING OF DOCUMENTS RELATING TO RUSH-BAGOT AGREEMENT, STATEMENT OF MINISTER OF MINES AND RESOURCES, MARCH 24, 1941.*

At the request of the Prime Minister who is absent to-day, I wish to make the following statement:

1. I am tabling for the information of members of this house and for distribution, the following documents, both in English and in French:

Exchanges of notes, June 9, June 10, 1939, and October 30 and November 2, 1940, between the Under-Secretary of State for External Affairs and the United States Minister to Canada, relating to the application and interpretation of the Rush-Bagot agreement.

2. The Rush-Bagot agreement was embodied in an exchange of notes between His Majesty's minister at Washington and the United States Secretary of State, concerning the naval force to be maintained on the great lakes (Washington, 28-29 April 1817). This exchange is to be found in the publication filed in the Department of External Affairs, entitled "Treaties and Agreements Affecting Canada, in force between His Majesty and the United States of America, with subsidiary documents 1814-1925" at pages 12 and 13. This volume is, of course, available to members of this house and to the public generally in all libraries, but for the convenience of the members of the house I shall read into the record a short excerpt from Sir Charles Bagot's note, which sets forth the operative provisions:

His Royal Highness, acting in the name and on the behalf of His Majesty, agrees, that the naval force to be maintained upon the American lakes by His Majesty and the government of the United States shall henceforth be confined to the following vessels on each side—that is:

On Lake Ontario to one vessel not exceeding one hundred tons burthen and armed with one eighteen-pound cannon.

On the upper lakes to two vessels not exceeding like burthen each and armed with like force.

On the waters of lake Champlain to one vessel not exceeding like burthen and armed with like force.

And His Royal Highness agrees, that all other armed vessels, on these lakes shall be forthwith dismantled, and that no other vessels of war shall be there built or armed.

His Royal Highness further agrees, that if either party should hereafter be desirous of annulling this stipulation, and should give notice to that effect to the other party, it shall cease to be binding after the expiration of six months from the date of such notice.

3. In modern terminology it may be said that this was an agreement for quantitative and qualitative naval limitation on the great lakes. It is more than a century old and for a good while both Canada and the United States have mutually recognized that the technical scheme and definitions do not fit the actual present-day conditions, and that in fact they can reasonably and safely be waived without vitiating the underlying political spirit and objective which must be maintained.

4. It is clear from a study of the documents relating to the negotiation of the agreement and its early history that the objective of the negotiators was to provide a solution of an immediate and urgent problem arising out of the war of 1812, and the terms of the agreement themselves support the view

that its indefinite continuation in force was not anticipated. The governments of Canada and the United States have in fact from time to time by informal interchanges mutually recognized certain variations from the technical scheme and definitions. The agreement itself, however, has survived unchanged for more than one hundred and twenty years, and with the passage of time has assumed a symbolic importance in the eyes of the peoples of Canada and the United States.

5. Recent negotiations between the Canadian and United States governments, affecting the agreement, took place in June, 1939. It was the desire of the United States government at that time to substitute other naval vessels of larger tonnage for certain naval vessels already in the great lakes. The United States government also desired to use these vessels for training purposes and to equip them with armaments of heavier calibre than those permitted under the terms of the agreement. It was found possible to give effect to the wishes of the United States government by means of an informal exchange of notes and without the necessity of amending the agreement itself in any way.

6. The outbreak of war brought about the need for a further understanding between the two countries with regard to the problem of naval construction on the great lakes. It was therefore suggested by the Canadian government that a further "interpretation" of the Rush-Bagot agreement be made, without involving any deviation from the basic intent of the agreement, namely that important naval vessels should not be built for service on the great lakes. An understanding was accordingly effected by an exchange of notes in November, 1940, to the effect that armaments might be installed on vessels built in great lakes shipyards, but dismantled for the voyage to the sea.

7. It will be observed that the exchanges of notes, now being tabled, are in the nature of informal understandings as to the interpretation and application of the original agreement. They are not intended to rescind the Rush-Bagot agreement or to prejudice in any way the principles underlying that agreement or the underlying political spirit and objective which both countries have maintained. The position is continued whereby the great lakes are recognized as being an area in which naval armaments are not maintained by either country. At the same time, an arrangement has been worked out whereunder the resources of both countries within this area can be utilized to facilitate the defence, both of Canada and the United States, from external attack.

The documents which I now table contain the correspondence referred to in the statement I have just made, and they are submitted in both English and French.

6. *SUPPLEMENTARY PROTOCOL RESPECTING CERTAIN TERRITORIES IN NEWFOUNDLAND LEASED BY THE UNITED KINGDOM TO THE UNITED STATES SIGNED IN LONDON ON MARCH 27, 1941. PRIME MINISTER'S STATEMENT, MARCH 27, 1941.*

I have referred from time to time to the fact that since the outbreak of the war Canada has been contributing to the defence of Newfoundland. This has been done in consultation and co-operation with the United Kingdom and Newfoundland. Its purpose has been that of assistance in the common cause, and our own immediate and direct protection.

The defence of Newfoundland has also been a subject of consideration by the permanent joint board on defence, which has made certain specific recommendations to the governments of Canada and the United States following meetings in which representatives of the government of Newfoundland participated.

It will be recalled that under the terms of the agreement reached between the United Kingdom and the United States, and announced on September 3 last, the United States was given the right to establish defence facilities in Newfoundland.

During recent weeks, representatives of these two governments have been meeting in London for the purpose of preparing a formal agreement setting forth the conditions upon which the United States is to enjoy possession for ninety-nine years of certain leased areas in Newfoundland and in certain British colonial possessions in this hemisphere. Except as they affect the situation in Newfoundland, the Canadian government has not a direct interest in the terms of this agreement. In view, however, of the responsibilities which Canada has accepted in Newfoundland, we have kept closely in touch with the London discussions. At Canada's suggestion the general agreement between the United Kingdom and the United States has been supplemented by a protocol of which Canada is also a signatory, and which clarifies the rather complicated situation in Newfoundland.

The general agreement between the United Kingdom and the United States was made public to-day. In the supplementary protocol to which I have referred the signatories recognize that the defence of Newfoundland is an integral feature of the Canadian scheme of defence, and as such is a matter of special concern to the Canadian government, which has, in fact, already assumed certain responsibilities for such defence.

In view of this fact it has been agreed that in all powers which may be exercised and in such actions as may be taken under the leased bases agreement in respect of Newfoundland, Canadian interests in regard to defence will be fully respected.

The protocol also provides that nothing in the agreement shall affect arrangements relative to the defence of Newfoundland already made by the governments of Canada and the United States in pursuance of recommendations submitted to those governments by the Canada-United States permanent joint board on defence; and that in all consultations concerning Newfoundland arising out of the agreement, the Canadian government as well as the government of Newfoundland will have the right to participate.

At a later stage I shall be in a position to table copies of the agreement and also of the protocol.

7. MEETINGS OF PERMANENT JOINT BOARD ON DEFENCE

Further meetings of the Permanent Joint Board on Defence were held in Montreal, P.Q. on January 21-22, and in Buffalo, N.Y. on February 28.

8. CANADA AND THE LEAGUE OF NATIONS. STATEMENT OF PRIME MINISTER, FEBRUARY 25, 1941.

This item covers not only the work carried on by the league, but also matters connected with the international labour office and the permanent court of international justice. All of these bodies have suffered a certain amount of restriction in their work. The league itself has fallen on evil-days, but some of its services and other organizations still have their place in the world, and we believe that by making our contribution to its continued existence and the carrying on of that part of its work which is being done on this continent we shall be serving to some extent the purpose for which the league was intended, helping at any rate to keep that agency alive for better days.

The vote provides for Canada's contribution for the league as assessed in the league budget for 1941. This is about 80 per cent of the amount voted in 1940. The total league budget, however, has been reduced to approximately one-half of the budget of 1940 and one-third of that for 1939. This substantial reduction is not proportionately reflected by a reduction in Canada's contribution, but this is explained by the fact that it was not possible to assess any contribution for 1941 from nine member states whose territories have been occupied by Germany or the Soviet Union since the outbreak of the war. The proportionate contribution assessed against other member states which have suffered greatly by war, including France, China and Finland, have been cut in half for 1941. In addition, three other states, Spain, Hungary and Peru, have given notice of withdrawal from the league, which will take effect this year.

In consequence of this, the total budget of the league organizations has been greatly reduced and a larger proportion of the total has had to be met by Canada. Since conditions prevented a meeting of the league assembly during 1940, the budget for 1941 was prepared by the supervisory commission of the league which met in Portugal last September. This committee was appointed by the assembly to supervise the administration of the league. Special powers were given to the supervisory commission at the last assembly because of the difficulty of holding international meetings in war time.

The vote includes the Canadian contribution to all the international organizations of the league. Nearly one-third of it will go towards the expenses of the international labour office, which at the invitation of the Canadian government has temporarily transferred its operations from Geneva to Montreal. Slightly over one-third will go towards meeting the expenses of the league secretariat. At present a very small staff, under the acting secretary general, Mr. Lester, remains in Geneva. A group of financial and economic experts, under Mr. Loveday, has moved with the approval of the Canadian government from Geneva to Princeton, New Jersey, where they are carrying on their valuable activities at the institute of advanced studies. The total strength of the secretariat in Geneva, Princeton and elsewhere has been reduced to 100 of all ranks in 1941 from 688 in 1939. A small proportion of the Canadian contribution, about one-twentieth, goes to the permanent court of international justice which normally sits at The Hague. The court has not been able, for obvious reasons, to act during the last year, and the sum provided for it in the league budget represents the irreducible minimum to maintain it in existence. Virtually all the remainder of the league budget, nearly one-third of the total, is devoted to the contractual obligations of the league pension fund and to meeting a deficit incurred in 1939.

The number of states listed as members of the League of Nations is 48, of which three will cease to be members during 1941. Several states, however, which are not members of the league are active members of the international labour organization, including the United States, Brazil, Chile and Venezuela.

(E) PASSPORTS AND VISAS

1. *REVISION OF CANADIAN PASSPORT REGULATIONS, ANNOUNCEMENT BY THE PRIME MINISTER IN THE HOUSE OF COMMONS ON FEBRUARY 25, 1941*

Before the house adjourns, I should like to give certain information with respect to the revision of Canadian passport regulations, involving the closing of certain offices.

In view of the heavy falling off in applications for passports it has been decided to close the branch offices at Winnipeg, Toronto, Montreal and St. Stephen, New Brunswick, which were opened in July of last year to relieve the congestion due to the avalanche of applications which suddenly descended on the Ottawa office. These branch offices will be closed on March 15. A considerable financial saving will thus be effected without inconvenience to the public.

Unless there is a further drop in applications the branch passport offices at Vancouver and Windsor will be kept open for a further period and an office opened at Moncton to replace the office at St. Stephen which was less conveniently situated to deal with applications from the various parts of the maritime provinces.

All applications for passports made after March 15 should be addressed to the Canadian passport officer, Ottawa, or if the applicant resides in the Windsor district, in British Columbia, or in the maritime provinces, to the acting passport officer at Windsor, Vancouver or Moncton.

New Canadian passport regulations will come into force on April 1, abolishing the present special passport valid for travel to the United States and making certain changes in the regular passport which will thereafter be the only passport issued.

The special passport for travel to the United States only was issued last summer when it was thought the requirement might prove to be a temporary one. As, however, there is no present prospect of a relaxation of the regulations and as under war-time conditions the strictest care must be taken in the issue of passports to avoid them being granted to improper persons, it has been considered advisable to discontinue issuing the special passport for travel to the United States. Other factors leading to the decision to discontinue the special passport were that the system of issuing two passports—a regular passport and a special passport for the United

States only—gave rise to considerable confusion in the public mind and complicated considerably the keeping of records. Moreover, it represented a departure from the recognized international practice, Canada being the only country to issue two passports.

The changes in the regular passport cover two points—the period for which the passport is issued and the fee. The unsettled conditions and stricter supervision of international travel arising out of the war have made it advisable to reduce the period for which passports are issued, thus enabling more frequent checks to be made. It has been decided to make the initial period of validity two years instead of five years as at present. Passports will be renewable for four periods of two years each instead of for five years as at present. The passport fee will be reduced from \$5 to \$3. The fee for each renewal will be \$1.

It will be noted that these modifications do not change the maximum duration of the passport or the maximum fee that is paid, maximum duration remaining at ten years and the maximum fee at \$7.

The new passport will be valid for travel to the United States and any other country or countries to which the applicant desires to travel, except, of course, countries with which Canada is at war.

Passports already issued will, of course, remain valid until the date on which they expire.

States only—gave rise to considerable confusion in the public mind and complicated considerably the keeping of records. Moreover, it represented a departure from the recognized international practice, Canada being the only country in the world which issues a special passport for travel to the United States only.

**(F) COMMONWEALTH AND FOREIGN REPRESENTATIVES
IN OTTAWA**

1. Sir Gerald Campbell, High Commissioner for the United Kingdom in Canada, left Ottawa on January 19, 1941, to take up his new post as Minister at the British Embassy, Washington, D.C.

2. The appointment of the Right Honourable Malcolm Macdonald as High Commissioner for the United Kingdom in Canada was announced on February 8, 1941.

All applications for passports made after March 31 should be addressed to the Canadian passport officer, Ottawa, or if the applicant resides in the Windsor district, in British Columbia, or in the maritime provinces, to the acting passport officer at Windsor, Vancouver or Montreal.

New Canadian passport regulations will come into force on April 1 abolishing the present special passport valid for travel to the United States and making certain changes in the regular passport which will thereafter be the only passport issued.

The special passport for travel to the United States only was introduced last summer when it was thought the requirement might prove to be a temporary one. As, however, there is no present prospect of a relaxation of the regulations and as under war-time conditions the strictest care must be taken in the issue of passports to avoid them being granted to improper persons, it has been considered advisable to discontinue the special passport for travel to the United States. Other factors which led to the decision to discontinue the special passport were that the system of issuing two passports—a regular passport and a special passport for the United States only—gave rise to considerable confusion in the public mind and complicated considerably the keeping of records. Moreover, it represented a departure from the recognized international practice, Canada being the only country in the world which issues a special passport for travel to the United States only.

(G) CHANGES IN THE CANADIAN EXTERNAL SERVICE

1. Dr. O. D. Skelton, Under-Secretary of State for External Affairs from 1925 to 1941 passed away as a result of a heart attack on January 28, 1941, in the city of Ottawa. He was buried in St. Marks Cemetery, Pakenham, on January 30. The Prime Minister made the following statement in the House of Commons on February 17:

It would not be fitting that I should conclude this review of Canada's external affairs and of our present international relations without reference to the loss Canada has sustained since the house last met, in the passing of one of the noblest of her sons and one of the greatest of her public servants, whose life was so completely identified with world affairs.

Seventeen years ago, Doctor O. D. Skelton entered the service of Canada at my request. For sixteen years he was Under-Secretary of State for External Affairs. Before he came to Ottawa his teaching had inspired thousands of young Canadians. Throughout his whole life he enriched our national heritage by his scholarship, our national service by his labours, and innumerable lives by the gift of his friendship.

The outbreak of war and the anxieties of the years which immediately preceded it threw new and heavy burdens on the Department of External Affairs. In spite of failing health, the advice of his doctor and the entreaties of his friends, Doctor Skelton insisted on shouldering far more than his full share of them. I have never seen anything which surpassed his devotion to duty as exemplified in his daily work. His death was marked by expressions of sorrow, admiration and affection almost unprecedented. Many notable messages bore witness to his great work, not only for Canada and the British commonwealth but for the cause of international good-will and human understanding the world over.

Only those who have had the closest association with Doctor Skelton during those seventeen years could begin to know what his life meant to the public service of this country. Selfless and self-effacing labour, the highest integrity, and the enlightened use of whatever leisure was granted to him were the measure of his devotion to his native land. Throughout the many tributes that were paid to his work and his memory there ran the theme of his modesty, his kindness and the example he set and created for the young men who grew up with him in the diplomatic service of the department of which he was the permanent head. It is impossible for me to express in words what I owe to his wisdom, his experience, his counsel and his faithful friendship.

It is a matter of common knowledge that Mr. Bennett, who knew and appreciated the eminent virtues of this great public servant, offered him a knighthood, which Doctor Skelton felt obliged to decline. I wished to submit his name to the representative of the King for a privy councillorship, not as an honour or reward but as a sworn relationship which I deemed

appropriate to the performance of his highly confidential duties. This position he was unwilling to accept. He believed that men in the public service could best carry on their work by remaining in the background of anonymity and retiring from the light of public favour. He refused to accept any honour or position which would appear to remove him from the level of his fellow workers or create any barrier or embarrassment between him and them. He hated notoriety, controversy, publicity and everything that was blatant or garish. He knew that the great things in life are wrought in the stillness and solitude of the mind of man, and that reflection and silence become a trusted servant of the people far more than speech and the glitter of the limelight.

By his own modest acceptance of these high traditions of the public service, which he did so much to create, he fashioned the pattern of the Department of External Affairs. Like Doctor Skelton I have always believed, and I believe this house will agree, that the quiet persistent dedication of Canada to the cause of international understanding best fulfils our mission, and perhaps destiny, in a stricken world.

The result of Doctor Skelton's example and influence is that to-day in the Department of External Affairs, in London, in Washington, and elsewhere throughout the world this nation is served by men who, thinking nothing of public acclaim, of personal distinction, or of public reward, have laboured without ostentation, steadily and silently, for the great cause which has been entrusted to their hands.

The name of Doctor Skelton deserves honour on the lips and in the hearts of all Canadians. While he asked for no reward while he lived, he would be humbly proud to know that in the remembrance of his life and labour Canadians found a new dedication and a continuing devotion to national unity, international good-will, and the thoughtful and unselfish labour without which they cannot be maintained.

2. Mr. Norman Robertson, Counsellor in the Department of External Affairs, was asked on January 30, 1941, to serve as Acting Under-Secretary of State for External Affairs, following the death of Dr. O. D. Skelton.

3. Mr. John Hall Kelly, Canadian High Commissioner to Eire, passed away in Dublin on March 9, 1941, following an operation. The Prime Minister made the following statement in the House of Commons on March 10, 1941:

I have to-day received the following cable from Premier de Valera of Eire:—

I wish to express my sincere sympathy with you and the Canadian government on the death of Mr. Hall Kelly, your distinguished representative in Dublin. He has endeared himself to all who knew him, by his personal qualities, and by his zeal and devotion in fostering close and cordial relations between Canada and Ireland.

I am sure that hon. members of this house will have learned with deep regret of the passing of Canada's first high commissioner to Eire. The career of Mr. John Hall Kelly is a record of industry, charity and devotion

to the public interest. With few early advantages, Mr. Kelly gained for himself a high place in his chosen profession of law and success in the businesses in which he was engaged. As a member of the legislature of the province of Quebec, as an appointed member of the legislative council, and as minister without portfolio in the government of Quebec, he gave to his native province long and unselfish service. In him were joined the traditional eloquence of the Irish race and an ever present and kindly interest in the welfare of his fellowmen.

Since his arrival in Dublin Mr. Kelly quietly and effectively worked for Canadian-Irish good-will. His reports to the government have been of much value and it has been a great satisfaction to myself and my colleagues to note how warmly he has been welcomed by the people of Eire. The tribute which has been paid by Premier de Valera to his personal qualities, his zeal and his devotion is, itself, an indication of the loss which both countries have suffered by Mr. Kelly's passing.

4. The appointment of the Honourable Leighton McCarthy as Minister at the Canadian Legation in Washington was announced on February 25, 1941.

5. Mr. Hume Wrong, Special Economic Adviser at Canada House, London, England, returned to Canada in the middle of January. The appointment of Mr. Wrong as Senior Counsellor at the Canadian Legation in Washington was announced on February 25, 1941.

6. Mr. Merchant Mahoney, who in the illness of the Minister, Mr. Loring Christie, acted as Chargé d'Affaires at the Legation, Washington, was appointed Counsellor of the Legation.

7. Mr. Erling Porsild, Canadian Vice Consul in Greenland, returned to Canada in January.

8. Mr. James Coyne was appointed Financial Attaché at the Canadian Legation at Washington on March 30, 1941.

9. Mr. Harry Scott was appointed Commercial Attaché at the Canadian Legation at Washington on March 30, 1941.

to the public interest. With few early advantages Mr. Kelly gained for himself a high place in his chosen profession of law and ethics in the business in which he was engaged. As a member of the legislative council of the province of Quebec, as an appointed member of the legislative council and as a member without portfolio in the government of Quebec, he gave to the public provisions and amendments. In this way he joined the professional elements of the Irish race and an ever present and kindly interest in the welfare of his fellowmen.

Since his arrival in Dublin Mr. Kelly quickly and effectively worked for the Canadian Irish good will. His reports to the government have been of much value and it has been a great satisfaction to myself and others to receive his reports. His work has been welcomed by the people of this country which has been paid by Premier de Vaux for his personal qualities, his zeal and his devotion as itself an indication of the loss which both countries have suffered by Mr. Kelly's passing.

4. The appointment of the Honorable Deighton McCarthy as Minister of the Canadian Legation in Washington was announced on February 23, 1911.

5. Mr. Hume Wrong, Special Economic Adviser at Ottawa House, London, England, returned to Canada in the middle of January, 1911. The appointment of Mr. Wrong as Senior Counselor at the Canadian Legation in Washington was announced on February 23, 1911.

6. Mr. Merleman Maloney, who in the place of the Minister, Mr. George Christie, acted as Charge d'Affaires at the Legation, Washington, was appointed Counselor of the Legation, Washington, on February 23, 1911.

7. Mr. Felix Forster, Canadian Vice Consul in Greenland, returned to Canada in January, 1911.

8. Mr. James Coyne was appointed Financial Attaché at the Canadian Legation in Washington on March 30, 1911.

9. Mr. Harry Scott was appointed Commercial Attaché at the Canadian Legation in Washington on March 30, 1911.

10. Mr. J. J. Kelly was appointed Vice Consul at the Canadian Legation in Washington on March 30, 1911.