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OFFICE OF DIRECTOR OF PUBLIC INFORMATION

This material, the first of a monthly release, is prepared as notes for speakers; as general information for those who write asking for up to the minute information on the Canadian war effort. It will be reviewed monthly so that the figures will be brought up to date.

F O R
RELEASE

A BRIEF REVIEW OF CANADA'S WAR EFFORT

March 31, 1941.

GENERAL

Canada entered the war on September 10, 1939. Although at that time she was a relatively weak military power, she has in the ensuing twenty months built up a war machine whose actual and potential strength is very considerable. In the years 1936-39 steps were taken to modernize and expand the Canadian armed forces and to prepare measures for the defence of Canadian territory. The 1939 estimates provided about \$64,500,000 for the three services, by far the largest sum ever provided in Canada for defence in time of peace, but the steps which were taken during this pre-war period were necessarily limited by a peace-time budget. Canada entered the war with armed forces whose size was insignificant in comparison with those of European nations, and her industrial plant was operating almost entirely on a peace-time basis.

During the past twenty months Canada has steadily diverted more and more of her resources, both human and material into an all-out war effort. The 1941 estimates provide a minimum of \$1,450,000,000 for war; a quarter million Canadians are serving in the armed forces; and the industrial capacity of the country has been turned over to an unprecedented extent to war production.

FINANCIAL EFFORT

Canada's war spending has steadily increased. In the fiscal year, April 1, 1940, to March 31, 1941 expenditure for war was about \$835,000,000. The present rate of spending is well over \$1,000,000,000 a year and the estimated expenditure for the present fiscal year is \$1,450,000,000. The Minister of Finance expects this appropriation to be exceeded. In addition to this direct war expenditure, Canada in the last fiscal year, spent over \$300,000,000 to repatriate Canadian securities held in Britain and will spend, in the present fiscal year, over \$400,000,000 for the same purpose. When ordinary expenses of all Canadian Governments are added, the total which Canadians will have to provide for their Governments during this fiscal year amounts to about half of the estimated national income, which is now expected to total \$5,950,000,000. To finance Canada's direct war effort and her indirect effort in the form of financial assistance to the United Kingdom, almost 44% of the national income will be required.

The financial policy of the Canadian Government is to pay for the war, as far as is possible, "as it goes". Federal bond issues, since the start of the war, total about \$1,500,000,000. All this money has been raised in Canada and the maturity dates have been so arranged as to make post-war financing as easy as possible. Some of this money has been loaned in war savings certificates which have a face value of from \$5. to \$100. It is now expected that the war savings campaign will exceed its first-year objective of \$50,000,000 by some \$20,000,000.

Rising war expenditures have necessitated higher taxes. Indirect taxes of various kinds have produced increasing revenues. For example, customs and excise revenue in the first eleven months of the past fiscal year was \$438,893,738, an

increase of \$146,022,490 over the first eleven months of the previous fiscal year. Income taxes have gone up sharply. Five times as many Canadians as in 1940 are now liable for income tax. This means that about a million people in the lower income brackets are now paying income tax for the first time. Rates for those already paying income tax have been greatly increased. For example, a married man with no children with an income of \$3,000 a year last year paid the Dominion Government \$36. This year he pays \$195, to which sum must be added the amount of his Provincial income tax. For the first eleven months of the fiscal year to February 28, 1941, income tax collections were \$232,179,484, a gain of \$103,627,838 over the previous year. The Federal Government is now taxing at the rate of about \$900,000,000 a year.

SPECIAL ECONOMIC MEASURES

In order to preserve her economic effectiveness, Canada has undertaken several special economic measures since the outbreak of war. Steps have been taken to conserve foreign exchange, particularly American exchange, which Canada needs for her war purchases in the United States, to ensure a stable quotation for the Canadian dollar, and to prevent disorderly marketing of securities and movement of capital out of Canada. Measures have also been taken to reduce non-essential imports and to conserve supplies of essential raw materials and machine tools. No undue rise in prices has been allowed and steps have been taken to prevent spiralling wages.

Organizations set up to administer these controls have operated on a very liberal basis and have so far gained their ends largely through the co-operation of the interests involved. The net result of such measures to date has been that Canada has been able to finance her own war effort, to pay for purchases abroad and to provide Great Britain with financial assistance. No serious shortage of any essential raw material or consumer's commodity has occurred. The cost of living has risen only about 7%.

MUNITIONS AND SUPPLY

Every large Canadian factory from Nova Scotia to Vancouver Island has been turned over wholly or in part to war work. Steps are being taken to increase this diversion of industry from ordinary to war production by a system of zoning. Between 330,000 and 350,000 additional men have been absorbed into industrial employment since the outbreak of war. Thousands more are being trained every month in technical and plant schools throughout the country. As many as a hundred thousand may be trained in this way in the course of the year. Since the war began, the British and Canadian Governments have underwritten capital advances of over \$380,000,000 for the expansion and equipment of Canadian industry. New plants have been built and old ones extended.

This undertaking has constituted Canada's main industrial war effort during the first year and a half of the war. Over 60% of the 1938 construction capacity of Canada has been turned over to war work, and in addition to industrial construction the construction industry has undertaken 630 Air Force, 98 Army and 28

Navy projects. The number of building permits issued during 1940 was about 85% greater than the number issued in 1939.

Nevertheless, Canadian industry has already turned out an impressive amount of war equipment and essential supplies. Shipbuilding has increased tremendously in Canada. At the beginning of the war there were only 1,500 men employed in Canadian shipyards. Now over 20,000 workers are employed in over 40 yards. Keels of 104 steel and 380 wooden ships have been laid down in Canada since the outbreak of war. These include corvettes, minesweepers and a large number of smaller craft. The whole shipbuilding programme which was to have been completed in 1943 will now be completed in 1942. At least 20 merchant ships are to be constructed for Great Britain. Plans for the construction of destroyers in Canada are proceeding. The latest estimate of the cost of the shipbuilding programme is \$115,000,000.

Canada produces several different types of air craft, for which engines are imported. Production of aircraft for combat duty is encouraging. Most of Canada's planes, however, are produced for training purposes under the British Commonwealth Air Training Plan. Canada is now producing about 40 planes a week.

The production of automatic weapons in Canada is reaching gratifying proportions. One Canadian factory, which began production before the war and is now manufacturing much ahead of schedule, will soon have the largest output of any automatic gun plant in the world.

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Eight of Canada's nineteen chemicals and explosives projects have begun to produce. Six more will be in production by the middle of the year. One of these plants is equal in size to the largest similar plant in the British Empire.

Small arms ammunition factories are meeting the current demand and are capable of doubling production, should this be necessary.

Shells and shell components are being produced in many factories well up to schedule. About 350,000 shells a month are now being turned out.

Ninety thousand Army mechanical transport vehicles have been made in Canada. The majority of these have been exported to Britain and Empire countries. They were used largely against the Italians in Libya.

Armour plate of a high quality is now being made in Canada in preparation for production of two types of tank in Canada. Tanks have already been built for test purposes.

Steel production has increased tremendously in Canada. The 1935-1938 average was 1,300,000 tons a year. It is now estimated that production is at the rate of about 2,150,000 tons a year.

Production of alloys is ten or twelve times the pre-war level.

Canada's mineral output in 1940 was 11.5% greater than in 1939 and constituted a record. This mineral production provides supplies of nickel, zinc, copper, aluminum and lead - all metals vital to mechanized warfare.

Production of machine tools in 1940 was 800% greater than in 1939 and efforts are being made to increase deliveries.

Canada has produced a tremendous amount of personal equipment for her armed forces. This equipment includes over 100,000 separate and distinct articles.

ASSISTANCE TO GREAT BRITAIN

In addition to sending soldiers, sailors, airmen and naval units to Great Britain, Canada has despatched essential war supplies and equipment and rendered financial assistance. Canada's exports to Great Britain in 1940 were about 50% greater than in 1939. These included food stuffs, raw materials such as base metals and timber, and war equipment. During the next twelve months it is expected that Canada will send to Britain approximately \$1,500,000,000 worth of such supplies.

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% by the repatriation of securities, and 21% by the accumulation of Sterling balances in London, while only 34% was met by the transfer of gold. During the six months' period, ending February 28 last, Britain's deficit with Canada was \$359,000,000 and Canada financed the whole of that deficit, except \$65,000,000 which was covered by gold shipments. Since the early part of December, no gold has been received from the United Kingdom. During the present fiscal year, the Canadian people will be rendering financial assistance to Britain which would be equivalent, in comparable United States terms, to something over \$15,000,000,000.

THE NAVY

The Royal Canadian Navy has been in action since the outbreak of war. It has convoyed over 3,700 vessels with a deadweight tonnage of over 23 million tons. It has provided Canada's shores with naval protection; it has taken various measures to protect Canadian ports; it has co-operated with the Royal Navy in British and other waters; and it has captured or helped to capture several enemy vessels.

The Navy has grown rapidly. At the beginning of the war its strength was about 3,600 men and it had 13 ships of all kinds.

To-day its strength is about 16,000 and it musters over 180 vessels - including 13 destroyers, 3 armed merchant cruisers, a number of corvettes and minesweepers and a large number of smaller craft suitable for patrol and anti-submarine work. More than one thousand Canadians are serving on Royal Navy ships and others are in training in England. The navy's strength by March, 1942, is expected to be 413 ships and about 27,000 men.

THE ARMY

At the beginning of the war Canada had a Permanent Force of some 4,000 men and a Non-Permanent Active Militia, roughly equivalent to the Territorials in the United Kingdom, of something over 50,000 men. The Permanent Force is now known as the Active Army and the Militia is now known as the Reserve Army. Both these branches have steadily expanded and there are now more than 175,000 men in each. Sixty thousand Canadian troops are on guard in Britain, fully equipped and ready for battle. Canadian soldiers are on duty in Iceland, in Newfoundland, and in the Caribbean; and Canadian sappers are working with the British at Gibraltar. Troops in Canada protect coasts and vital points or receive training in one of the 59 camps across the country. Between 40,000 and 80,000 men are to be added to the strength of the Active Army in 1941 and during the year beginning March 20, 1941, about 60,000 men will be given four months' training and turned over to the Reserve Army, unless they should elect to join one of the active armed forces. The following will be despatched overseas this year - ancillary troops for the Canadian

Corps, a tank brigade, an armoured corps, and the Third Canadian Division. Nearly half of Canada's estimated direct war expenditure in the present fiscal year will be devoted to the Army.

THE AIR FORCE

The strength of the Royal Canadian Air Force is today many times what it was at the outbreak of war. Planes patrol Canadian coasts daily and assist the Navy in escorting convoys on the first part of their journey. The British Commonwealth Air Training Plan, the first announced in December, 1939, has expanded very rapidly to keep pace with the urgent demands of the war. It is now turning out thousands of pilots, gunners, observers, and navigators - at about twice the rate originally planned for this time. A very large number of airmen and radio technicians have already arrived in Britain to play their part in the air war. For many months there have been three R.C.A.F. squadrons in Britain, in addition to the "All-Canadian" squadron of the R.A.F. Canadian airmen have so far accounted for about 200 German planes. The air training plan now operates over 50 schools from coast to coast and it is expected that by September, 83 schools will be operating. The estimated cost of the Air Training Plan is now \$1,000,000,000 of which Canada will supply 65%. Canada supplies 80% of the students, and of this number it is estimated that at present between 7 and 10 percent are Americans.

HOME DEFENCE

Since the outbreak of war Canada has taken steps greatly to strengthen the defence of her coasts and is co-operating with the United States in joint defence measures. Both Canadian Coasts are guarded by anti-submarine devices, naval and

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air patrols, coastal and anti-aircraft guns and large concentrations of troops. Over one hundred air fields have been built under the Air Training Plan, strategic air bases have been built in coastal areas, and Canada will spend \$20,000,000 this year on additional land and sea bases of strategic importance. Troops guard vital points throughout the country.

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