



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
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No. 52/21 PRESENT STATUS OF PRIORITIES AND CONTROLS
IN CANADA

A speech by the Co-ordinator of Materials, Department of Defence Production, Mr. H.H. Saunderson, delivered to the 81st Annual General Meeting of the Canadian Manufacturers Association, in Toronto, May 29, 1952.

...Those of you who have been more directly connected with matters of control and priorities will of course realize that our system is somewhat less formal than that in effect in the United States. Because of the more compact nature of our industry it has been possible for us to avoid the extended series of control orders and regulations which have been a necessary part of the operations of the National Production Authority in the United States. To a much greater extent than they have found possible, we have been able to rely on informal methods, frequently by telephone, to achieve the necessary arrangements for the allocation of scarce materials and products. I should like at this time to express my own personal thanks to you, as representatives of Canadian industry, for the co-operation and assistance which we have received in dealing with these matters. I think it is only proper to say that we have been greatly pleased and sometimes even surprised at the willingness of individuals and companies in the industrial field to assist so wholeheartedly in the task which we have had to do.

The nature of our controls has been necessarily tied in to some extent to the controls which the United States Government has invoked, particularly for those items where a substantial part of our supplies come from the United States. Indeed, in the joint declaration of the United States and Canadian Governments of October, 1950, it was agreed that the two Governments would co-operate in providing similar controls for those materials which were of joint interest in the development of our defensive strength. It was agreed at that time that each of the countries would accord to the other comparable treatment in the allocation of materials and supplies, and I should like to express to our American friends our appreciation for their generosity and willingness in dealing with our claims on them for items which have been in scarce supply. We have tried, of course, to reciprocate and we have always found the utmost cordiality in our dealings with United States officials.

Because our controls are thus linked to the U.S. system in many fields, I thought I should say a little bit about their system of controls as a background to my discussion of the Canadian picture. Initially the United States Authorities instituted a system of priorities based on the DO symbols, and

Canadian orders in the United States have been accorded the same type of priority which the American manufacturers have been able to use. Our most frequently used symbols have been the DO-C5 for direct defence requirements and DO-G6 or DO-G7 for defence supporting projects. With the developing shortages for certain critical materials, particularly steel, copper and aluminum, which occurred in the early part of 1951, the United States Government introduced the Controlled Materials Plan or CMP for the allocation of these materials. Many of our requirements of these substances must be filled from U.S. production, and Canada was granted the same rights as the United States agencies to apply for and receive quarterly allocations of steel, copper and aluminum. The United States Government also instituted a long series of orders, the M series, dealing with the permitted uses of the materials to which they referred.

Although obviously the U.S. rules, ratings and orders were not directly applicable in Canada, in fairness to the U.S. we have tried to administer our control machinery, informal though it may have been, to maintain a reasonable consistency with their operations. We have always found our Washington friends prepared to make full allowances for our special circumstances in Canada. However, we have tried to avoid taking advantage of their generosity to us by making sure that Canadian companies did not use materials of U.S. origin in a way which American companies could not do.

Although we have been most closely associated with the United States, Canada has been co-operating with the other countries of the free world in the allocation of a number of materials which have been in short supply. The International Materials Conference, set up initially by the United Kingdom, United States and France, has been broadened to include representation from a number of other countries including Canada, to consider the distribution of some dozen basic materials which were urgently required in the overall defence plans. The Committees of this Conference dealing with specific materials make recommendations to the several governments concerned, and Canada has taken its part in apportioning the materials to the different countries, including Canada, on the basis of their established needs. For example, although Canada is the world's largest supplier of nickel, we have restricted our own use of this metal in order that supplies might be available to the other countries on a comparable basis of need.

With this background we should now look at the present Canadian control machinery other than the financial controls which are the responsibility of the Department of Finance. The first of these, the Order Approval System, has been in effect for a number of the non-ferrous metals and for sulphur. Under this system, orders from Canadian Companies must be approved by our Department before they may be accepted by the supplier. This system has the great merit of flexibility in balancing supply against demand. Orders coming in to our Department are checked for the essentiality of the requirement and for the inventory position of the ordering company. As the available supplies increase, it is possible to give more generous treatment to those companies where the defence implications are less direct. When the supply of material is in approximate balance with the demand, as has happened recently in cadmium, lead and zinc, the Department has cancelled the requirement for order approval.

A second type of direct control is exemplified by the order forbidding the use of steel in certain types of less essential buildings. This prohibition has funnelled the available supplies of steel into those direct defence and defence supporting programmes which might otherwise have been delayed.

A third control mechanism which is related to the American CMP has been the distribution of materials of U.S. origin through the issue of CMP tickets. Each quarter, Canada receives an allotment of U.S. materials under CMP and our Department has issued tickets, up to the amounts available to us, to Canadian companies which require these materials of U.S. origin for their operations. I am sure that many of you know that the issue of tickets for steel coming to Canada in mill forms is handled by our Steel Division, and that mill forms of copper and aluminum are processed through our Non-Ferrous Metals Division. Where the controlled materials are to be fabricated in the United States for Canadian account, the Priorities Division arranges for the issue of the necessary tickets.

One of the major problems in this part of our operations has been the need to forecast requirements many months ahead. As the system has operated, we must make our submission to Washington about five months before the beginning of the quarter in which the materials will be delivered. This requirement of a long lead-time explains why our people have been forced to ask Canadian manufacturers about their plans so far ahead. It also explains why, in some cases, it has not been possible to provide additional supplies of materials when the need for them has developed after our submission has gone in.

A very large part of the raw materials needed in Canadian industry is of course produced in Canada and our Department is continuously giving assistance in obtaining supplies of these materials for defence supporting projects. This type of assistance is normally on an informal basis and I have no doubt that many in this audience have received calls from members of our staff in Ottawa requesting that certain shipments should be expedited in order to avoid delays in the defence programme. Because of the willing co-operation of Canadian industry, it has been possible to keep to a bare minimum the issue of formal production directives, and I am sure that our system has been the more effective because it has been carried on in an atmosphere of friendly co-operation.

The last type of control and priority support to which I wish to refer is the work which we have done in obtaining priority ratings in the United States for materials and equipment required in the defence programme. Where promised delivery dates obtainable through normal commercial channels are not satisfactory, companies have made frequent use of our Department in obtaining priority ratings to improve delivery schedules. This type of activity has occupied a large proportion of the time of our Priorities Division and the number of requests have if anything been increased during the last several months. Although it is difficult to be sure why this is so, I think perhaps the reason may be found in the fact that delays in the delivery of steel and other raw materials have been decreasing recently. When it took six or eight months to get steel for a new plant, a delivery date of six to eight months hence for equipment would not delay the completion of a project. However, if the steel can be obtained in three

months, the six to eight months' delay in obtaining equipment cannot be tolerated; in such cases we try to improve the delivery date. We expect that requests for priority ratings of this type will continue for some time into the future.

Before I close I should say something about the probable future of priorities and controls in Canada. Here of course I am venturing into a field which is beset with many hazards, but I think it is possible to make general statements of our hopes without too great a danger.

Our general policy is to reduce controls as soon as supplies seem to be adequate for our essential needs. The function of our Branch is to ensure that supplies of materials and equipment necessary to our defence programme are available to those companies which need them, and when the balancing of supplies against needs indicates that controls are no longer necessary for this purpose it is our plan to revoke the controls. We recognize the cost to industry in time and effort in making out the multitude of forms which a control system requires and it is our hope that this cost can be eliminated as rapidly as possible. You will recognize, however, that in certain fields where our supplies come largely from the United States it is not possible for us to revoke our controls before similar controls in that country are removed. To do so would penalize Canadian industry.

Although supplies of many materials are now coming to be in a satisfactory balance with demand, we have to recognize that the actual production of defence equipment is just starting to roll. During the past year and a half we have been building and equipping plants in anticipation of production. During this period the requirement for production materials has been small, but now that the plants are built the companies concerned with production of aircraft, electronic gear, guns and ammunition will all be requiring a much larger volume of materials.

Until the international situation clarifies and the requirements for defence can be more accurately foretold, I think that we must keep at least the framework of our machinery to regulate our supplies of materials. We hope that this necessary machinery will not be too serious a drain on the time or patience of Canadian industry. As problems arise, and they will, we hope that those who are affected will talk their difficulties over with us. The necessary provision for defence production and for maintenance and growth of a strong general economy involves the co-operation of government and industry. That co-operation has been maintained at a very high level in Canada and I hope that no failure or omission on our part may reduce in the future the very pleasant relations we have had in the past in dealing with materials problems.

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