

OFFICE OF  
DIRECTOR OF PUBLIC INFORMATION

FOR RELEASE

Number 2

This material, the second 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.

April 30th,  
1941.

A BRIEF REVIEW OF CANADA'S WAR EFFORT

GENERAL

Canada entered the war on September 10th, 1939. Although at that time she was a relatively weak military power, she has in the ensuing twenty months built up a war machine the actual and potential strength of which is very considerable.

During the years 1936 - 39 action was 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 allocated in Canada for defence in time of peace. Nevertheless the steps which were taken during this pre-war period were 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.

Since the outbreak of war Canada has steadily diverted more and more of her resources, both human and material, into her war effort. The 1941 - 42 budget provides between 35% and 40% of the national income for war. A quarter million Canadians are serving in the active armed forces abroad and at home. These men have been enlisted on a voluntary basis for the duration of the war and will serve wherever required. In terms of the population of the United States, the number of men in the Canadian Army, Navy and Air Force would 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. Moreover, Canada's industrial capacity has been turned over to war production to an unprecedented extent in the months since the outbreak of war.

Canada's war plans for the balance of this year represent precisely the aid which Britain desires from Canada. These plans have been made on the basis of consultations held early this year with the heads of Britain's Navy, Army and Air Force, with Prime Minister Churchill and with other high officials in Great Britain. Canadian ministers told these officials that Canada's object is a full-out contribution with everything Canada has and as fast as she can give it.



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During the years 1936 - 39 action was taken to modernize and expand the Canadian armed forces and to prepare reserves for the defence of Canadian territory. The 1939 estimates provided about \$4,200,000 for the three Services, by far the largest sum ever allocated in Canada for defence in time of peace. Nevertheless the steps which were taken during this pre-war period were 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.

Since the outbreak of war Canada has steadily diverted more and more of her resources, both human and material, into her war effort. The 1941 - 42 budget provides between 33% and 40% of the national income for war. A quarter million Canadians are serving in the active armed forces abroad and at home. These men have been enlisted on a voluntary basis for the duration of the war and will serve wherever required. In terms of the population of the United States, the number of men in the Canadian Army, Navy and Air Force would 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. Moreover, Canada's industrial capacity has been turned over to war production to an unprecedented extent in the months since the outbreak of war.

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FINANCIAL EFFORT

Canada's war spending has steadily increased. In the 1940 - 41 fiscal year, direct expenditure for war was about \$792,000,000. The amount spent in the first three months of 1941 was about five times as great as the amount spent in three months of 1940. The present rate of spending is well over \$1,000,000,000 a year and it is expected that direct war expenditure in the present fiscal year will be approximately \$1,450,000,000 - nearly twice as much as the amount spent last year.

In addition to this direct war expenditure, Canada gives Great Britain financial assistance. By repatriating Canadian securities held in Britain and by accumulating Sterling balances, Canada, in effect, lends Great Britain money with which to make war purchases over and above those for which she is able to pay. Up to the end of March of this year the money which Canada lent Great Britain in this way amounted to about \$537,000,000. The net amount which Canada expects to have to provide for this purpose in the present fiscal year, (April 1, 1941 - March 31, 1942), amounts to between \$800,000,000 and \$900,000,000. The exact figure will depend upon the extent to which the United States Lend-Lease Act assists Canadian purchases in the United States on British account.

Canada's total war spending in the present fiscal year will be considerably more than \$2,000,000,000 and will require between 35% and 40% of the national income, which it is expected will amount to \$5,950,000,000. When the ordinary expenses of all Canadian governments, federal, provincial and municipal, are added, the total with which Canadians will have to provide the country during the present fiscal year amounts to about half the national income.

This year the national income of the United States is expected to exceed \$80,000,000,000. On that basis, Canada's total war spending would be equivalent to an expenditure by the United States for defence and for aid to Britain of about \$30,000,000,000 in a single year.

The financial policy of the Canadian Government is to pay for the war, as far as is possible, "as it goes". Money is to be raised as far as is practicable by taxing and borrowing from the public and from domestic financial institutions other than banks.

The 1941 - 42 budget provides for the raising of about 76% more money in taxes in the full fiscal year than was raised in this way in the 1940 - 41 fiscal year. Here are the figures for the three fiscal years beginning 1939 - 40:



FINANCIAL REPORT

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The 1941 - 42 budget provides for the raising of about 70% more money in taxes in the full fiscal year than was raised in this way in the 1940 - 41 fiscal year. Here are the figures for the three fiscal years beginning 1939 -



Total Revenue from Taxes

<u>1939-40</u>	<u>Estimated 1940-41</u>	<u>Budgeted, 1941-42, for Full Fiscal Year</u>
\$468,271,000	\$778,290,000	\$1,369,310,000

Direct taxes of all kinds are expected in the present fiscal year to raise a great deal more than in the last fiscal year. The following are the figures for the three fiscal years, beginning 1939-40; they show the sharp increase in direct taxes since the pre-war period:

Total Revenue from Direct Taxes

<u>1939-40</u>	<u>Estimated 1940-41</u>	<u>Budgeted, 1941-42, for Full Fiscal Year</u>
\$136,910,000	\$274,690,000	\$732,000,000

In the 1940-41 fiscal year about five times as many Canadians as in the 1939-40 fiscal year paid income taxes of all kinds. And rates were substantially higher. This year the rates are up again.

On personal income the new graduated rates will begin at 15% on the first thousand dollars of net taxable income instead of 6% or 8% as at present. The National Defence Tax rates, as from July 1 next, will be increased from 2% to 5% and from 3% to 7%.

Other minor changes have been introduced to make the new burden as equitable as possible. The Federal Government, in order to spread the tax load as fairly as possible through all sections of the country, has offered to provide the Provinces with moneys equal to the amount of their personal and corporation income tax collections, if the Provinces will agree to vacate these two tax fields for the duration of the war.

The net result of these changes for the taxpayer in the middle income brackets is that he will have to pay about twice as much income tax on his 1941 income as he paid on what he earned in 1940.

The following table gives some idea of the way in which Federal taxes on personal income (including the National Defence Tax on 1940 and 1941 income) have increased since the outbreak of war:



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In the 1940-41 fiscal year about five times as many Canadians as in the 1939-40 fiscal year paid income taxes of all kinds. And rates were substantially higher. This year the rates are up again.

On personal income the new graduated rates will begin at 1% on the first thousand dollars of net taxable income instead of 0% or 2% as at present. The National defence tax rates, as from July 1 next, will be increased from 2% to 5% and from 5% to 7%.

Other minor changes have been introduced to ease the new burden as equitably as possible. The Federal Government, in order to spread the tax load as fairly as possible through all sections of the country, has offered to provide the provinces with money equal to the amount of their personal and corporation income tax collections; if the provinces will agree to vacate these two tax fields for the duration of the war.

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The following table gives some idea of the way in which Federal taxes on personal income (including the National Defence Tax on 1940 and 1941 income) have increased since the outbreak of war:



Tax on Income Paid By a Married Canadian With No Dependents

<u>Income</u>	<u>Tax on 1939 Income</u>	<u>Tax on 1940 Income</u>	<u>Tax on 1941 Income</u>
\$1,500	0	30	75
\$3,000	36	195	400
\$5,000	144	555	1,000
\$10,000	781	2,070	3,080
\$50,000	14,351	21,390	26,965
\$100,000	39,299	51,300	61,875

Other further increases in direct taxes are proposed in the 1941-42 budget. The minimum rate of corporation tax is to be advanced to 40%. This involves changes in the administration of the excess profits tax, which is imposed in war time. A more effective surtax on investment income and a greatly increased gift tax are to be introduced. A Dominion succession duty is to be levied.

Indirect taxes of all kinds are expected to raise considerably more money in the 1941-42 fiscal year than they provided in 1940-41. Below are the figures for the three fiscal years beginning 1939-40. They show the steady increase in indirect taxes since the pre-war period.

Total Revenue From Indirect Taxes

<u>1939-40</u>	<u>Estimated 1940-41</u>	<u>Budgeted, 1941-42 for Full Fiscal Year</u>
\$331,361,000	\$503,600,000	\$637,310,000

New indirect taxes and increases in existing indirect taxes will cut into the income of Canadians in all walks of life. New taxes include a tax of three cents a gallon on gasoline, an excise tax of 10% on travel fares and an excise tax of 20% on the receipts of motion picture houses. Increases in existing taxes include a rise in the basic rate on automobiles from 20% to 25%, and increases in taxes on sugar, beer wine, carbonic acid gas, cigarette tubes, cosmetics and toilet preparations and long-distance telephone calls.

It is pointed out in connection with the gasoline tax that the United States Treasury is proposing a Federal tax on gasoline of 2½ cents a gallon. When the difference between the Canadian and American gallons is considered, this proposed U.S. tax would be equivalent to the new Canadian levy on gasoline.

Since the outbreak of war the Canadian Government has borrowed about \$633,000,000 from the public and from domestic financial institutions other than banks. This money has been raised by the floating of two war loans and by issuing war savings and non-interest bearing certificates to the public. The war loans raised \$500,000,000 in new money and about 75,000,000 in conversions; applications for war savings certificates amount to \$52,000,000 and \$6,000,000 has been invested



Tax on Income Paid by a Married Canadian With No Dependents

<u>Tax on 1941 Income</u>	<u>Tax on 1940 Income</u>	<u>Tax on 1939 Income</u>	<u>Income</u>
21,300	21,300	38,229	100,000
20,965	21,300	14,351	50,000
3,080	2,070	781	10,000
1,000	552	144	5,000
500	195	36	2,000
75	30	0	1,500

Other further increases in direct taxes are proposed in the 1941-42 budget. The minimum rate of corporation tax is to be advanced to 40%. This involves changes in the administration of the excess profits tax, which is imposed in war time. A more effective surtax on investment income and a greatly increased gift tax are to be introduced. A Dominion succession duty is to be levied.

Indirect taxes of all kinds are expected to raise considerably more money in the 1941-42 fiscal year than they provided in 1940-41. Below are the figures for the three fiscal years beginning 1939-40. They show the steady increase in indirect taxes since the pre-war period.

Total Revenue from Indirect Taxes

<u>Budgeted, 1941-42 for Full Fiscal Year</u>	<u>Estimated 1940-41</u>	<u>1939-40</u>
\$337,210,000	\$503,600,000	\$337,361,000

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It is pointed out in connection with the gasoline tax that the United States Treasury is proposing a federal tax on gasoline of 2 1/2 cents a gallon. When the difference between the Canadian and American gallons is considered, this proposed U.S. tax would be equivalent to the new Canadian levy on gasoline.

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in non-interest bearing certificates. The amount of bank borrowing has been limited to safe and reasonable proportions.

The total amount which the Canadian government will have to raise for war and ordinary purposes in the present fiscal year is estimated to be about \$2,650,000,000. Of this amount taxes and non-tax revenue will provide about \$1,400,000,000 in the actual fiscal year ending March 31, 1942.

If applications for war savings certificates continue to come in at the March rate they should provide the government with \$120,000,000 in the full fiscal year, and other forms of savings are expected to bring the total in savings to \$200,000,000. A third war loan - "The Victory Loan, 1941" - will be floated in June to provide a further sum. The amount has not been announced yet.

In estimating the extent to which the government is paying for the war "as it goes", it should be remembered that money advanced to Britain now represents assets which will in all probability be realizable after the war. On this basis the 1941-42 budget provides for payment of between 73% and 79% of total federal expenditures for the 1941-42 fiscal year out of revenue - the excess of expenditures over revenue being estimated at between \$365,000,000 and \$515,000,000.

#### 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 and to service her debt expressed in United States dollars. These steps have also enable Canada to meet contractual obligations abroad. Measures have also been undertaken to prevent disorderly marketing of securities and movement of capital out of Canada; to reduce non-essential imports and to conserve supplies of essential raw materials and machine tools. The latest move in this latter direction is the budget proposal to limit commercial and industrial investment to such construction and expansion as is necessary to the war effort and to the continuing of essential services. In spite of marked economic expansion, as indicated by a rising national income, increased physical volume of business, fuller employment and other factors, no undue rise in prices has been allowed and regulations have been drawn up which are designed to forestall unwarranted wage increases, thus preventing an inflation spiral.

Organizations set up to administer these controls have operated on a liberal basis and have so far gained their ends largely through the cooperation of the interests involved. While Canada faces a diminishing supply of United States dollars, 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. It is hoped that the economic cooperation which the United States will give Canada, in accordance with the



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The total amount which the Canadian government will have to raise for war and ordinary purposes in the present fiscal year is estimated to be about \$2,850,000,000. Of this amount taxes and non-tax revenues will provide about \$1,400,000,000 in the actual fiscal year ending March 31, 1942.

If applications for war savings certificates continue to come in at the March rate they should provide the government with \$150,000,000 in the full fiscal year, and other forms of savings are expected to bring the total in savings to \$200,000,000. A third war loan - "The Victory Loan, 1941" - will be floated in June to provide a further sum. The amount has not been announced yet.

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Hyde Park Declaration, will help to make it possible for Canada to continue to do these things without further disturbing her economic relations with the United States.

No serious shortage of any essential raw material or consumer's commodity has occurred. The cost of living to the end of March had risen only about 7%.

#### THE UNITED STATES AND THE CANADIAN WAR EFFORT

The United States has been a source of strength to Canada in the prosecution of the war. Canada buys many essential war materials in the United States and since the outbreak of hostilities has bought them in increasing quantities. In spite of a reduction in the amount of "non-essential" commodities coming to Canada from the United States, Canada's imports from that country have increased greatly since the outbreak of war. In 1939 they were valued at \$497,000,000; in 1940 they soared to \$744,000,000; in the present fiscal year they are expected to reach \$953,000,000 of which \$428,000,000 will be for war purchases.

The Hyde Park Declaration has established a principle which, it is hoped, will assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States defence articles worth between \$200,000,000 and \$300,000,000. In addition, the United States is expected to lend-lease to Great Britain war materials which Canada would normally purchase for Britain in the United States. In the present fiscal year such purchases are expected to run to over \$200,000,000. Canada, herself, is not taking advantage of the Lend-Lease Act, as long as she can find the U.S. dollars with which to pay cash.

According to Finance Minister J.L. Ilesley, however, the Hyde Park Declaration, though a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove all need for the conservation of foreign exchange. Mr. Ilesley stated in his recent budget speech that it is difficult to make any precise quantitative estimate of the contribution which the agreement may make to reducing Canada's shortage of United States dollars. In the first place, the amount of the additional war purchases by the United States in Canada will depend on the practicable limits of production and integration, and it will take some months for them to reach their expected volume. In the second place, administrative difficulties may be encountered which will make it hard to apply the lend-lease procedure immediately to all items purchased in the United States which are components of British war orders in Canada. The most reasonable estimates of the magnitude of these two factors still leave a considerable deficit in Canada's balance of payments with the United States, Mr. Ilesley concluded.

Because of this situation the Canadian Government has reluctantly decided not to abandon the prohibition on travel in the United States by Canadians for other than business, health or educational reasons. As heretofore, of course,



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The Hyde Park Declaration has established a principle which, it is hoped, will assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States balance articles worth between \$250,000,000 and \$300,000,000. In addition, the United States is expected to lend-lease to Great Britain war materials which Canada would normally purchase for Britain in the United States. In the present fiscal year such purchases are expected to run to over \$200,000,000. Canada, herself, is not taking advantage of the lend-lease Act, as long as she can find the U.S. dollars with which to pay cash.

According to Finance Minister J. L. Flaherty, however, the Hyde Park Declaration, through a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove all need for the conservation of foreign exchange. Mr. Flaherty stated in his recent budget speech that it is difficult to make any precise quantitative estimate of the contribution which the agreement may make to reducing Canada's shortage of United States dollars. In the first place, the amount of the additional war purchases by the United States in Canada will depend on the practical limits of production and invention, and it will take some months for them to reach their expected volume. In the second place, administrative difficulties may be encountered which will make it hard to apply the lend-lease procedure immediately to all items purchased in the United States which are components of British war orders in Canada. The most reasonable estimate of the magnitude of these two factors will leave a considerable deficit in Canada's balance of payments with the United States, Mr. Flaherty concluded.

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any Canadian can visit American relatives or friends who provide the United States dollars for the purpose.

The Hyde Park Declaration has a significance over and beyond its financial importance to Canada. The net result of the Declaration, it is expected, will be that the United States and Canada, each concentrating on the materials of war which it can produce best and most quickly, will become one strong team, working and producing according to a carefully planned program which will ensure the most rapid possible supply of war materials to Britain and other embattled democracies and the most efficient provision of defence articles for North America.

War equipment which Canada is able to export to the United States under the terms of the Hyde Park Declaration includes certain types of small arms, some guns and ammunition, certain explosives and chemicals, certain armed fighting vehicles, corvettes and minesweepers, aluminum and certain other metals and materials. There are in addition certain types of clothing and textiles, certain leather, rubber and timber products and certain secret devices in which Canada could probably make an important contribution if these were desired.

The United States has in other ways been of assistance to Canada's war effort. Since the Ogdensburg Agreement of August, 1940, the Permanent Joint Board on Defence has been in operation and it has now worked out its plans for the defence of North American coasts against any possible attack.

An even more direct and striking American contribution is the arrival in Canada of American volunteers for the Canadian armed forces. A large number of Americans have enlisted in the R.C.A.F. and many American fliers are acting as instructors for the Air Training Plan.

#### AID TO GREAT BRITAIN

Canada, as Great Britain's ally, has sent soldiers, sailors, airmen, and naval units to the British Isles and to other strategic parts of the world. Over 70,000 Canadian troops are now overseas, most of them in Britain where they guard a vital sector, others in Newfoundland, Iceland, the Caribbean and Gibraltar. Large numbers of Canadian airmen and hundreds of radio technicians have already arrived in Britain to play their part in the air war. Canadians in the R.C.A.F. and in the R.A.F. have so far accounted for about 200 enemy planes. Several Canadian naval vessels are operating in British waters and others patrol many parts of the seven seas. Since the outbreak of war, the Royal Canadian Navy has captured several enemy vessels and has convoyed Atlantic shipping carrying a total of twenty-seven million tons. Many hundreds of Canadians are serving with the Royal Navy.

This year Canada will despatch overseas an armoured corps, a tank brigade, the 3rd Canadian Division, and reinforcements for units already there. The flow



any Canadian can visit American relatives or friends who provide the United States dollars for the purpose.

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### AID TO GREAT BRITAIN

Canada, as Great Britain's ally, has sent soldiers, sailors, airmen, and naval units to the British Isles and to other strategic parts of the world. Over 10,000 Canadian troops are now overseas, most of them in Britain where they guard a vital sector, others in Iceland, the Caribbean and Gibraltar. Large numbers of Canadian airmen and hundreds of radio technicians have already arrived in Britain to play their part in the air war. Canadians in the R.C.A.F. and in the R.A.F. have so far accounted for about 300 enemy planes. Several Canadian naval vessels are operating in British waters and others patrol many parts of the seven seas. Since the outbreak of war, the Royal Canadian Navy has captured several enemy vessels and has conveyed Atlantic shipping carrying a total of twenty-seven million tons. Very hundreds of Canadians are serving with the Royal Navy.

This year Canada will dispatch overseas an armored corps, a tank brigade, the 3rd Canadian Division, and reinforcements for units already there. The flow

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of airmen from Canada will increase steadily in volume as the months go on, and Canadian naval assistance will steadily increase.

Many Canadians in Britain have been active in other ways. Canadian-born Lord Beaverbrook has been assisted in speeding aircraft production by three prominent Canadians, one of whom is Rt. Hon. R.B. Bennett, former Prime Minister of Canada. Other Canadians are serving in Canadian hospitals in England, in British medical centres, in canteens and in a variety of occupations.

Since the outbreak of war Canada has sent supplies in increasing quantities to Britain. Canadian exports to Great Britain in 1940 were nearly 50% greater than in 1939, and during the next twelve months it is expected that Canada will export goods to Britain to the value of about \$1,500,000,000. Supplies sent to Britain to date include large quantities of foodstuffs, raw materials such as base metals and timber, and war equipment such as shells, gun barrels, universal carriers, machine guns, explosives and chemicals, airplanes, corvettes, mine-sweepers, and mechanized transport.

Canada has also provided Great Britain with financial assistance to enable her to purchase the full amount of the war supplies which she needs from Canada. Up to March 31 of this year, Britain's deficit in her balance of payments with Canada was about \$795,000,000. Of this amount only 31.4% was met by the transfer of gold to Canada. By repatriating Canadian securities held in Britain and by accumulating Sterling balances in London, Canada financed the remainder. Britain's deficit with Canada during the present fiscal year is expected to be about \$1,150,000,000 and Canada assured Britain that she will meet such proportion of that deficit as Britain will not be able to meet by the transfer of gold or United States dollars to Canada. The amount of money which Canada will have to provide for this purpose in the present fiscal year is estimated to be between \$800,000,000 and \$900,000,000.

#### VOLUNTARY CONTRIBUTIONS AND SERVICES

Canadians have responded enthusiastically to the many calls for voluntary contributions of money and of services which have been issued since the outbreak of war. Over 1,700 organizations are recognized by the War Charities Administrator. Contributions to these funds total many millions of dollars. The recent Canadian War Services Fund drive has so far passed its \$5,500,000 objective by over \$700,000. In addition to the Red Cross with its various beneficent activities and the Canadian War Services Fund, the member charities of which are devoted to the welfare of the armed forces, many different types of charitable organization are being helped by Canadians to play their part in the war. There are funds to assist the victims of enemy bombing, to aid refugees, evacuees, and especially deserving groups such as British fire fighters. There are funds to purchase war planes, ambulances and mobile kitchens.



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Thousands of Canadians are giving their time and energy to voluntary war work. Women in all parts of the country, in homes, clubs and churches, devote themselves each week to providing clothing and other material for the Red Cross and other organizations. A nation-wide salvage campaign, carrying on the work begun earlier by many local communities, is encouraging the collection of salvageable material for munitions manufacture and for charitable purposes.

In a variety of other ways thousands of Canadians are unobtrusively devoting their time and energy to the prosecution of the war. Over 100 "dollar-a-year" men have been brought to Ottawa to occupy key positions. The head of one of the world's greatest chemical industries, the president of one of Canada's leading banks, and the chief of an outstanding meat packing firm, have all left their businesses to devote themselves to facilitating the flow of supplies to Britain from this continent. Other industrial, commercial and financial men are helping in similar ways. For example, the Canadian Manufacturer's Association and the Canadian Chamber of Commerce have undertaken to assist the Department of Munitions and Supply by providing information about the industrial capacity of zones from coast to coast. Scientists and technical experts in the National Research Council and in universities have placed their skill at the disposal of the country. An outstanding example in this connection was Sir Frederick Banting, who lost his life in a plane crash in Newfoundland when on his way to Britain on a mission of high military and national importance. Newspapermen, professors, and hosts of others, both prominent and obscure are "coming to the aid of their country" in the ways best suited to their talents and connections.

Thousands of Canadians and many Americans have sent nearly a million and a half dollars to the Canadian Government in the form of "free gifts" to help the war effort.

#### MUNITIONS AND SUPPLY

Canadian factories from coast to coast have 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. A system of zoning is being studied with the object of placing smaller industries in war work on a steadily increasing scale. Many new factories have been built and old ones expanded and provided with new equipment. Since the war began the British and Canadian Governments have underwritten capital advances of some \$400,000,000 for this purpose.

This undertaking has involved tremendous construction activity. The number of construction contracts awarded during the first two months of this year was nearly 150% greater than the number awarded in the first two months of 1940; the number awarded in 1940 was about 85% greater than the number awarded in 1939. In addition to industrial work, the construction industry has undertaken a \$110,000,000 defence building program, under which several thousand buildings and over 100 air fields have already been completed.



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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 100,000 are to be trained in this way in the course of the year. Of these, about 80,000 will be available for war industries.

Strikes have not seriously interfered with Canadian war production. The year 1941, in particular, started off well - with a time-loss through strikes in the first three months that was 50% less than the time-loss in the first three months of 1940.

A recent strike in a Hamilton steel plant, however, precipitated a situation which called for strong action on the part of the Government. And strong action was taken. A dispute between the management and workers was referred to a conciliation board, as is required by law. However, the management refused to accept the majority finding of the board and the workers went on strike. Without delay the Government, invoking the powers it possesses, sent in a controller to take over management of the plant. The next morning the plant was producing and the workers were back at their jobs.

Although construction and tooling up constituted Canada's main industrial war effort during the first year of the war, Canadian industry in the past months has been turning 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 17 major and 45 smaller yards. Today the shipbuilding program involves an expenditure of upwards of \$120,000,000. Some 266 ships have been ordered, not including small craft, and 92 have either been delivered or launched. A further 50 corvettes or minesweepers will be launched by June 1st.

The shipbuilding program is summarized as follows: Corvettes, 80 ordered, 47 launched; minesweepers, 60 ordered, 15 launched; auxiliary cruisers, three ordered and delivered; vessels converted to naval use, 27 ordered and delivered, 24 patrol boats have been ordered, and 12 special minesweepers. Deliveries are being made constantly under the \$6,000,000 small boat program which is now over 40% complete and includes the construction of hundreds of craft ranging from pulling boats to fast torpedo boats. The Canadian merchant-shipbuilding program is to be extended also to include the construction of over 100 freighters of the 10,000-ton class.

Since the beginning of the war over 1,300 aircraft have been produced in Canada and about 40 planes a week are now being turned out. The Canadian aircraft industry has now supplied the British Commonwealth Air Training Plan with most of the primary trainers which it needs at present, and the industry is now turning more to the production of advanced trainers and service craft of the heavy bomber type. For example Harvard trainers are now being turned out, 39 PBV Flying boats were recently ordered and orders for 200 Martin-B-26 medium bombers are



Between 190,000 and 250,000 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 100,000 are to be trained in this way in the course of the year. Of these, about 50,000 will be available for war industries.

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The shipbuilding program is summarized as follows: Corvettes, 80 ordered, 17 launched; minesweepers, 60 ordered, 15 launched; auxiliary craft, 300 ordered and delivered; vessels converted to naval use, 27 ordered and delivered; 12 patrol boats have been ordered, and 12 special minesweepers. Deliveries are being made constantly under the \$5,000,000 small boat program which is now over 90% complete and includes the construction of hundreds of craft ranging from sailing boats to fast torpedo boats. The Canadian merchant-shipbuilding program is to be extended also to include the construction of over 100 freighters of the 10,000-ton class.

Since the beginning of the war over 1,300 aircraft have been produced in Canada and about 40 planes a week are now being turned out. The Canadian aircraft industry has now equalled the British Commonwealth Air Training Plan with most of the primary trainers which it needs at present, and the industry is now turning more to the production of advanced trainers and service craft of the heavy bomber type. For example Harvard trainers are now being turned out, 30 by the month. Orders for 200 Martin-B-26 medium bombers are also being placed.



now being negotiated. Engines for all planes produced in Canada are imported.

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.

Fourteen types of land and naval gun, including latest type of anti-aircraft and anti-tank guns, and ten types of mountings, are now being made or are soon to be made in Canada. Mortars are now being turned out, and 25-pounders are in production.

Ten of Canada's nineteen chemicals and explosives projects have begun to produce. Four 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. Total production of explosives this year should exceed the entire Canadian output during the first Great War. Twelve types of chemicals and eight types of explosives are being turned out.

Small arms ammunition factories are producing tons of millions of rounds monthly and are capable of increasing production, should this be necessary.

Shells and shell components are being produced in many factories well up to schedule. Nine types of gun ammunition a month are now being turned out at the rate of millions of rounds a year. Aerial bombs, and rifle grenades, are being turned out.

190,000 army mechanical transport vehicles have been ordered in Canada and more than 100,000 of these have been delivered and are in service. The majority were exported to Britain and Empire countries. They were used to a great extent by British forces 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 well over 2,000,000 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. Canadians have greatly curbed their use of such metals for non-war purposes. A striking example is the reduction of non-war consumption of aluminum from 1,000 tons a month to 25 tons a month.



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Canada has produced a tremendous amount of personal equipment for her armed forces. This equipment includes over 100,000 separate and distinct articles. Orders to the value of almost \$100,000,000 have been placed for the equipping and maintaining of Canadian forces.

A few of the items now being manufactured in Canada that were not made in this country before the war include field telephones, special wireless equipment, a variety of naval stores, compasses, chemicals for laying smoke screens, chain cable, anti-gas clothing, gas masks and parachutes.

Depth charges and anti-tank mines are on order.

The Department of Munitions and Supply, under which this program has largely been carried out, has expanded tremendously since its inception. The number of employees in the Department has increased from 300 in April, 1940 to 16,000 today.

The total of orders on British and Canadian account placed since July 1939, now totals over \$1,500,000,000. The Department is now placing orders at the rate of about \$5,000,000 a day.

#### THE NAVY

The Royal Canadian Navy went into action the moment that Canada entered the war. Since that time, in addition to the work it has done in British and other non-Canadian waters, it has provided Canada's shores with naval protection, and it has taken various measures to guard Canadian ports.

The Navy has grown very rapidly. At the beginning of the war its strength was about 3,600 men and it had 13 ships of all kinds. Today its strength is more than 17,500 men and it musters over 200 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. A very large number of Canadians are serving on ships of the Royal Navy. About 9,000 men are to be enlisted in the navy in the current year and the Navy's strength by March, 1942, is expected to be about 27,000 men and over 400 ships.

#### THE ARMY

At the beginning of the war Canada had a permanent Force of some 4,500 men and a Non-Permanent Active Militia of about 55,000 men. The Permanent Force is now known as the Active Army and the Non-Permanent Militia is now known as the Reserve Army. There are now about 188,000 men in the Active Army - recruited on a voluntary basis to serve wherever required for the duration of the war - and about 170,000 men in the Reserve Army. Including both active and reserve forces, there are now about 288,000 men in the Army in Canada, and over 70,000 overseas.

About 72,000 men are to be added to the strength of the Active Army within



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coming year, and about 30,000 of these are to be recruited within the next two or three months. In the coming year about 40,000 additional men will be made available for home defence duties after completing a period of four months training. The first four-months class of about 5,000 to graduate in July will release soldiers now on active service in Canada for overseas duty.

Nearly half of Canada's estimated direct war expenditure in the present fiscal year will be devoted to the army. While first consideration has necessarily been given to the equipping of Canadian overseas forces and to sending material to Britain, the Canadian Army at home is receiving a steadily increasing flow of equipment.

#### THE AIR FORCE

The strength of the Royal Canadian Air Force is today many times what it was at the outbreak of war. It is not possible to give here the numerical strength of the Air Force, but it can be said that about 35,000 additional men will be added to the Air Force in the coming year.

The British Commonwealth Air Training Plan, first announced in September 1939, has expanded very rapidly to keep pace with the urgent demands of the war. It is now turning out thousands of pilots, gunners and observers at about twice the rate originally planned for this time. The Plan now operates over 60 schools from coast to coast and it is expected that by September of this year 83 schools will be operating.

The estimated cost of the Air Training Plan is now \$1,000,000,000, of which amount Canada will supply 65%. Canada provides 80% of the students, and of this number it was recently estimated that between 7% and 10% are Americans.

In addition to despatching men overseas, the R.C.A.F. is a powerful factor in Canadian defence. Its planes patrol Canadian coasts daily.

#### 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 air patrols operating from coastal bases, coastal and anti-aircraft guns and large concentration 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 air bases of strategic importance, including a string of air fields designed to give military planes access to Alaska. Troops guard vital points throughout the country.

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