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(T) WAR ORGANIZATION AND REGULATIONS

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EXTERNAL AFFAIRS BULLETIN

October-December, 1940

(A) HIS MAJESTY THE KING

TEXT OF CHRISTMAS MESSAGE BROADCAST BY HIS MAJESTY, DECEMBER 25, 1940.

In days of peace, the feast of Christmas is a time when we all gather together in our homes, young and old, to enjoy the happy festivity and good will which the Christmas message brings. It is above all the children's day, and I am sure that we shall all do our best to make it a happy one for them, wherever they may be.

War brings, among other sorrows, the sadness of separation. There are many men in the forces away from their homes to-day, because they must stand ready and alert to resist an invader, should he dare to come, or because they are guarding the dark seas, or pursuing the beaten foe in the Libyan desert.

Many family circles are broken. Children from English homes are to-day in Canada, Australia, New Zealand and South Africa. For not only has the manhood of the whole British Commonwealth rallied once more to the aid of the Mother Country in her hour of need, but the peoples of the Empire have eagerly thrown open the doors of their homes to our children so that they may be spared from the strain and danger of modern war.

And in the United States also, where we find so many generous and loyal friends and organizations to give us unstinted help, warm-hearted people are keeping and caring for many of our children till the war is over.

But how many more children are there here who have been moved from their homes to safer quarters.

To all of them, at home and abroad, who are separated from their fathers and mothers, to their kind friends and hosts, and to all who love them, and to parents who will be lonely without them: from all in our dear island, I wish every happiness that Christmas can bring. May the New Year carry us toward victory and to happier Christmas days when everyone will be at home together in the years to come.

To the older people here and throughout the world I would say: In the last Great War the flower of our youth was destroyed and the rest of the people saw but little of the battle. This time we are all in the front line and the danger together and I know that the older among us are proud that it should be so.

Remember this. If war brings its separations it brings new unity also, the unity which comes from common perils and common sufferings willingly shared. To be good comrades and good neighbours in trouble is one of the finest opportunities of the civilian population. And by facing hardship and discomfort cheerfully and resolutely not only do they do their own duty but they play their part in helping the fighting services to win the war.

Time and again during these last few months I have seen for myself the battered towns and cities of England and I have seen the British people facing this ordeal. I can say to them all that they may be justly proud of their race and nation. On every side I have seen a new and splendid spirit of good fellowship springing up in adversity, a real desire to share burdens and resources alike.

Out of all this suffering there is growing a harmony which we must carry forward into the days to come when we have endured to the end and victory is ours.

Then, when Christmas Days are happy again and good will has come back to the world, we must hold fast to the spirit which binds us all together now. We shall need this spirit in each of our own lives as men and women and shall need it even more among the nations of the world.

We must go on thinking less about ourselves and more for one another; for so, and so only, can we hope to make the world a better place and life a worthier thing.

And now I wish you all a happy Christmas and a happier New Year. We may look forward to the New Year with sober confidence.

We have surmounted a grave crisis. We do not under-rate the dangers and difficulties which confront us still. But we take courage and comfort from the successes which our fighting men and their allies have won at heavy odds by land and air and sea.

The future will be hard. But our feet are planted on the path of victory, and with the help of God we shall make our way to justice and to peace.

* * *

In a special greeting to Britain's merchant sailors and fishermen, the King said:

This second war-time Christmas finds the members of the British merchant navy and fishing fleets pursuing their calling through the seven seas, and I wish to send them a personal greeting.

You were the first of our civil population to suffer the merciless attacks of the enemy. You have carried on undaunted, maintaining the vital supplies of the Empire. Your courage and daring have been an inspiration to your fellow countrymen, who are now facing the same brutal assault.

In their name I thank you, and I send you all best wishes for Christmas and a good landfall.

(B) HIS EXCELLENCY THE GOVERNOR GENERAL

1. TEXT OF SPEECH FROM THE THRONE READ BY THE GOVERNOR-GENERAL AT THE OPENING OF PARLIAMENT, NOVEMBER 7, 1940.

Honourable members of the Senate:

Members of the House of Commons:

Since last you met for deliberation, all countries have come to have a clearer conception of the magnitude of the present conflict and its menace to civilization.

Additional nations have been threatened with war, or have become involved in war. But little of freedom is now left in Europe. Force and fear have been supplemented by subtle intrigue.

International tension has been heightened by the formation of an alliance between the Axis powers and Japan.

While these events have added enormously to the uncertainties of the world situation, other events of even greater significance have served to confirm our confidence in the ultimate outcome of the struggle. First and foremost has been the magnificent resistance of the United Kingdom.

For four months, Britain has constituted the front line of battle against the forces of aggression. The spectacular advance of the enemy has been halted by the indomitable spirit of her people.

The destruction of freedom throughout Europe has awakened, in the western hemisphere, a fuller consciousness of the Nazi menace. In the face of the common peril there has arisen a closer association and an increasing measure of co-operation between the United States of America and the nations of the British Commonwealth.

You have been summoned at this time that opportunity may be afforded for the fullest consideration and discussion of Canada's war effort and of national problems which war has served to intensify or create. You will be fully advised of international developments; of Canada's co-operation with the United Kingdom, and of relations with the United States.

The measures which will be submitted to you are such as seem necessary to my advisers for the welfare of the country, and for the prosecution of the war to the utmost of our strength.

Members of the House of Commons:

You will be asked to make financial provision for expenditure caused by the state of war which now exists. The estimates for the current fiscal year will be duly submitted to you for your consideration and approval.

Honourable members of the Senate:

Members of the House of Commons:

In the discharge of your very responsible duties may Divine Providence guide and bless your deliberations.

(C) PARLIAMENT

1. *TEXT OF SPEECH FROM THE THRONE, DELIVERED BY
SIR LYMAN P. DUFF AT PROROGATION OF PARLIA-
MENT, NOVEMBER 5, 1940.*

Honourable members of the Senate:

Members of the House of Commons:

When the present session opened in May, one free country after another, in quick succession, had become the victim of Nazi aggression. Before its adjournment on August 7, Italy had joined her Axis partner as an open enemy, French resistance had collapsed, and the Government of France had surrendered. Britain herself was threatened with invasion.

The theatre of conflict had begun to spread into other lands beyond the confines of Europe. Japan and China were still at war.

Among the nations of the world, the United Kingdom and the British Dominions, alone, stood in arms, in the defence of the world's freedom.

Canada has willingly accepted the widening responsibilities which events have placed upon her. The measures which you have taken have had in view the immediate task of sharing more completely in the defence of Britain and securing our own country more effectively against internal subversion and external attack. They have also had in view the long range task of ensuring the ultimate defeat of the enemy.

To serve these ends, the structure of the administration has been altered and enlarged. A Ministry of National Defence for Air and a Ministry of National Defence for Naval Services have been created. The scope of the Department of Munitions and Supply has been expanded and its organization strengthened. A Department of National War Services has been established.

The Government has been empowered by the National Resources Mobilization Act to bring to the defence of Canada and the advancement of the common cause all the resources of the country, both human and material. In the different branches of war activity there has been a steady expansion, and acceleration of training, transport, manufacture and production.

By the Unemployment Insurance Act you have made a valuable contribution to industrial and financial stability in time of war, and to social security and justice in time of peace. It is deeply gratifying

that approval was given by all the provinces to the necessary amendment to the British North America Act to permit of the enactment of unemployment insurance by the Parliament of Canada.

Members of the House of Commons:

I thank you for the financial appropriations which you have made. The determination of the Canadian people to support and advance the cause for which we have taken up arms, has been reflected in the unselfish acceptance by all of its heavy financial burdens.

Honourable members of the Senate:

Members of the House of Commons:

It has become only too apparent that the lust for conquest will continue to enlarge the theatre of war. The struggle to preserve freedom will be long and hard. May Almighty God guide and uphold its brave defenders.

2. *PROCLAMATION OF THE CALLING OF PARLIAMENT,*
NOVEMBER 5, 1940.

ATHLONE

[L.S.]

CANADA

GEORGE THE SIXTH, by the Grace of God of Great Britain, Ireland and the British Dominions beyond the Seas KING, Defender of the Faith, Emperor of India.

To Our Beloved and Faithful the Senators of the Dominion of Canada, and the Members elected to serve in the House of Commons of Our said Dominion, and to each and every of you,—

GREETING:

A PROCLAMATION

W. STUART EDWARDS, }
Deputy Minister of }
Justice, Canada }
month of November, 1940, these Presents are therefore to command and enjoin you and each of you and all others in this behalf interested that on the said Thursday the seventh day of the month of November, 1940, at three o'clock P.M. at Our City of Ottawa, personally

WHEREAS the Meeting of Our Parliament of Canada stands prorogued to the seventh day of the

you be and appear for the DESPATCH OF BUSINESS, to treat, do, act and conclude upon those things which in Our said Parliament of Canada, by the Common Council of Our said Dominion, may, by the favour of God, be ordained.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed. WITNESS: Our Dear Uncle, Our Right Trusty and Right Well-beloved Cousin and Counsellor, Alexander Augustus Frederick George, Earl of Athlone, Knight of Our Most Noble Order of the Garter, a Member of Our Most Honourable Privy Council, Knight Grand Cross of Our Most Honourable Order of the Bath, Grand Master of Our Most Distinguished Order of Saint Michael and Saint George, Knight Grand Cross of Our Royal Victorian Order, Companion of Our Distinguished Service Order, Colonel in Our Army (retired), having the honorary rank of Major-General, one of Our Personal Aides-de-Camp, Governor General and Commander-in-Chief of Our Dominion of Canada.

AT OUR GOVERNMENT HOUSE, in Our City of Ottawa, this fifth day of November, in the year of Our Lord one thousand nine hundred and forty and in the fourth year of Our Reign.

By Command,

E. H. COLEMAN,

Under-Secretary of State.

19-3

3. *MOTION OF THE PRIME MINISTER FOR ADJOURNMENT OF HOUSE TO FEBRUARY 17, STATEMENT OF DECEMBER 5, 1940.*

Right Hon. W. L. Mackenzie King (Prime Minister) moved:

That when this house adjourns immediately after parliament has disposed of the financial legislation thus far submitted for its consideration, it stand adjourned until Monday, February 17, 1941, at 3 o'clock, p.m., provided always that if it appears to the satisfaction of Mr. Speaker, after consultation with His Majesty's government, that the public interest requires that the house should meet at an earlier time during the adjournment, Mr. Speaker may give notice that he is so satisfied, and thereupon the house shall meet at the time stated in such notice, and shall transact its business as if it had been duly adjourned to that time.

(D) ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

1. TEXT OF PRIME MINISTER MACKENZIE KING'S LETTER TO THE PROVINCIAL PREMIERS PROPOSING A DOMINION-PROVINCIAL CONFERENCE IN MID-JANUARY TO DISCUSS THE RECOMMENDATIONS OF THE ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS, DATED NOVEMBER 7, 1940.

My Dear PREMIER:

As you are aware, the report of the Royal Commission on Dominion-Provincial relations was presented to the Government of Canada on May 16, 1940. Although it was not possible to study this report immediately upon its receipt, my colleagues and I have availed ourselves of the opportunity afforded by the adjournment of Parliament on August 7th to give to its recommendations the most careful consideration.

The report commends itself strongly to our judgment. We believe that no time should be lost in arranging for a conference with the provinces, in order to secure, if possible, the adoption of the commission's recommendations.

You will recall the circumstances which, in 1937, led to the creation of the Rowell-Sirois commission. It was appointed because of general dissatisfaction in respect of Dominion-Provincial relations and arrangements—a dissatisfaction which reached a critical stage during the depression. The inability of local and provincial governments to deal with mass unemployment and agricultural distress, and the resulting financial difficulties and controversy in regard to policy and administrative responsibility, constituted admitted evils and a serious strain on national unity. The necessity, under existing constitutional authority, of maintaining local responsibility for relief, precluded the development of policies on a national scale, and produced a situation which seriously affected the morale of the unemployed and destroyed the financial independence of many local governments. In the emergency the Dominion made large contributions for relief purposes but could not assume full or permanent responsibility for unemployment nor can it do so, unless measures such as those contemplated by the commission are agreed upon.

PROBLEM AGGRAVATED

The war has intensified the problem and emphasized the urgency of its solution. While the cost of unemployment relief has been reduced,

the war has cast additional burdens on governments and tax payers alike. It has inevitably increased the competition between governments to secure revenues, and has aggravated the overlapping, cumbersome and discriminatory character of much of our tax structure. Sometimes the competitive effort to secure revenues has resulted in struggles between the Dominion and the provinces; sometimes, in conflicts between the provinces themselves. If this situation continues, the war effort itself will inevitably be hampered. I know that you share the view that the goal of Canada's war effort can be nothing less than the most effective organization of all our resources and a real equality of sacrifice. Under present conditions, this goal is unattainable. So long as they continue, we will not be able to put forth our maximum productive effort to win the war, nor distribute its cost justly and fairly.

We must think first of winning the war, but we cannot afford to neglect the future. To those who experienced the acute dislocation following the last war and the prolonged depression of the '30's, the point needs no labouring. We are not now in a position to provide for the more thorough-going social, economic and financial adjustments which will be necessary after this war. I think you will agree that the Canadian people, and particularly those who will bear the brunt of the burden resulting from the inadequacy of present constitutional arrangements, will not calmly accept this situation.

It was the commission's task to determine how Canada's unique federal structure, as set up in 1867, could be made to function smoothly, and yet retain the distinctiveness of its component parts. The Government's instructions in this regard were explicit. In my statement to the House, on February 16, 1937, referring to the appointment of the commission, I said that the commission was to make recommendations, "To enable all governments to function more effectively—and, I may add, more independently—within the spheres of their respective jurisdictions." The commission not only carried out these instructions, but emphasized throughout its report that its recommendations would lead to a real and desirable provincial autonomy, by assuring true financial independence.

It is the view of the Government that adoption of the commission's recommendations is necessary to put our country in a position to pursue a policy which will achieve the maximum war effort and at the same time, to lay a sound foundation for post-war reconstruction. For these reasons, we should like to avail ourselves of the earliest opportunity to place our views before the provinces, and to discuss with them the recommendations of the commission. We propose, therefore, after Parliament reassembles, if circumstances permit, to seek an adjournment over the month of January, and to make the necessary arrangements at that time for a

conference between the Dominion and the provinces for the consideration of the recommendations of the Rowell-Sirois commission. We trust that it will be possible for you and your colleagues to make similar arrangements to enable you to attend a conference at some mutually convenient date towards the middle of that month.

Yours Sincerely,

(Signed) W. L. MACKENZIE KING.

P.S. It is the Government's intention to have this communication tabled in both Houses of Parliament, on Thursday, November 7, immediately after the opening proceedings. I would ask that, meanwhile, the communication itself might be regarded as confidential.

(E) WAR DEVELOPMENTS

1. STATEMENT OF THE PRIME MINISTER ON RECENT WAR DEVELOPMENTS, DECEMBER 2, 1940.

Right Hon. W. L. Mackenzie King (Prime Minister): Mr. Speaker, I have been asked, before parliament adjourns, to speak again on the war in Europe, on the present position of Britain and on Canada's co-operation in meeting the situation with which Britain is faced.

As we ponder the magnitude of the struggle and of Canada's contribution, it is more than ever necessary to view isolated events in their relation to the whole, to correlate all the factors of time and place, and to maintain throughout a due sense of proportion and a true perspective. Sunshine and shadow are bound to alternate on the wide horizons of a world war. It is inevitable that there will be periods of success and periods of reverse. We would be foolish if we became unduly elated by an immediate triumph; we would be even more foolish if we became depressed by a momentary loss.

Recently many statements have been made in the press, in parliament, and over the air, by members of the government of the United Kingdom and other leading Britons. Some may seem pessimistic, others may sound optimistic. The truth is, of course, that there are many matters which give us grave concern. There are also many things to cheer us. If statements sometimes sound pessimistic, they reflect the willingness of British leaders to speak the truth, and the capacity of the British people to stand the truth. If to some they appear occasionally almost too optimistic, they reflect the courage, the hope and the determination of the British people and their refusal now, or at any time, to consider the prospect of defeat.

It has been the duty of my colleagues and myself, as it would be the duty of any government, to try to see the war steadily, and to see it whole. We have sought never to lose the ultimate in the prospect of the immediate; always to remember that what may appear best to serve the apparent interests of the present may be of ill service to the future. From the very beginning the policy of the present administration has been to plan, in co-operation with the government of the United Kingdom, for a final victorious outcome of the struggle.

Let me give an illustration, the force of which will be immediately recognized. Had we been guided by vociferous demands that were made at the outset, we would have concentrated our effort, our wealth and our

strength on recruiting large numbers of men for service in the army overseas, rushing them across the ocean, with conscription as probably the only method of maintaining large supernumerary armies in the field. That might have served to meet a certain clamour of the hour, but, in the long run, it would have made for disunity in Canada, and in meeting Britain's need, proven to be, in large part, wanton waste. Instead of aiding Great Britain, as we are doing to-day, with our forces in the air and at sea, with munitions, with ships and with other equipment, material and supplies in ever-increasing measure, we would have placed upon a beleaguered island the added burden of feeding numbers of men not required at the present time.

We did not yield to the clamour. The government, instead, laid its plans for a balanced development of all branches. We built up an air force and a navy, as well as an army. We developed war industries, and we conserved exchange for the use of Britain and ourselves. While planning for the battles overseas, we have also been mindful of our own shores, and the dangers with which they may at any moment be beset as the scenes of conflict change and war's terrors become intensified. This type of planning does not lend itself to display. But it brings real results in the end. As it is inevitable that the war will be long, it is equally inevitable that the results of a sustained effort can be realized only with the passage of time.

While it is true that neither Great Britain nor Canada nor the neutral countries which were invaded foresaw the course of events, it still to-day remains an incontrovertible truth that the broad outlines of British strategy for ultimate victory as planned from the outset are and were fundamentally sound. They contemplated a war, not of months but of years. They envisaged an increase in and the extension of the theatres of military operations. They visualized the necessity, not only of preserving freedom, but the necessity and the obligation to restore it.

From the very beginning, in presenting to this house and to the country the situation as I have had reason to view it, I have tried to speak not from impulse but from reflection. It is true I have not sought to be talking all the time. I have hoped that my words might carry the greater weight because they were not too freely and too frequently expressed. I have attempted, in so far as opportunity has permitted, to assess and to weigh the essentials. In almost every statement I have made about the war, I have said the struggle would be long and hard and terrible. I have told the people of Canada how much more serious the war would be than, in its early stages, many people seemed to realize, or have yet fully realized. I said that it would be a war, not of months but of years; that it would not be confined to Europe, but must inevitably spread to other continents;

that at the back of all was the intent of world domination. I said, too, at the very outset that the nations of Europe, by placing their faith in neutrality, would find, as a consequence of their blindness and aloofness, that their own national existence might disappear.

In official pronouncements this house and the Canadian people have been told repeatedly that supremacy in the air was necessary for effective defence, and for the final offence which alone can gain victory. They have been told with equal emphasis that effective blockade, through the maintenance of British sea power, was essential, not only to victory but to survival. Above all, month in and month out, I have said with all the force at my command that freedom on this continent was inseparable from the preservation of British freedom; also that the preservation of British freedom was inseparable from the restoration of human freedom wherever it has been destroyed. I might add that the corollary is equally true. The restoration of human freedom depends upon the preservation of British freedom until the day comes when the forces of freedom, under the leadership of Britain, having mobilized their full strength, march forward to victory.

When France signed the armistice she believed, and most of the neutral European countries with her, that all was over with Britain as well as with herself. The great tragedy is that France did not know the truth. Believing that the enemy was invincible, she preferred surrender to the prospect of annihilation. In the United States, majority opinion was swayed for a time by the fear that Britain would be powerless to withstand so formidable a foe. It doubted her power to resist. The American people were asking themselves whether it might not be more prudent to retain the weapons of war, even though they were so desperately needed by Britain, in order that they might defend themselves against a peril which would become irresistible once the peoples of the British Isles were vanquished.

All that has changed, and changed completely. During the last three months, unsurpassed in the history of Britain, it has become increasingly clear that German mentality has never really understood the British people. Once again the men and women of the British Isles have revealed their dauntless courage and their ability to fight, and to endure, when their freedom is endangered. Like Cromwell's Ironsides, "They know for what they fight."

When we reflect upon the improved position in the Mediterranean, almost unbelievable three months ago; when we recall the transfer of the American destroyers; the enormous increase in war materials which are flowing from the United States and Canada to the island fortress; when in addition to witnessing the fruits of Canadian planning we have also the

certainly of the continuance of the policy of all possible aid to Britain confirmed by the vote of the American people, how can any one come to feel, in the light of these facts—which are not the confidential property of the government, but all a matter of public knowledge—that the situation is more serious to-day than it was three or four months ago? It is true that the war is increasing in its fury. But it is also true that in the months that have elapsed since the downfall of France, Britain's strength has steadily increased.

It is true that night bombing presents a problem which has not yet been solved. It is true that darkness, while it denies to the marauder the opportunity of discriminate destruction, adds to his opportunity of indiscriminate murder. Against the successes which the enemy may claim for his ruthlessness, there must be offset what it has cost him in men and in planes. The percentage of British losses, both in the British Isles and in Europe, has been many times less. Moreover, Germany, by pursuing the policy of frightfulness, has greatly challenged the spirit of the British people. In the final analysis the war will be won by national character. By his murderous tactics, Hitler has succeeded in showing to the world that a German victory is impossible.

It was announced from London some weeks ago that the bomber command of the Royal Air Force had been following a "master plan" in aerial attacks upon targets of strategic and industrial importance in German and German-occupied territory. A glance at the map will at once make it clear that the area open to attack by British planes is large, it extends in fact from the coasts of Norway to the Spanish frontier, and far inland to the industrial heart of Germany, and that the flying distances are correspondingly great. British heavy bombers have in fact flown single journeys of as much as 1,400 miles from their home bases, carrying them beyond the heavy industries of the Rhine valley to the important Skoda armaments establishments at Pilsen. They have crossed the Alps to bombard the industrial capitals of northern Italy, at Turin and Milan and elsewhere. They have attacked repeatedly—eighty or one hundred times since midsummer—synthetic oil refineries such as Gelsenkirchen; aluminium factories, railway marshalling yards—that of Hamm is one of the largest on the continent—docks and shipbuilding yards—the port of Hamburg is reported now to be unserviceable—the naval bases at Kiel and Wilhelmshaven, power stations, and a variety of other objectives.

Nearer at hand, since the coast line of the low countries and of most of France fell into enemy hands, the Royal Air Force has smashed repeatedly and relentlessly at the "invasion ports" of Lorient, LeHavre, Boulogne and Dunkirk. In these ports, submarine establishments and concentrations of barges intended for troop transport on a large scale have

been steadily attacked, and on at least two occasions the unceasing vigilance and rapid striking power of the bomber and coastal commands defeated German attempts to launch a sea-borne invasion from this part of the channel coast.

I have said that the area open to British attack is large, and that the flying distances involved are great. By contrast the area for German attacks is much more limited, and, since the channel coast affords nearer bases for German aircraft, the flying distance is considerably less. Partly for this reason, very large numbers of German planes have been employed in recent raids, and it is a tribute both to the fighting skill of British pilots and to the increasing destructiveness of ground defences that so small a proportion of German planes have actually succeeded in penetrating outer defences to attack key targets in Britain. German losses in operational planes have been large, but the more serious loss has been in terms of pilots and air crews. It can, of course, be argued that even numerically, superiority in bombing and fighter aircraft will not provide a guarantee against aerial invasion and aerial bombardment. What is certain is that as British aircraft production, aided by a steady flow of pilots from Canada and planes from the United States and Canada, succeeds in narrowing the gap in effective strength between the Royal Air Force and the German air force, the effect of German attacks upon Britain will be diminished, and the scale of British attacks upon enemy and enemy-occupied territory will be correspondingly increased.

Much the same is true of "the loss of shipping as evidenced by press reports," and of the limitation upon financial resources. To view these factors in their true perspective, their extent has to be measured first of all in its relation to the whole, and, secondly, in comparison with losses and shortages which the enemy has experienced and may reasonably be expected further to experience.

The shipping situation is serious, but that does not mean it has suddenly changed the outlook. It is true that, in recent weeks, shipping under British ownership and control has been lost at a rate greater than the present capacity of British shipyards to build new ships. Nevertheless, thousands of ships remain, and men and supplies are freely carried where allied necessity calls. British shipyards are working at full capacity, and in addition to British shipyards, Canadian, Australian and American shipyards are building merchantmen and other ships for Britain. The House of Commons has already been told by the Minister of Munitions and Supply (Mr. Howe) that in addition to the naval construction under way in Canada for the British admiralty, eighteen merchant vessels are also to be built here for the British government.

In his speech on November 5, Mr. Churchill spoke plainly about the growing shipping problem. Since then, the British Minister of Shipping, Right Hon. Ronald Cross, said in a broadcast on November 26:

I am not going to hide the fact that the rate at which we are building ships does not make up for our losses.

Mr. Cross was, however, careful to add that orders were being placed in the United States. The real significance of his words is to be found in the sentence with which he concluded:

We must have ships. We cannot make too sure of our shipping in the months and years that may elapse before victory is assured. We must have a safety margin.

The result of the frankness of Mr. Churchill and Mr. Cross is reflected in our own present commitments, and in the additional keels that will be laid down every month in the shipyards of the United States and of the British commonwealth.

Let it not be forgotten that Germany, too, has suffered considerable shipping losses. Almost daily we hear of another German supply ship sunk off the coast of Norway, in the North Sea, or in the channel. German shipping and German barges have been bombed repeatedly in the channel ports. The great German shipyards at Hamburg and Bremen, and even in the Baltic, have been visited again and again by the bombers of the Royal Air Force. In the Mediterranean the Italian shipping losses have been heavy. On the high seas, German and Italian merchantmen have disappeared. I do not think they will take any part in the world's commerce until this war is over.

The British navy is still supreme on the seas of battle. Although the British navy in this war, single-handed, enforces the blockade, and although the coasts to be blockaded are more extensive, nevertheless the blockade is proving its effectiveness. Apart from Russia, there are no neutral countries to which Germany can turn with confidence for imported supplies.

The vast quantities of supplies which Britain requires from North America to supplement the deficiencies of her own production must, of course, be paid for, and, when ordered from the United States, they must be paid for in American dollars. The problem of providing United States exchange which faces the British government is a very real one.

The problem of providing United States exchange which faces the British government is a problem which also faces our own government; for we too must provide for vast outlays of United States dollars to pay for our purchases of essential war material. Later this afternoon, the Minister of Finance (Mr. Ilesley) will propose certain measures which, at this juncture, seem to the government necessary in order further to conserve our supply of exchange for this purpose.

It may help us to view the financial problem in a true perspective if, as with bombing and with shipping losses, we make comparison with the situation as it is in Germany.

While it is true that Britain and Canada are faced with the problem of providing exchange to pay for their purchases in the United States, it is also true that in the United States we have access to the greatest industrial resources in the world.

What is the German situation? Germany, of course, has acquired the industries and resources of France, Belgium, Holland and Czechoslovakia, but outside the borders of Germany and the territories she has conquered she can look to only two important outside sources of supply—Sweden and Russia. The capacity and the willingness of Russia to spare supplies to Germany is very doubtful. In the conquered territories she must keep the workers alive if they are to continue to produce. She must face, too, the ever-present hazard of sabotage.

In many essentials Germany has, through sacrifices of her standard of living and through conquest, made herself self-contained. But, as the British Minister of Economic Warfare, Right Hon. Hugh Dalton, pointed out in a broadcast yesterday, the blockade has imposed upon the enemy "serious shortages of rubber, copper, ferro-alloys needed to harden steel, and textiles." As for oil, Mr. Dalton had this to say:

So long as the British navy continues to command the sea, including the eastern Mediterranean, as it will; so long as our air force continues, as it will, to bomb the enemy's oil plants, oil stocks and oil refineries; and so long as the enemy continues to fight at all—and he cannot fight without using up oil—then in a period measured in months and not in years the enemy's oil position will be one of great and growing scarcity.

Mr. Dalton also stated that the stocks of supplies looted from the conquered nations had been used, and that, through the blockade, the Germans were "now back where they were six months ago, or worse."

Nor would Germany's position be materially improved even if she could command the financial resources to which Britain still has access. Germany is in fact unable, except at the cost of fighting and the loss of the men and materials of war, to obtain some of the essentials of war.

Despite these weaknesses, no greater mistake could be made than to minimize the economic gains which have resulted from the German conquests. They can be balanced and exceeded only by the economic and industrial resources of this continent. Whatever difficulties of a financial nature we may be facing, Germany is denied all access, both financial and physical, to the potentially decisive North American sources of supplies.

Perhaps, before concluding, I should say one word about the situation in the Balkans and the Mediterranean. As I pointed out at the beginning,

we must keep constantly before us the conflict as a whole. The accession under duress of Roumania, Hungary and Slovakia to the axis adds no new strength to the predatory powers. Even if it did, the abstention of Yugoslavia and of Bulgaria has far greater significance.

It will be recalled that in his statement to the House of Commons on November 5, Mr. Churchill mentioned that the balance of forces on the frontiers of Egypt and the Soudan was far less unfavourable than at the time of the French collapse. So far as subsequent information has been made public, it can be said that the British position has been strengthened on all fronts.

The amazing success of the heroic Greek people, reviving as it does the memory of their ancient glories, has not made the European situation more serious than it was. The successes of the Royal Air Force and the British Navy in co-operation with the Greek forces have not advanced the cause of Italy and Germany. The state of affairs in Albania, the disorder in Roumania, and the reluctance of Yugoslavia and Bulgaria, have not greatly aided Hitler in the creation of his new order for Europe.

While what I have said may help us to keep a truer perspective as regards immediate happenings and dangers, what I wish most of all to emphasize is that this is only the picture as it presents itself at the moment, and that no one can foretell to what proportions of danger, peril and frightfulness it may develop at any time. Like the ostrich which hides its head in the sand to escape realities, we shall completely err if for a moment we fail to recognize how appalling is the danger which threatens, not only Britain, but civilization, and be tempted thereby to relax any and every effort to put forth the utmost of our strength.

Above all else, let us remember how formidable is Germany's present military strength. There has never been anything hitherto comparable to it. Let us remember, too, that her great armies are undefeated; that they are equipped with all the machines of modern warfare; that, excepting Switzerland, all of Europe west of the Vistula, and extending from Sweden to Portugal and Spain, lie under her control. Her own resources of factory and of mine, of men and materials, have been reinforced by the material power of the nations which she has conquered; to her millions of soldiers and workmen has been added the man-power of the lands she occupies, however reluctant the men of Norway, of Holland, of Belgium, and of France may be to turn their spears against the breast of freedom. To adopt the graphic words of Mr. P. J. Philip, the Ottawa correspondent of the *New York Times*, who speaks from knowledge gained in the very smoke of the battle of France:

. . . we also know, and every man and woman making munitions, and every man in training as private and as officer should remember every morning, that that terrific force of men and machines which

broke the French and Belgian armies last May, and sent us scurrying home from Dunkirk, is still intact, possibly stronger than ever, and it is that force which we are fighting now almost alone. It is going to take all, that all of us can give, to beat it.

Upon the forces of Britain has been placed the greatest task in the history of the world. She has to watch and fight, she has to fight in the British isles and in the seas that surround them, she has to fight in the Mediterranean, in the middle east, in Africa; she has to watch the far east, in Hongkong, in Singapore; she has to keep India constantly in mind. Anywhere, at any time, she may find it necessary to send ships and men to meet a new threat to her lines of communication and supply, or to face fresh horrors in some distant quarter of the globe.

This bare recital of facts proves, of course, that the situation is serious, but certainly not more serious than it has been during the last three months. The only difference is that people themselves in all parts of the world are beginning to realize more of the truth. The situation is bound to become increasingly serious as warfare spreads to new seas and shores and as mutual destruction continues, as it most certainly will, with ever-increasing fury. It is wholly probable that we shall witness much of anarchy as well as of war ere the death-grapple between totalitarianism and democracy has told its tale.

No one can say that the world, even now, may not be heading for Armageddon. The one thing that, under the providence of God, may save the world this supreme tragedy is the might of Britain, strengthened, supported and sustained by the power of the British dominions and India, the help of the United States, and such aid as it may yet be within the power of other liberty-loving peoples to give. To use words I have just quoted: In order to overthrow the enemy and to save mankind "it is going to take all, that all of us can give."

2. *REVIEW OF THE CANADIAN MILITARY EFFORT, EXTRACT FROM SPEECH OF THE MINISTER OF NATIONAL DEFENCE, NOVEMBER 15, 1940.*

Hon. J. L. Ralston (Minister of National Defence): Mr. Speaker, only three and a half short months have elapsed since I gave to the house a summary of our military activities. You will remember that on that occasion I outlined the broad principles of our military policy. The immediate aspect of that policy was to combine with the United Kingdom and the other dominions, as quickly and as fully as possible, to defeat the common enemy. And the long term aspect was to provide for an

effective organization of Canada's armed forces so that whatever might befall in the future we should be prepared, to the limit of our strength and resources, to take care of our own responsibilities.

In the "immediate" category I spoke of the strengthening and further organization of our fixed and our mobile defences in the east. I indicated too that we were not overlooking the west coast defences. But I stressed that hand in hand with these measures of North American defence we were concentrating on the training and equipping of the Canadian active service force to serve wherever they might be required either in Canada or overseas. And let me remind my hon. friend the leader of the opposition (Mr. Hanson), who seemed to think that we were attaching too much importance to Canadian defence, that I stressed in July that our front line was the island fortress of the British isles. Let me also tell him that, speaking in Montreal in September, I said, "Canada is in this war at the side of Britain, and Canada's front line is in England." And to-day, in spite of the continuous siege of that fortress by every means and every method which science and vandalism and brutality could devise, our Canadians stand side by side with the men of the British isles and of the empire on that front line which still holds firm. The house heard yesterday the eye-witness story told by the Minister of National War Services (Mr. Gardiner) of the steadfastness, not only of the sailors and soldiers and airmen in and around the British isles, but of those stouthearted millions of people which make up their citizenship. They have taught their enemies, they have reassured their friends, that man is greater than the machine, that it takes more than engines of war in seemingly overwhelming numbers, more than the savage deluge of high explosives, to overcome the will to freedom. They have proven that disadvantages in equipment may be outweighed by superiority in fortitude and fearlessness.

In July, referring to immediate activities, I spoke of the necessity of providing maximum preliminary training for available man-power, and also of the requirements for internal security. And as our general and long-term objective I said that our task must be never again to lapse into the inadequate position in which the armed forces of Canada—and Canada was not unique in this respect—had been placed for many years prior to the outbreak of war.

I can say to the house that those principles on which we were working then are the principles we are working on to-day. Any change has been only to emphasize more than ever the vital interest we feel in helping to hold and strengthen that front line on the English channel.

The carrying out of these principles, since I spoke to the house in July, has taken this country through a summer and into an autumn of

military activity which I think has been unprecedented. I believe that this activity has produced and will produce effective results. My purpose is to review what has been done regarding this activity in relation to the army, and to indicate some of the plans for the future.

I ought first to mention a change in the names of the military forces of Canada. When I spoke last I mentioned four different groups, the Canadian active service force, the veterans' home guard companies, the non-permanent active militia and the veterans' reserve companies. Since then we have integrated all these groups into one structure called the Canadian Army, and we have simply divided the Canadian Army into active and reserve units and formations. The active portion is that which we know as the Canadian active service force, which includes the veterans' home guard companies, and the reserve portion is that which we know as the non-permanent active militia and that includes the veterans' reserve companies. While this is only a change of name it will I think help to avoid confusion, and it gives the military forces a title which better corresponds with the titles of the other services, the Royal Canadian Navy and the Royal Canadian Air Force. It does not involve any change in the names by which regiments and batteries and units are now commonly known, and does not imply any change in the status of units or in the obligations of individuals. These obligations, whether under voluntary enlistment or under the National Resources Mobilization Act, remain as they were before the change of name.

Another change which I think has been generally approved is the change in the name of the veterans home guard to Veterans Guard of Canada. This again does not effect any change in status of its component parts or of its members.

With that preface, here is the broad picture of the strength of the Canadian Army.

First, regarding the Canadian Army (active) which we have known as the Canadian active service force and the veterans home guard companies: On July 29, I stated that there were 31,607 troops of our active formations and units outside of Canada and 101,965 in Canada, or a total of 133,572. The returns for October 29 show over 50,000 outside Canada and a considerable increase in the numbers in Canada.

Regarding the Canadian Army (reserve) which we have known as the non-permanent active militia and which includes the veterans reserve companies and the recruits called for training under the National Resources Mobilization Act: Recruiting for the reserve or non-permanent active militia units continued to be active until August 15 when it was stopped to allow progress to be made with the training of recruits called up under the National Resources Mobilization Act. On July 29 I stated that the

strength of the reserve units was 47,373. This was from the latest figures available at that time. On October 29 the total strength of the reserve units was over double that number, not counting recruits in training centres under the National Resources Mobilization Act. On the same date there were 25,391 of these recruits undergoing training in 39 centres established across Canada. So that on October 29 the total strength of the Canadian army including active units overseas and in Canada, and the reserve units, was over 300,000.

During the period of acceleration in the spring and early summer of this year we set ourselves certain important objectives which included the raising of the third and fourth divisions and ancillary and certain unattached units, the recruiting to full strength of the infantry units of the reserve (non-permanent active militia) the dispatch of large numbers of troops to the United Kingdom and to island posts outside of Canada. We concentrated every effort in achieving the desired results without taking time for matters of reorganization which, though important, could wait. We wanted these things done quickly. Once it became certain that these objectives were within measurable distance of attainment, it was possible to devote more time to matters of organization.

Early in August, in keeping with the general policy of defence measures for Canada, the Atlantic command was formed under the command of Major-General Elkins. This command includes all of the three maritime provinces of New Brunswick, Nova Scotia and Prince Edward Island, and the eastern portion of the province of Quebec. It also includes the units of the Canadian army in Newfoundland. The administrative arrangements in this area continue to be the responsibility of the district officers commanding the military districts concerned, but the operational control of all coast defence troops and of the mobile forces stationed within the command is exercised by the general officer commanding-in-chief of the Atlantic command.

More recently, in October, the Pacific command has been formed consisting of the provinces of British Columbia and Alberta, with headquarters at Victoria. The general officer commanding-in-chief, Major-General Alexander, is responsible for all operational matters which affect the Pacific defences. He will control coastal defences through fortress and area commanders and also all mobile land forces which may be detailed for operational purposes in defence of the Pacific coast.

In the case of both Atlantic and Pacific commands the general officer commanding will be working in the closest co-operation with the equivalent commanders of the Royal Canadian Navy and the Royal Canadian Air Force in the respective areas.

The organization of the third Canadian division has been completed by the appointment of the brigade and divisional commanders. Major-General Sansom, who was formerly on General McNaughton's staff and later on the staff of Canadian Military headquarters in London, has been appointed general officer commanding this division and has just arrived in Canada. The brigade commanders are Brigadier H. O. N. Brownfield, M.C., commanding the 3rd divisional artillery; Brigadier W. G. Colquhoun, M.C., commanding the 7th infantry brigade; Brigadier J. P. U. Archambault, D.S.O., M.C., commanding the 8th infantry brigade and Brigadier E. W. Haldenby, M.C., V.D., commanding the 9th infantry brigade. This division will be concentrated for the present at certain points in eastern Canada along with certain other unattached units.

The organization of the 4th Canadian division is in progress, and its units and formations are located at the moment at various parts in central and western Canada. It is expected very shortly I shall be able to announce the names of the commanders of brigades of that division.

New active army units have been mobilized, including:

- An armoured car regiment;
- Two light anti-aircraft regiments with associated signal and workshop sections;
- Two army field workshops to provide for the servicing of units of the 3rd and 4th divisions; and
- A motor ambulance convoy.

Twenty companies of the Canadian forestry corps have now been raised and are in training under the command of Brigadier J. B. White, D.S.O., E.D. Seventeen additional reserve companies of the Veterans Guard of Canada have been formed bringing the total number of these reserve companies to 43. These are in addition to the 29 active army companies already authorized in this force, which comprise 6,627 officers and men. The Veterans Guard of Canada is under the command of Lieutenant-Colonel H. R. Alley, O.B.E., L.D.

Special interest, I think, was taken in the announcement of the formation of the Canadian armoured corps, under Colonel F. C. Worthington, M.C., M.M., an officer experienced in armoured fighting vehicles. The corps is to consist of four mobilized regiments which includes two of the already mobilized cavalry regiments of the active army and four reserve army regiments.

One armoured brigade is already being organized and expanded into a complete group by the addition of the necessary artillery, engineer, army service corps, and ordnance units which are now mobilizing. Units to form a nucleus for a second group are available.

The house will ask about the activities of these various troops of ours. We naturally think first of our men outside of Canada, on the front line in England and at various strategic points. We have in the United Kingdom the bulk of two divisions and their requisite proportion of corps troops. In addition to these, we have under command of Canadian military headquarters, reinforcements nearly equal in numbers to another division, besides the large numbers of reinforcements still on this side. We get weekly reports which give us in considerable detail the work which is done by our Canadian troops in England and some of the tasks to which they are assigned from time to time. No troops in England are more fit or ready for any task which comes. They know what their job is and are eager and anxious to take their turn in the battle of Britain. Their presence side by side with the troops of the old land, and the reputation they have already made is a source of pride in Canada.

As the house knows, we have troops in Iceland, Newfoundland and the Caribbean, and in certain instances additions or redistributions have been or are being made to strengthen the strategic position. We owe a great deal to these troops, who constitute the defence outposts of this continent and who, unseen and unheard of, loyally perform their tasks which help to provide security against emergencies.

In Canada the active units are on coast defence on the Pacific and the Atlantic. They are furnishing guards for vulnerable points and for internment camps. They provide a mobile force for use in or out of Canada as required, and they are training at various camps and training centres throughout the dominion, where our accommodation is taxed to the limit. I have had the satisfaction of visiting a number of these camps and units. I have been immensely pleased with the keenness and interest which they are taking in their jobs, whatever they may be. We need have no fear about their being worthy in every way of the high standard which Canadian soldiers have set. I believe the work of the troops on coast defense and on guard duty deserves a special word. Day in and day out, in all kinds of weather, summer and winter, these men perform unspectacular but most important duties. They must keep constantly on the alert, although at times the incentive for doing so may seem to be lacking. Their faithful service is recognized and appreciated.

With regard to these troops the house might be interested to know that we are endeavouring to give the infantry units who are on coast defence garrison duty at least temporary relief by replacing them with units now at training camps. To make this policy of interchange more feasible it is proposed to organize all coast defence infantry battalions in future on the basis of field war establishments instead of garrison war establishments.

As the house will understand, that will enable the infantry units on coast defence to get some change from their present duties and to attain higher standards in training for field duties.

Among these troops in Canada are large numbers of reinforcements which, on account of the very few casualties, have not been called upon. With regard to reinforcements, it must be remembered that sending a formation overseas does not merely involve the raising of, say fifteen thousand men for a division, with its ancillary troops. It also means that we take on an obligation of reinforcing that division in all its ranks. Under normal war conditions these reinforcements might amount to one hundred per cent in a year. Consequently the capacity of a country to maintain armies in the field depends on the man-power reinforcing ability that lies behind the army and also, of course, on the capacity of industry to turn out not only initial equipment but an adequate and regular flow of equipment to replace wastage.

The establishment of the Atlantic and Pacific commands has meant much more than a mere realignment of senior command. It is a part of the broader policy under which careful consideration has been given to the best disposition of our available troops, with a view to having in readiness mobile and other units in case of emergency. Apart from the concentrations in the Atlantic and Pacific commands, portions of the active army are stationed at points throughout the dominion which are considered the most useful from the strategic point of view consistent with the requirements of accommodation and training.

Then we have the reserve units of the Canadian army (which we know as the non-permanent active militia). Here different factors govern. The men in this part of the army are not full-time soldiers. Whether they joined prior to August 15 or have been called up for training under the National Resources Mobilization Act, the great majority are men in civilian jobs who do their military training in their spare time and at camps or on the thirty-day basis at the training centres. Regimental headquarters of these units remain in their own localities. Training is made as convenient as possible as to both time and place, and with as little interference as can be in the routine of daily life and work.

I should like to close with a very brief reference to what may be ahead of us in the critical days which are to come.

On the whole we may expect that the operations of the empire land forces during the year of 1941 will continue to be largely defensive, while the pressure of the navy and the air force against the economic life of our enemies is being maintained and increased. During this phase we must continue to build up our strength against the day when we shall take the offensive with all arms and services.

We are working to a programme which is as definite as can be made in the lights and shadows of almost unforeseeable eventualities. That programme is based on a joint appreciation of the three services—army, navy and air. In connection with that programme, let me emphasize again that our plans and preparations are and must be made in conjunction with those of our predominating partner, the United Kingdom, and of the other dominions. Since the front line is on the English channel, it is vital that we maintain the closest contact with that crucial sphere of operations. There must be not only unity of purpose but unity of planning and execution. Our strength multiplies by integration. It is team-work which wins. For this reason, I expect before long to visit the United Kingdom, accompanied by some of the headquarters staff, to consult on many matters of common interest. I want to make sure that our own programme will be developed in closest relation to the needs, and I am sure we all desire that plans and preparations will be such that we will be contributing not only all our strength, but our most effective strength, to help defeat and destroy this menace to freedom and to life itself which hangs over the world. It will be a task of years. May we have the courage, the perseverance and the unshakeable resolution to see it through.

3. *SUMMARY OF CANADIAN NAVAL DEVELOPMENT, EXTRACT
FROM SPEECH OF THE MINISTER OF NATIONAL
DEFENCE FOR NAVAL SERVICES, NOVEMBER 19, 1940.*

COMPOSITION OF NAVY

The personnel of our Navy may be classed under three heads. First, men of the Royal Canadian Navy, itself. This class consists at present of 253 officers and 2,429 men.

Next there is the group known as the Royal Canadian Naval Reserve. This group is made up entirely of seafaring men drawn from the merchant service, and other seagoing pursuits, and it consists now of 486 officers and 2,670 men.

Finally we have the Royal Canadian Naval Volunteer Reserve. This Reserve has been set up in eighteen centres throughout Canada. It corresponds roughly to the militia of Canada, and it is to a large extent the training ground for officers and men who wish to join our naval forces at this time. The R.C.N.V.R. consists of 881 officers and 6,554 men.

That gives you a total strength in the Canadian Navy, in all its branches, of 1,620 officers and 11,653 men, or a grand total of 13,273 all ranks.

All these men are on active service. At the beginning of the war the number of men on active service in the Canadian Navy was 1,774, so that in fourteen months we have increased the number of men on active service nearly eightfold.

The 13,273 men on active service with the Royal Canadian Navy have been drawn from the three branches of the Navy to which I have referred. They are to be found in widely scattered lands and seas, all accepting equal responsibility and danger, and all striving together in one service for the same great end. Some are on Canadian destroyers, others on armed merchant cruisers, still others on patrol vessels, mine-sweepers, or in supporting establishments. Seven hundred and ninety-eight Canadians are serving in Britain or in British ships. This number includes R.C.N.V.R. officers training with the British Navy, officers lent to the Admiralty for special service, officers and ratings serving on British convoy staffs, Canadian cadets training in England and the like.

In addition to this number, there are in the R.C.N.V.R. 81 officers and 1,033 men in reserve, but not yet called up for active service. When you add these to the number on active service you get a total Canadian naval personnel of 14,387, all ranks.

The next element in the constitution of the Navy is, of course, ships. The number of ships in the Canadian Navy now stands at 155. These include various types. We have armed merchant cruisers, destroyers, corvettes (which can be used for general patrol work, for anti-submarine work or for mine-sweeping), mine-sweepers, anti-submarine vessels, motor torpedo boats, together with various other types of auxiliary craft. The figure of 155 vessels now in the Canadian Navy represents a tenfold increase over the fifteen vessels of various types which we had at the beginning of the war.

DUTIES OF ROYAL CANADIAN NAVY

The duties of the Royal Canadian Navy may, I think, be classed under three heads:—

First, convoy work and control of the movement of British Merchant Shipping to and from North America;

Second, patrolling of our own coasts;

Third, co-operation with the British Navy in European or other waters.

Convoy work is, undoubtedly, one of the most important that the Royal Canadian Navy performs. Under the system now prevailing in our great ports, merchant ships are assembled, grouped together and escorted across the Atlantic in co-operation with the Royal Navy. From our ports

since the outbreak of the war some 3,500 ships have departed, and in these ships twenty-one million tons of cargo have been carried across the seas.

In addition to providing escort for cargo or merchant ships, Canadian Naval vessels have also escorted troop convoys to England and to other areas. I am happy to be able to say that not a single one of these troops so escorted has been lost at sea as a result of enemy action.

With regard to the escort of cargo ships, I should like to say here that in spite of enemy claims, which have been particularly exultant and exaggerated in recent weeks, the convoy system is still functioning efficiently, and, one might say, without serious interruption. The enemy recently has increased his efforts to interfere with the passage of goods over the seas of the world to Great Britain, but it may be said with the greatest assurance that those efforts have not approached in their violence or in their success the attacks upon merchant shipping made in the last war. I may tell the house, and I see no reason why it should not be told, that in the last week for which I have official figures, a week which falls within the last month, seven hundred and seventy-five (775) ships in convoy reached British ports, and in that same week only five convoyed ships were lost. That is a percentage of about three-quarters of one. In the last week for which I have figures of cargo tonnage, a week which also fell within the last month, I may tell the house that 1,129,000 tons of cargo were imported into England, cargo that came over every sea. In spite, therefore, of enemy claims, we may rest assured that the British Navy, associated with the navies of the dominions, is still performing vigilantly and valiantly and successfully its time-honoured function of keeping the ocean lanes of the world open, not merely for its own ships and its own supplies, but for the ships and supplies of neutral countries as well. The White Ensign is still a pledge of security to all who pass on the seas, upon their lawful occasions.

The Canadian Navy guards our shores with its destroyers, its armed merchant cruisers, its patrol vessels and mine-sweepers, and its various other types of craft. It works in close co-operation with the Royal Canadian Air Force and the Canadian Army, and its men are constantly on the alert by night and by day, whether the weather be fair or whether it be stormy, whether the temperature be marked by the severe cold of the North Atlantic or by the balmy air of the Pacific. The ships and men of the Royal Canadian Navy, in all circumstances, stand on guard for Canada.

The third duty of the Royal Canadian Navy, and though I mention it last, it is not at all because I regard it as least, is that of co-operating with units of the British Navy in European waters or in whatever other

part of the world such duties may be assigned to them. These duties may take ships and men of the Royal Canadian Navy across the Atlantic and back again. They may call them to the broad waters of the west coast of Britain, or to the narrower seas that separate Britain from the continent. Our ships and our men may find themselves serving in and with British units in the Caribbean Sea or off the Newfoundland coast, or in the Mediterranean or the Pacific. Wherever they have been called upon to serve on the seven seas they have won commendation and the approval—the highest and most authoritative in the world—the approval of officers of the British Navy.

THE FUTURE OF THE ROYAL CANADIAN NAVY

I pass now to some discussion of the plans which the Naval staff and I have in mind for the future of the Royal Canadian Navy. We now have, as I said a moment ago, a total strength on active service of some thirteen thousand officers and men, and of ships we have one hundred and fifty-five. By the end of the next fiscal year we hope to add some one hundred ships and ten thousand men to our strength. That will give us, if our plans materialize, a Canadian Navy of twenty-three thousand men manning two hundred and fifty ships. When we reach that stage of development we shall, of course, be able to make a contribution much greater than that which we are making today.

The rapid growth of the Canadian Navy from the beginning of the war up to the present, and the plans that we have in mind for its enlargement, bring before us certain considerations to which I should like to refer.

Thirty years ago the project of a Naval College was advanced in this country, and the college was actually established at Halifax in January, 1911. The great Halifax explosion so damaged the building that it was unsuitable for its purpose, and classes were then continued for a year at the Royal Military College at Kingston, and for a few years subsequently at a temporary college building in Esquimalt. Since 1923, however, Canada has lacked even this meagre training centre, and, in consequence, for the past eighteen years we have relied for the training of officers and higher ratings entirely on British schools.

We cannot hope, of course, to have in Canada at this time, or in the near future, a navy comparable to that of Great Britain or to that of any one of several of the other great powers that I might mention. We must in all things be guided by our means and our capacity, but we can, and I think we must in common sense and in honour, build a Navy that will be not unworthy of Canada, and that will enable us to play our proper part as a member of the British Commonwealth of Nations, and as a friend and ally of the United States.

The building of such a navy will carry with it the necessity of having trained officers and trained ratings. As I said a moment ago, we at one time had a naval college in Canada, but vicissitudes of one kind or another led to the closing down of that institution. I am happy to be able to say today, with the concurrence of the Prime Minister and of my colleagues, that we propose to re-establish a Canadian Naval College. To this college will resort young men who wish to adopt the naval profession as their life's work. During the war period no other type of work can be attempted at such a college. Indeed, there is high authority for the opinion that a naval college should never concern itself with anything else than the training of men for service in the navy. The whole project is, as yet, far from being fully developed in my own mind, and it may be that the institution will be an exclusively naval institution. On the other hand, it may be that after the war, it will become a place to which young men who wish to train for the merchant service can go and receive the training necessary to fit them for that important line of seafaring work. It may be, too, that it will be found possible to have in attendance at this college young Canadians who do not contemplate a career in either the Navy or Merchant Service, but who wish to take advantage of the training which this college will provide as a general preparation for their lives as Canadian citizens. These are matters to which the naval staff is even now giving their careful attention. One thing is sure. We shall bend our utmost efforts to see that the foundations of the college are laid on sound and broad lines, and that in its conception, in its training, in its results, it may be a strength and a pride to Canada.

Besides the decision to build and equip and staff a naval college in this country for our Canadian youth, there is another implication which is carried in the decision to enlarge greatly the Canadian Navy, and it is this: we have already built in Canada some of the smaller ships required by the Canadian Navy, and we have also built some ships of similar type for the British Admiralty.

I should like here to pay tribute, and I am sure that my honourable friend, the Minister of Munitions and Supply, will be glad to join with me in this, a tribute to the work that has already been done by the ship-building yards in this country. On the whole, the programme of building for the Canadian Navy is ahead of schedule, and this fact reflects the greatest credit on the loyalty, the diligence and the skill of our Canadian ship-builders and manufacturers of necessary equipment.

But we intend to go further. It is our hope that we shall be able to build destroyers and perhaps cruisers in Canadian yards. The building of these craft requires a high degree of skill, and they have never before been built in this country. In the early stages of this development we shall

require the assistance of skilled men from Admiralty dockyards or from private yards in Britain, and we have asked for that assistance.

With the establishment of a Canadian Naval College, and the building in Canada of the larger types of ships of war, we shall come to the day, and I think that it will be a proud day for this country, when our Canadian naval effort will be directed by Canadian men, trained in Canada and operating in ships built in this country.

4. *STRENGTH OF ROYAL CANADIAN AIR FORCE, EXTRACT FROM SPEECH OF THE MINISTER OF NATIONAL DEFENCE FOR AIR, NOVEMBER 18, 1940*

Perhaps at this point I ought to give the strength of the Royal Canadian Air Force as of different dates. On September 1, 1939, there were 450 officers and 4,000 airmen. On April 1, 1940, there were 1,223 officers, 9,444 airmen and 1,241 civilians. On November 12, 1940, there were 2,389 officers, 29,096 airmen and 4,586 civilians. There are at the present time, included in the above figures, undergoing training as air crews men numbering 7,227. Last month we enlisted 1,900 air crews men.

For the purpose of giving an exposition of the work of the Royal Canadian Air Force we have usually divided the activities into three parts, namely that of the air force overseas, that of what is known as the home war establishment—the air force in Canada—and that of the joint air training plan.

With respect to the air force overseas I would say this. There are at the present time overseas representing Canada three squadrons—one fighter, one army co-operation and one which has up to the present been known as a pool or composite squadron, which went over originally as an army co-operation squadron.

No. 110 army co-operation squadron proceeded to England early in the year 1940 under the command of Squadron Leader, now Wing Commander Van Vliet of Winnipeg. The squadron went into intensive training with the Royal Air Force, performing the work allotted to it in training and in reconnaissance. It was placed under the operational control of the Royal Air Force during the months of May and June, and has continued to perform the functions allotted to it by the Royal Air Force. But it is at the same time attached to the army division commanded by Lieutenant-General McNaughton.

As the house will remember, No. 1 fighter squadron was dispatched to England during the month of June, at a time when matters appeared to

be at their darkest overseas. The house will recollect that two squadrons, namely No. 112 and No. 1 fighter squadron, were dispatched overseas. No. 1 fighter squadron was under the command of Squadron Leader, now Wing Commander Ernest McNab of Saskatchewan. It was immediately placed under the tutelage of the Royal Air Force, for training, and to gain the latest experience in aerial warfare.

Prior to working together as a squadron, squadron leaders, individual pilot officers and others had their turn of duty in actual combat with the Royal Air Force. When it was deemed ready to take its place in active operation as a unit, it was declared to be "acting in combination with" the Royal Air Force and then came under the operational control of the British Royal Air Force. It has been occupied steadily in operational work in the defence of London, since that time, with the exception of a three-weeks holiday or rest which was given to it some time ago. It has now returned to its operational duties.

I need not dwell at great length on the magnificent work carried on by that fighter squadron. Members of it have won awards, decorations, and the highest praise and eulogies from their companions in the Royal Air Force and from the press of Great Britain generally, as well as from Britain's most prominent statesmen. They have carried on in the tradition which was created twenty years ago by the Canadian boys who served in the Royal Air Force. They have been in the thick of the fighting. They have been a source of pride and glory to our country.

With respect to No. 112 army co-operation squadron, which, as I said, was converted into a pool reinforcing squadron for No. 110 army co-operation squadron as well as for No. 1 fighter squadron, it has been carrying on its work in training and in reconnaissance. I believe I might say here that a great many of the officers were somewhat unhappy about it. They were somewhat impatient in that they wished to take a more active part in the operations. But the exigencies of the situation did not require that their services should be utilized in the defence of Britain, and up to the present time they have not been. During the last week, however, as a consequence of the supply of trained pilots from the Royal Canadian Air Force in Canada who have been going forward as reinforcements, and owing to the fact that the output from the joint air training plan is beginning to make itself felt, and that that output will continue in a highly satisfactory degree, it is now possible for us to transform No. 112 co-operation squadron into No. 2 Canadian fighter squadron. Very shortly these men will take their place alongside No. 1 fighter squadron in the battle of London and in the defence of Great Britain.

Reports which we have concerning our men overseas generally indicate that their health has been good, that discipline has been exemplary, that

morale has been high, that they get along extremely well with their Royal Air Force comrades, that there is the closest co-operation between the Canadian Army and the Canadian air force, and, finally, that there is co-ordination of effort and co-operation with the authorities of the air ministry.

I cannot leave this brief review of our activities overseas without making mention of the Royal Air Force Canadian squadron. The Canadian squadron of the Royal Air Force is manned almost entirely by boys from Canada, many of whom were trained in the Royal Canadian Air Force and others in the flying schools across the country. Since the break through in Holland and Belgium they have been giving a magnificent example of devotion to duty and of courage in the most active operations and, as the Prime Minister (Mr. Mackenzie King) said a few days ago, they have earned a very large number of awards and have to their credit a great many victories over the Germans.

The home war establishment to all intents and purposes is the backbone of the Royal Canadian Air Force. It has been denuded of its personnel, first by the dispatch overseas of a great many of its officers and men, and, second, by the necessity of using the men trained in the home establishment for purposes of the joint air training scheme. Nevertheless it has been able to carry out the duties and functions allotted to it with remarkable persistence and success.

Briefly, its duties are the reconnaissance of bays and inlets and ports on the coast in order to ascertain if the enemy is trying to establish himself in these outlying districts; to patrol the harbour entrance of protected seaports to locate any possible undersea enemy craft, and to perform the work of anti-submarine patrol in connection with convoys, both outgoing and incoming, throughout the hours of daylight and to assist surface escorts. On many occasions these patrols extend far out into the Atlantic. It has also the duty of being constantly prepared for bombing and striking duties in support of the naval forces, or when required to attack enemy surface craft, raiders or others located by reconnaissance. It provides air striking force against hostile raiders, submarines and potential landing parties, as well as searching the coast for the enemy. All our aircraft on these duties carry bombs and armament sufficient to attack the enemy on sight.

In addition to the bomber reconnaissance squadrons there are other squadrons whose duty it is to assist the coast artillery in spotting during target practice, and of necessity to be ready for spotting duties should more serious work occur. Since I last addressed the house in June the establishment has been considerably increased. There has been authorized a much greater establishment for both coasts. However, I must say that it

has not been found possible to fill up to strength all establishments, either in personnel or aircraft. The training plan and supplementary schools are supplying personnel, and there is an improvement in the aircraft situation. The improvement will be greater as time goes on. On July 29, 1939, I said the following:—

In consequence of the situation in Britain, although our aircraft equipment resources at the moment may not be so great as might be considered desirable, we would not wish to make good our shortages by depriving Great Britain of supplies essential to her immediate needs from sources to which both Canada and the United Kingdom have access.

That was the policy with respect to the strengthening of the home war forces and the defence forces in general, and that policy is still in effect to-day.

I come now to the joint air training plan. In connection with this scheme there are three important factors which must be taken into consideration. First, there is the personnel; second, there is the aerodrome development and construction, and, third, there is the supplying and provisioning of aircraft. The whole aim and object of the plan, which is sometimes confused with side issues and supplementary work which is being carried on, is to produce fighting pilots and air crews. There are all kinds of incidentals leading up to this production, but the thing upon which we must set our eye is the fact that the main production of the air training school is pilots, gunners and observers. That is all important. The rest, although necessary, are only incidental and supplementary. At all costs we must produce as soon as we can and as efficiently as we can the greatest possible number of those who will take their place in the fighting line.

Canada has a responsibility to bear. We are the senior partner in the commonwealth outside Great Britain. We are not, as was the case in the last war, simply making a contribution to the common pot; we are in the war as a partner. In the particular work with which I am associated for the moment it is patent to all the people of the world that eventual success cannot be won until we first achieve air equality and then gain such air supremacy as will permit us to take the offensive without which no war can be won. In this respect the Dominion of Canada has a far greater responsibility than was ever dreamed of during the last conflict. We are the mainstay and right arm of Great Britain. In so far as the joint air training scheme is concerned we believe that we have reached the point where we can predict the success of the plan and the attainment of our common object. In order to do this, and I say this frankly without any

hesitation at all, we need the help, the advice and the support of every hon. member of the house and of all the people of Canada. I do believe that we will receive it.

5. *WAR FINANCE POLICY, EXTRACT FROM SPEECH OF THE MINISTER OF FINANCE, NOVEMBER 21, 1940.*

The principles of our war finance policy have been stated before but will bear repetition. Briefly summarized these principles are:

1. That in real terms, that is to say in terms of the loss to the nation of the production required for war purposes, the war is paid for substantially while it is in progress.
2. That the limits of what we can devote to war purposes are not financial but, as previously stated in this house, are physical, mental and moral, that is to say, the physical limits of our resources and the mental and moral capacity of Canadians to bear burdens and make sacrifices.
3. That the task of finance is not only to provide the funds which are used to pay for the war services but more fundamentally is, by taxing and borrowing, to restrict the civilian demand for economic resources in order that they will be available to the defence or supply departments when required.
4. That in discharging this function, finance must keep in step with the defence and supply programme.
5. That for this purpose, taxation, as far as practicable, is a better method than borrowing because it is fairer and final.
6. That taxation should be imposed upon a basis of equality of sacrifice, having regard to ability to pay.
7. That there are practical limits beyond which taxation cannot be carried, so that the government must also do some borrowing, which should be as far as possible out of voluntary public savings.
8. That the third method of war finance, namely, inflation, is the most unfair, the most uneconomical and the most dangerous of all methods of financing a war.
9. That in the early stages of a war, some expansion of credit is often possible without inflation.
10. That later, as the resources of the country become fully employed, monetary or credit expansion necessarily brings about inflation unless offset by strict counter-measures, such as severe taxation.

These principles have been laid down repeatedly in this house by spokesmen for the government, particularly in the budget speeches of September, 1939, and June, 1940. Every step of a financial character which the government has taken has been based upon these principles and it is the policy of the government to continue to follow them.

I may add that as far as I can judge or ascertain, these principles have met with widespread approval in the country. In so far as there can be said to be a public opinion on principles of war finance, the principles I have outlined are in accord with the overwhelming preponderance of Canadian public opinion.

May I now review the main events or developments relating to government finance which have taken place since the end of July, when I last spoke on this subject in the house.

First, I should mention the very rapid acceleration in war expenditures which has taken place during the last few months. War expenditures in June and July had been in the neighbourhood of \$40,000,000. For August they amounted to \$59,000,000; for September to \$67,000,000, and for October to about \$82,000,000, which is at a rate of very nearly one billion dollars a year. So far as I have been able to ascertain, war expenditures will continue to rise as our military, naval and air programmes develop. I do not know whether hon. members fully realize what it means for this country to be spending at the rate of one billion dollars a year on war purposes, the rate which we have already reached. That is nearly twice our normal peace-time rate of expenditure of all kinds. It is about one-fifth, probably more than one-fifth, of our national income.

Non-war expenditures during the first six months of this fiscal year have been about \$29,000,000 less than in the similar period last year. The reductions to be achieved in the second half year will be larger in the case of most items than those in the first, particularly in the major items of public works and relief: in the first because the fiscal year had already begun before the new policy was fully operative, and in the second because the winter relief load is larger than the summer and there is more room for saving.

On the side of revenue, receipts during the fiscal year up to yesterday were about \$145,000,000 more than at the same date last year and have been well in line with the budget forecasts, bearing in mind the normal and anticipated variations through the year. If anything, the budget estimates are apt to prove slightly conservative as regards revenue. The first returns from the national defence tax are proving to be somewhat better than the necessarily approximate estimates that were made without previous experience of this kind of tax. It is worth noting, moreover,

that the increases in taxes made in the June budget were largely in the form of income and excess profits taxes to be collected next year so that the amounts of taxes accruing on this year's incomes are greater than the revenues now being received.

In this connection, I wish to call your attention to the announcement which was made in September about the monthly instalment plan for payment of income tax due next year. I said I would introduce an amendment to the act which would provide that if anyone paid one-third of his income tax in four equal monthly instalments before April 30th, he would be permitted to pay the balance in four equal monthly instalments in May, June, July and August without having to pay interest as in the normal way. I trust that as many taxpayers as possible will take advantage of this plan, and begin to save now for their income tax payments. Otherwise, there may be a rude awakening when the magnitude of the tax payable becomes recognized.

In addition to our own war expenditures British war expenditures in Canada have been accelerating greatly in recent months, and we have assisted Great Britain in providing Canadian dollars to enable them to make these larger purchases. You will recall that during the summer it was announced that another large repatriation of Canadian securities from Britain had been arranged, in the form of the redemption of the dominion 4 per cent stock 1940-60 of which the amount outstanding in the hands of the public was about 17 million pounds sterling. At the end of last month another similar transaction was announced in the repatriation of the Grand Trunk 4 per cent perpetual consolidated debenture stock, payment of interest on which is guaranteed by the dominion. This operation should eventually result in the transfer of about \$109 millions to British account in Canada. Moreover, arrangements have been made with the British authorities under which their agents will market directly in Canada certain other British holdings of dominion guaranteed and corporate securities. Needless to say, it has been agreed that these sales will be carried out from time to time in an orderly way so as not to disturb our markets.

I might add by way of explanation that between these various major repatriation transactions, we provide Canadian dollars to the British authorities on a temporary basis through the accumulation on our part of sterling balances which are then liquidated in the larger transactions. While I am not free to disclose to you in advance the probable amounts of dollars to be provided to the British government from time to time—they depend on various circumstances—I think I may safely say they have recently been running at an annual rate of substantially more than the two hundred million figure mentioned by my predecessor in his budget address of last June.

Another financial requirement which is frequently overlooked in assessing our total financial problem is the amount of money which must be tied up in the purchase and holding of wheat by the wheat board. The fact that these large sums are not obtained directly from the treasury but by commercial type loans, guaranteed by the dominion, should not blind us to the drain which they make upon the nation's savings, quite apart from any losses which the treasury will ultimately be called upon to bear. If it were not necessary to obtain funds from the banks for this purpose these funds would be available for other purposes, including war expenditure. The large crop which has been harvested in the months since my last review of our financial position will mean that we must anticipate the tying up of a large sum in financing the enormous carry-over of wheat that we shall almost certainly have next year. From the immediate financial point of view the financing of these wheat supplies raises the same problems as the financing of any other form of expenditure.

Our borrowing operations since July have taken three forms—the sale of non-interest bearing certificates, the war savings certificates campaign, and the second war loan. We have continued to receive a substantial number of interest-free loans from public-spirited citizens. Up to November 18 the total number of such non-interest bearing loans was 466, and their total amount was \$2,843,297.07.

The war savings campaign has been carried forward continuously, and I want to express my thanks for the enthusiastic voluntary co-operation which we have received from the many people all across the country who are helping us with this work. Up to yesterday we have raised a total amount of \$22,493,236 by the sale of war savings certificates and about \$1½ millions more by the sale of war savings stamps that have not yet been turned in for the purchase of certificates. Systems of regular savings out of wages and salaries have been established in several thousand firms throughout the country. A good start has been made, but we must do very much more. Sales of certificates in recent months have been running about two and a half million dollars a month, which is far short of the amount we must sell in order that this savings campaign may take its proper place in financing the enormous war expenditures that are now being made each month. A meeting was held in Ottawa last month of the chairmen of the various provincial war savings committees, and a new and much larger objective was set and a reorganization and intensification of the whole campaign begun. The objective of this campaign for 1941 is \$120 millions—ten million a month. This is going to require that far more of our people shall make regular war savings out of their incomes.

The most important financial event of the past few months was, of course, the second war loan, issued in September. This issue was in the form of 12-year three per cent bonds offered to the public at 98¾ to yield

3½ per cent to maturity. We asked for cash subscriptions of \$300,000,000 and, in addition, invited holders of dominion bonds which matured on September 1 to convert their holdings of this issue into the new war loan bonds. Subscription books for the loan opened on Monday, September 9, and remained open for two weeks. Total cash subscriptions amounted to \$342,248,300 or about \$42,000,000 more than was offered and allotted. Conversion subscriptions received and accepted amounted to \$24,946,200.

6. *WAR AIMS AND PEACE AIMS, EXTRACT FROM SPEECH OF THE PRIME MINISTER, NOVEMBER 12, 1940.*

A word in conclusion concerning our war aims, or, if the term seems preferable, our peace aims. Rightly considered, the two constitute opposite sides of the same shield. There has already been a good deal of discussion concerning aims in this war. It is said on the one hand that the only aim of importance is to defeat the enemy; on the other, that most important of all is to bring into being a new social order, an order in which freedom, truth and justice will increasingly prevail in the relations between individuals, between classes and among nations. Personally, I do not see that any conflict need arise between our war aims and our peace aims. If nazi Germany is not defeated there will be little of freedom, truth and justice left in this world. If on the other hand we are in earnest in our desire to have freedom, truth and justice prevail in all human relations we should be prepared to fight as men have never fought before.

The hidden source and latent power of all human action lies in its motive. The motive of nazi Germany is domination, its method the most brutal and barbarous which evil minds have been able to conceive. The motive of domination to achieve its ends must be accompanied by material power. That power may be exercised through the instruments of violence and force, or through any of the agencies of propaganda, trickery and treachery which serve to foster aggrandizement and beget fear. Material power alone, however, is not an enduring power. Strip domination of its material trappings and there is nothing left. Freedom, truth and justice belong to a different realm. They are not material things capable of being consumed and destroyed; they are of the mind and of the spirit, they belong to the eternal realities. They are attributes of God Himself. In the end they are certain to triumph.

In their conflict with those who make of material power an end in itself, those who treasure the world of mind and spirit may, for the preservation of their physical existence, find it necessary to forge and to use against their adversaries the weapons of material power. It is well to remember that "he that liveth by the sword shall perish by the sword"

is a part of Christian doctrine. To my mind the simple test of the right or wrong of any aim or of any institution is: Can it endure? Domination by a single dictator or group of dictators may last for a time. It may extend its sway and its sweep, but it cannot endure. Freedom, truth and justice crushed to earth will rise again. It is the breath of God which alone gives life to the bodies of men. Freedom, truth and justice, these will endure; for not only do they give life but they continue to give it more abundantly.

What is necessary then to win the present conflict? It is to put on the whole armour of God, not the outward material trappings only, the helmet, the sword and the shield, necessary as they may be for purposes of defence and of attack. Let it never be forgotten that "we wrestle not against flesh and blood, but against principalities, against powers, against the rulers of the darkness of this world, against spiritual wickedness in high places." Let us make sure that the helmet is also one of salvation; the sword, one of the spirit; and the shield, one of faith; that our loins are girt about with truth and that our breastplate is one of righteousness, and that our feet are shod with the preparation of the gospel of peace. If these things are ours, and I believe they are the weapons with which Britain and the dominions seek to slay the dragon of nazi Germany to-day, we shall find little difficulty in reconciling our war aims and our peace aims. To slay the dragon which has been fascinating its victims by fear, poisoning the springs of their moral and intellectual being at the source, and which would prey upon their vitals for years to come is clearly the first task of a civilization which would save itself. In equal measure, however, we must strive throughout the struggle itself, and more than ever when the evil dragon of nazism is slain, to see that never again, in our own or in any other land, shall the gods of material power, of worldly possessions and of special privilege be permitted to exercise their sway. Never again must we allow any man or any group of men to subjugate by fear and to crush by the power of might the spirit and the lives of honest and humble men.

(F) WAR ORGANIZATION AND REGULATIONS

1. DEVELOPMENT OF WAR PRODUCTION, EXTRACT FROM SPEECH OF THE MINISTER OF MUNITIONS AND SUPPLY, NOVEMBER 20, 1940.

In the last statement which I made in this house with respect to Canada's war effort, toward the close of the last session, I explained that the nature of our problems was changing. I pointed out that, in the first period of the war, the United Kingdom appeared to believe that she would be in a position largely to depend on her own munitions industry. The successive over-running of Denmark, Norway, Holland, and Belgium, and the collapse of France changed the entire situation. Britain was now left alone in Europe and besieged. All her production was immediately necessary at home. The earlier plans for our joint effort, therefore, had to be revised. Where originally these plans called for special equipment to be supplied to Canada from Great Britain, now alternative sources had to be found in Canada and the United States. Britain's need for supplies from overseas jumped, and Canada was requested to go full speed ahead.

The work which had already been done in Canada greatly facilitated the placing of new orders, and the rapid increase of production. Contracts were awarded with increasing speed. In the first quarter of this year, the number of contracts averaged approximately 1,910 per month; in the second quarter, approximately 4,070 per month; and, in the third quarter, nearly 7,500 per month. During the month of September, contracts were awarded at the average rate of 325 per working day, as compared with 170 per working day in June. As of November 11, the total of orders placed for Canadian account totalled 540 million dollars, and for British account a total of 309 million dollars. Thus, the grand total of orders placed by the Department of Munitions and Supply has reached 849 million dollars. We were not engaged, however, merely in awarding contracts. As a result of the contracts awarded, the tempo of Canadian industry has risen to record heights.

Construction contracts for the nine months ending September 30, 1940, amounted to \$195,490,000, as compared with \$150,781,000 for the corresponding period of 1939—an increase of 30 per cent. The month of September, 1940, alone showed an increase in construction contracts of 161 per cent over September, 1939.

The acceleration of the air training, militia and other construction programmes incident to our war efforts necessitated the absorption, for war purposes, of a substantial proportion of Canada's construction capacity—equal to about 60 per cent of the capacity used for all purposes in 1938.

Another measure of our war effort, apart from the enormous increase in production of implements of war, is the increase in the exports of Canadian products, particularly to the United Kingdom. Consisting as they do of foods, raw materials and manufactured goods, these exports to Great Britain are an indication of our increasing contributions to the war effort overseas. The aggregate value of exports to the United Kingdom for the nine months ending September, 1940, was \$380,817,000, as compared with \$242,725,000 in the first nine months of 1939. This shows a very gratifying increase of 56 per cent.

2. The war programme. I now want to turn from the general picture to the more specific features of our war programme, and to present to this house a report on the progress of our programme of expansion of industrial facilities, and production of munitions and war supplies. A great variety of items which we have asked Canadian industry to produce have never before been produced in Canada. Added to the problem of organizing existing productive capacity for maximum output, has been that of constructing and tooling up the plants to produce the diversified equipment of modern warfare, and the bringing of these new plants into production in the shortest possible time.

In so far as possible, it has been the policy of the government to rely upon existing plants for securing adequate supplies of munitions and their components. In many cases, however, the necessary plants did not exist, or, if they existed, their capacities were inadequate, and extensions of existing plants, or the construction of wholly new plants, has been necessary. The policy of the government, in giving financial assistance to expand existing plants, or to build new plants, has been based on the fact that the government is itself the sole purchaser of the production from these plants and, therefore, would itself pay any sums set aside as depreciation in the war period. We have, therefore, in cases where facilities cannot be financed privately, adopted the policy that new construction or expansion of manufacturing equipment, should be paid for by the government, and ownership retained by the government. In the case of new buildings, we have required that the land be deeded to the government, or leased to the government on satisfactory terms. Where machinery has been placed in an existing building, the machines have been stamped as the property of the government, so that government property can be recovered when its usefulness ceases for the production of munitions.

I should qualify the foregoing statement by saying that circumstances do not always permit us to follow the pattern I have described. We have on occasion found it necessary to expand plants along lines which do not permit the segregation of private property and government property. In such cases it has been our practice to place the operation of the plant in

the hands of trustees, whose duty it is to protect the respective interests of private and public investment. Great care has been taken to see that every investment of public funds in plant expansion has been safeguarded as fully as possible, with the purpose that, at the end of the war, public investment will be represented by physical assets that can be segregated and disposed of as may then seem wise. Incidentally, the course we have followed will make it possible immediately to withdraw from industry plants built at public expense, and thus prevent disorganization when purchases must be contracted down to peace-time needs.

The locations of new plants have been chosen for strategic reasons, and with due regard to the availability of raw materials, power and labour.

In all, our programme of capital assistance covers 146 projects, aggregating about \$255,000,000, with title to the projects vested in the crown. A substantial number of these plants have already been completed and are in production, and work on the remainder is being rushed to completion.

The before-mentioned projects have been financed jointly by Britain and Canada, roughly in proportion to the division of the production. The Canadian proportion of the total is a little over 30 per cent. In these plants, Canadian industry is producing all the chemicals that are used in the manufacture of explosives, and is producing or will be producing some chemicals which have hitherto not been produced in the British empire; it is producing or will be producing almost every type of shell in use in the present war; it is producing or will be producing field guns and gun carriages, naval guns, aircraft and tank machine guns, anti-tank guns, tanks, universal carriers, mechanized transport, training and fighting aeroplanes, and practically all other items of essential equipment to meet the needs of modern mechanized warfare.

2. *COMMITTEE OF LABOUR CO-ORDINATION, STATEMENT OF THE MINISTER OF LABOUR, NOVEMBER 28, 1940*

On June 19 last the government appointed the national labour supply council, equally representative of labour and industry. That council has as its chairman Mr. Arthur J. Hills of Montreal. There are five representatives of labour and five of industry, and an equal number from each of alternate members.

This council has been extremely helpful. I have already referred to the canvass of industries which it has made to determine future labour requirements and the training being afforded by each industry. It has, too, prepared a list of reserved occupations; and has been of assistance in main-

taining in industry those workmen whose importance in industrial work is greater than it would be in the military forces. It has in addition promoted a greater mutual understanding between labour and industry.

In addition it was this council which recommended to the government that the matter of labour supply was not one with which a particular department alone was concerned, but that it required the co-operation of a number of departments. For that reason a committee of labour co-ordination was set up under the chairmanship of Doctor Bryce Stewart, deputy minister of labour. The other members are:—

Doctor W. A. Mackintosh—Department of Finance.

Colonel George S. Currie—Department of National Defence.

Major-General L. R. LaFlèche—Department of National War Services.

Mr. R. J. Waterous, K.C.—Department of National War Services.

Mr. H. B. Chase—Department of Munitions and Supply.

Mr. Arthur J. Hills—Chairman, National Labour Supply Council.

The duties and responsibilities of this committee are of extreme importance. It has for its general objective the determination of labour required, especially in skilled occupations, for the war effort, and the devising of ways and means of meeting these requirements. In the determination of these labour requirements, the demand from three main sources must be satisfied: the recruiting services, government agencies giving civilian employment, and firms working on government contracts. I might deal with these individually.

1. The demand from the recruiting services, such as defence, the naval and air services, will be enlisting men. The total number of men to be enlisted during the next six months' period, the skilled occupations necessarily included and the number of men in each is being ascertained.

2. The demand from government agencies giving civilian employment. Men will be taken on for work in the arsenals, shipyards, the construction of airports, and other direct employment under the government. The total number and the requirements in the skilled trades for the next six months is made available to the committee by the departments concerned.

3. The third demand, namely from government contractors and sub-contractors, is no doubt the greatest of the three. The matter of enticing of skilled labour by employers, which, if allowed to continue, would have produced a chaotic situation in industry, has already been dealt with by order in council on the recommendation of the committee. The labour needs, more especially for skilled workers, of all firms on government contracts are being ascertained and placed before the committee. These returns give the skilled occupations and the numbers required in each for the next six months or until present commitments are completed.

The data thus secured will give the committee some measurement of skilled labour requirements at present and for some months ahead and will indicate in what occupations and locations the labour is needed. This information is being supplemented by reports from all departments of government concerned. As soon as the enlistment of a quota of men, or a new governmental project or a new contract, is decided upon, the committee is to be advised so that the necessary labour may be determined and measures to secure it considered before the project is launched.

In addition this committee is engaged in the determination of the present labour reserve; and various possible sources of labour are being canvassed to learn the number and location of required workers available.

This is being done through the following channels:

1. Through trade unions. The unions which have members in the occupations required are being asked to furnish the committee with lists of unemployed or partially employed members or members working in non-essential industries, or men with required skills now employed in other occupations.

2. Through the use of the provincial employment offices. The cards of the active files in the employment offices are being examined to discover applicants in the required occupations or in allied occupations, and the result of this survey is available to the committee.

3. The same procedure as has been adopted in connection with the employment offices will be followed in connection with the national registration cards as and when they become available.

4. The approximate dates upon which firms can complete their commitments is being given to the committee so that new contracts may be given them without any call on the labour market, so that if new contracts are not assigned them some part of their labour force may be used elsewhere.

The committee, too, is taking steps for the conserving and augmenting of the labour supply by the following methods:

1. In the recruiting policy they are endeavouring to ensure that men in the required occupations should not be recruited unnecessarily, and any already with the forces not being used in their trades should be returned to war industries as needed. A survey of the number of enlisted men in Canada in the scarce trades is being undertaken and the results made available to the committee.

2. Apprenticeship. As a rule apprenticeship training covers too long a period to afford any important increase in the number of skilled workers in the emergency. Intensive instruction may speed up the completion of courses and make a number available to industry somewhat sooner. The character of the instruction is being checked to ensure that so far as possible the men are being trained in the required occupations.

3. Pre-employment training in technical schools, to which I have already referred. A survey is being made to ascertain that the training is being directed to the scarce trades; that it is not putting undue stress on theory; that the men are being trained in a short range of skills rather than all the skills of an occupation; that the facilities are being used in shifts in order to train the maximum number; that there is proper co-operation with local industry for use of plant equipment, and to ascertain when students will graduate and in what numbers.

4. The fourth step that the committee is taking has to do with training in industry. Government contractors with proper facilities may be required to train stated numbers of workers in the scarce trades as a condition of the contract. This training should take the form of upgrading. Jobs should be broken down, and the trained mechanics should do only the most skilled part of the work. The rest of the job should be divided among a few others nearest to him in line, each of whom should be broken in on his part of the job with a few weeks' training. Others behind them should move into their places, and so on through the plant. New employees should be taken on at the lower levels and moved up as rapidly as their abilities and the circumstances permit.

A survey is being made to determine plant facilities for training in the required occupations, the instructors available and how their number may be increased, and the number of trainees that may be graduated in a given period. This survey will be first applied to war industries and then to others if deemed advisable.

5. Training by federal government agencies. To meet their needs for skilled workers in the navy, army and air force, the arsenals and ship-yards through the departments concerned must undertake to upgrade men as required of industry.

6. Transfer of workers. Provision to facilitate transfer of available workers to points where they can be placed must be made. I have already dealt with this transfer of trainees.

7. A survey has been initiated to determine the number and locations of employees in the scarce trades now attached to non-essential or depressed industries who could be drawn into work on government contracts if that should become necessary.

8. Recruiting of women for industry and war auxiliary to the services. The extent to which women may be substituted for men in war industries should the need arise is being studied with a view to provision for their training. As men are upgraded into higher jobs many women might be employed on jobs at the lower levels. Similarly in non-war industries, upgrading would release skilled men for war plants and, in many, women could be taken on to replace them.

9. Labour priority for war industries. A survey is being made to establish a list of the non-essential industries which employ labour in the scarce trades and to determine the number of such workers employed. It may be found necessary to deny such industries the right to engage any additional men required in the essential occupations and, secondly, to transfer some of their skilled labour to war industries.

This gives some picture of the wide duties and functions of this committee. Its personnel is, I believe, the surest guarantee of its efficient performance of its difficult but exceedingly important task.

3. SUMMARY OF PROPOSALS FOR THE CONSERVATION OF FOREIGN EXCHANGE, SPEECH OF THE MINISTER OF FINANCE, DECEMBER 2, 1940

Mr. Ilsley began by referring to the review of the foreign exchange position given in the last Budget, the tax measures taken at that time to conserve exchange (notably the War Exchange Tax), and the suggestion then made that further measures might be necessary in the light of later developments. He then outlined briefly the foreign exchange policies of the Government, including the establishment of the Foreign Exchange Control Board immediately after our entry into the war and the actions taken by the Board to restrict exports of capital from Canada but not to interfere with trade, or the payment of interest and dividends. He emphasized that care had been taken "to accord fair and honest treatment to the residents of friendly countries" in the administration of our exchange control. The first restrictions actually placed on the use of exchange in ordinary trade were the taxes of the Budget in June. Immediately following these, when the tourist trade had been disturbed by the sudden introduction of border restrictions and the spreading of unfortunate rumours about difficulties facing tourists in Canada, the Government decided that foreign exchange could no longer be sold to Canadians for pleasure travel outside of Canada.

The Minister went on to explain that in addition to the measures dealing with the use of exchange, considerable efforts had been made to increase the foreign exchange received by Canada. Export trade had been assisted by the persistent work of the Department of Trade and Commerce. The gold mining industry had been encouraged to increase its output. Special efforts had been made to attract more tourists to Canada by more and better advertising, and by improving tourist services in Canada.

These various measures, Mr. Ilsley explained, had been effective in checking the deficit between our receipts and payments of "hard currency"

exchange (which includes American dollars and other currencies outside the sterling group). Nevertheless, the continuing increase in our wartime imports from the United States has outweighed the effects of these measures and there is still a substantial excess of imports over exports, which is not offset by other current transactions. "From this review of the problem as it exists to-day and as it has developed," Mr. Ilsley said, "it will, I think, be clear to all Honourable Members that we must immediately take further steps to curtail the use of hard currency exchange in the purchase of non-essential imports".

The Minister explained the measures which he was proposing in order to deal with this problem. The first was a resolution preceding the introduction of a "War Exchange Conservation Bill" under which several types of action would be taken, including the immediate prohibition of imports from all non-sterling countries (except Newfoundland) of a long list of non-essential commodities, the gradual restriction of imports of another list of commodities, the removal or reduction of customs duties on a list of imports from Britain, and the granting of powers to the Government to make agreements with individuals and firms to encourage additional export trade. The second measure was to be an amendment to the Special War Revenue Act imposing new or increased excise taxes on a number of consumers' durable goods, import of which was to be prohibited under the other Bill.

The list of non-essential imports to be prohibited may be summarized as follows:

"Prepared cereal foods; florist stock and cut flowers; processed and canned fruits and vegetables (but not currants, raisins, dates, apricots, nor grapefruit juice); preserved fish, oysters and crab; manufactured tobacco; spirits and wines; certain classes of fiction magazines and comics; consumers' paper items; perfumes, etc.; china and glass; silverware; electrical household appliances, stoves, etc.; bathroom fittings; automobiles; sporting goods and fishing tackle; cameras; furniture of wood or metal; radios; phonographs; musical instruments; luggage; all finished clothing or wearing apparel; silk fabrics; ornaments; jewellery and precious stones; toys and dolls, and various miscellaneous articles.

It should be added that any of these articles which are the personal property of non-resident visitors to Canada may be brought into Canada by such tourists for their use here, in the same way that such things have always been admitted by our customs regulations in the past."

The second list of imports, for which import permits will have to be obtained from the Minister of National Revenue includes the following: Unmanufactured tobacco; automobiles and motor vehicles other than passenger cars; hardwoods and veneers; raw silk and silk yarns; all petroleum products; and certain minor items. In explaining this second

list the Minister recognized that these imports were used by several important Canadian industries, and it was the hope of the Government that these industries would be able to adapt themselves to the use of other materials. It was expected that the tobacco industry, for example, could substitute more domestic tobacco for imported material, and that the furniture industry would be able to use domestic wood in place of imported hardwoods during wartime. It will be necessary to determine the extent to which the silk industry can switch over from the use of real to artificial silk. The question of petroleum products is more difficult, but plans are being worked out by the Oil Controller under which all our petroleum requirements will be imported in the most economical form possible and care will be taken to ensure that there will be no discrimination against those distributors now importing gasoline.

The Minister said there might be some surprise at the virtual omission of fresh fruits and vegetables from the list of prohibited imports, after there had been so much public speculation about restriction of this type of import. He stated that the Government had given some consideration to including a list of the less essential fruits and vegetables though it recognized that cheap and abundant supplies of fresh fruits and vegetables were an increasingly important element in the nation's diet, and, furthermore, that the restriction of agricultural imports from the United States, which also has its problem of farm surpluses, might create difficulties for the important market for Canadian agricultural products in the United States. However, following publication of a recent trade association circular advising dealers not to import a long list of American fruits and vegetables, the United States Government had lodged a formal protest against any such restriction, saying that it would gravely prejudice the position of the Canadian-United States Trade Agreement and the benefits which that had brought to Canadian agriculture.

Mr. Ilsley said he believed the measures to encourage imports from Britain during the war would be most popular throughout the country. Such additional imports would help Britain to get Canadian products she required and would make additional supplies available to the Canadian consumers. British exporters to Canada have faced rising costs and special difficulties during wartime so Canadian producers should be able to stand this additional wartime competition. It is proposed to remove entirely the duties on the following imports from Britain: All cotton items; all artificial silk items; bituminous coal; jams and marmalades; furniture; gloves and mitts; and some miscellaneous items. It is proposed to reduce the duties on pharmaceutical preparations, soap, earthenware, table cutlery, bicycles, electric motors, etc., rugs, carpets, oilcloth and linoleum.

The importance of increasing our export and tourist trade was emphasized by the Minister, and it is for this reason that a section will be

included in the War Exchange Conservation Bill which will enable the Government to enter into agreements with certain exporters providing for special tax credits or special depreciation or depletion allowances under the tax laws in order to make possible expansions of exports that would not otherwise take place.

Under the proposed amendment to the "Special War Revenue Act" the excise tax on passenger automobiles will be increased from 10 per cent to 20 per cent on the first \$700 of the manufacturers' price, the progressively higher rates on the additional value above \$700 being left at the figures established in June. The existing tax rate of 10 per cent on cameras, phonographs, radios and radio tubes will be increased to 25 per cent on the manufacturers' price. This rate will also apply as a new excise tax on: electric and gas stoves, refrigerators, water heaters and light fixtures; slot and vending machines; and the following electrical appliances—washing machines, vacuum cleaners, toasters, grills, irons, curlers, razors and other minor items.

The Minister explained that it was not desired that the production of these mechanical types of durable consumers' goods should expand to meet the demand created by the restriction of imports, nor that prices and profits should be increased by simply restricting their production. Rationing to prevent increased prices, would be difficult for such articles. The demand for nearly all these things has already been increased considerably by wartime spending and it is believed that these taxes will not curtail production beyond the degree that is and will be required by the labour and material requirements of the Department of Munitions and Supply.

The Minister emphasized that these various measures were temporary wartime measures for the purpose of saving foreign exchange and not for protecting industry, and that no vested interest in them would be recognized. In order to ensure that advantage is not taken of the import restrictions to raise prices of Canadian produced goods, there is to be included in the Bill a provision to enable the Government to suspend these restrictions and any duties, upon imports of any commodity in respect of which it is found that domestic producers are raising or maintaining prices unjustifiably behind the protection of this measure and to enable the Government to involve direct penalties by way of special tax levies on any such profiteers.

4. REVISION OF FOREIGN EXCHANGE CONTROL BOARD REGULATIONS, EFFECTIVE JANUARY, 1, 1941

A new section has been added to the Foreign Exchange Control Order requiring every resident of Canada to obtain a permit from the Foreign Exchange Control Board before leaving Canada for any purpose. "Resident

of Canada" means any person ordinarily resident in Canada; non-residents temporarily visiting Canada are not in any way affected.

The importance of the new provision, which comes into force on January 1, 1941, is that residents will henceforth require a travel permit whether or not they are actually carrying funds on their person when leaving Canada. There was evidence that a number of residents were taking advantage of the previous regulations by crossing the border with no money in their pockets but arranging by illegal means to have money placed at their disposal in the United States. Similarly, residents who obtained a permit for a proper purpose were taking other residents with them and spending more money than was necessary for the real purpose of their travel.

Section 25 of the Order will prevent these practices. No change in policy is involved except that residents who could hitherto cross the border without a permit because they were not actually carrying funds will now have to apply to the Board for a travel permit and satisfy the Board or a bank acting as agent for the Board that they are not attempting to evade the Foreign Exchange Control Regulations. Permits will be granted in all proper cases.

The Order exempts from permit requirements members of the Armed Forces of Canada departing for duty abroad. By a regulation of the Board exemption is also granted to any resident travelling direct by ship from a Canadian port to Newfoundland or to any country in the sterling area without intermediate stops in countries outside the sterling area, provided he is not taking any United States funds with him.

Residents who are representatives of foreign governments residing in Canada in the course of their duties (and their wives and families) are also exempted if they carry evidence of identification in the form of their certificate of exemption from the National Registration Regulations.

The Board's Form H will continue to be used as a travel permit. In certain cases other forms of permits are provided; for example, business firms which have had a travel budget approved by the Board may obtain special business travel permits. Similarly, residents engaged in international transportation and other occupations which require frequent trips to the United States may obtain special border travel permits. Arrangements will still continue also for social visits across the border by residents of border communities upon delivering a written declaration to the Customs officer on a form supplied by the Board that they are taking with them not more than \$5 in Canadian funds for a brief visit to friends in the United States.

The Board will continue to grant permits for pleasure travel when the resident's expenses (including transportation) are being paid by friends in

the United States. Such a resident will be able to obtain a permit to take out of Canada any money sent to him for the purposes of his journey by his friends abroad. Full information may be obtained from any bank. On the other hand, it is not permissible for residents to borrow money in the United States to finance a journey for which they would not be able to obtain U. S. funds from a Canadian bank. The borrowing of foreign currency in any manner requires a permit from the Board. Such permits are not granted except for purposes for which foreign exchange is supplied by the Board.

5. AMENDMENTS OF DEFENCE OF CANADA REGULATIONS

(a) *Order in Council P.C. 6124 of the 29th of October, 1940 (Canada Gazette p. 1579 of November 9, 1940)*

This Order amends the Defence of Canada Regulations (Consolidation) 1940, made by Order in Council P.C. 4750 of the 12th September, 1940, by adding a new Regulation 65, which provides that no person who has been detained or interned under these Regulations, or who has been convicted of an offence against Regulation 39 C of these Regulations, shall be eligible as a candidate for any public office at any municipal, provincial, or Dominion election.

(b) *Order in Council P.C. 6133 of the 2nd of November, 1940 (Canada Gazette, p. 1590, of November 9, 1940)*

This Order amends the Defence of Canada Regulations by revoking Regulation No. 19, and substituting a New Regulation providing for the regulation of patents and designs under the control of the Minister of National Defence and the Minister of Munitions and Supply.

(c) *Order in Council P.C. 6150 of the 2nd of November, 1940 (Canada Gazette p. 1591 of November 9, 1940)*

This Order revokes paragraph (9) of Regulation 25, and substitutes a paragraph making provision for the registration of enemy aliens, including British subjects of German or Italian origin naturalized since 1922. Under the original Regulations, certain individuals in this class believed that the fact of their naturalization made it unnecessary for them to register. This new Order, however, provides for internment on violation of these Regulations, after due notice has been given.

(d) *Order in Council P.C. 6328 of the 7th of November, 1940 (Canada Gazette p. 1683 of November 16, 1940)*

This Order, amends the Defence of Canada Regulations (Consolidation) 1940 by revoking paragraph (1) of Regulation 40 A and substituting

a new regulation to the following effect: Any person authorized by the Minister of National Defence or by the Minister of National Revenue, in the interests of public safety and the defence of Canada, may detain any ship or aircraft at a port or place within Canada, or may order any such ship or aircraft to proceed under direction to a given port or place.

(e) *Order in Council P.C. 6416 of the 13th of November, 1940 (Canada Gazette p. 1749 of November 16, 1940)*

This Order amends the Defence of Canada Regulations (Consolidation) 1940, by revoking subparagraph (d) of paragraph (1) of Regulation 2 and substituting therefor a clearer definition of "essential services." Such "essential services" are undertakings for the supply of electricity, gas, or water; telegraph or telephone; transportation facilities; irrigation; any mining or industrial undertaking engaged in war supplies; or any other undertaking declared essential to the prosecution of the war.

(G) OTHER WAR MEASURES

1. CALLING OUT CERTAIN CLASSES FOR MILITARY TRAINING

Proclamation of September 11, 1940 (Canada Gazette p. 1184 of October 5, 1940)

Pursuant to the National Resources Mobilization Act 1940, and the War Measures Act, this Proclamation calls out British subjects between the ages of 21-25 for medical examination and requires those accepted to undergo a period of military training of 30 days.

2. AMENDMENT OF NATIONAL WAR SERVICES REGULATIONS (1940)

Order in Council P.C. 5356 of the 3rd of October, 1940 (Canada Gazette p. 1269 of October 12, 1940)

This Order rescinds subsection 7 of Section 9 of the National War Services Regulations, 1940 (Recruits) established by Order in Council P.C. 4185 of August 27, 1940. This subsection is replaced by a provision outlining the procedure by which the Divisional Registrar shall notify the recruits regarding medical examination, transportation, and the military training centre to which they should report.

3. APPOINTMENT OF AN OILS ADMINISTRATOR

Order in Council P.C. 5468 of the 9th of October, 1940 (Canada Gazette p. 1335 of October 19, 1940)

Under authority of the War Measures Act, this Order approves the appointment of Dr. George Hilton as Oils Administrator responsible to the Wartime Prices and Trade Board.

4. RESTRICTION OF IMPORTS OF ALUMINUM

Order in Council P.C. 5596 of the 15th of October, 1940 (Canada Gazette p. 1335 of October 19, 1940)

This Order, under the authority of Section 290 of the Customs Act, as enacted by Section 10 of Chapter 24 of the Statutes of 1937, and of the War Measures Act, makes the provision that the importation of aluminum, whether manufactured or unmanufactured, is to be controlled by permits issued by the Minister of National Revenue, with the exception of shipments actually in transit prior to the 19th of October, 1940. It further

provides that an Advisory Committee on licences shall be set up, consisting of a representative of the Department of National Revenue, a representative of the Foreign Exchange Control Board, and the Metals Controller.

5. ROUMANIA DECLARED TO BE PROSCRIBED TERRITORY

Order in Council P.C. 5764 of the 18th of October, 1940 (Canada Gazette p. 1490 of November 2, 1940)

This Order extends the machinery of the Custodian's Office established under the Consolidated Regulations regarding Trading with the Enemy (1939), to the territory of Roumania as proscribed territory, places under protective custody all property in Canada of persons residing in Roumania, and regulates trading with residents of Roumania.

6. AMENDMENT OF NATIONAL REGISTRATION REGULATIONS

Order in Council P.C. 5792 of the 18th of October, 1940 (Canada Gazette p. 1416 of October 26, 1940)

This Order amends the National Registration Regulations 1940, established by Order in Council of the 12th of July, 1940 (P.C. 3156). It outlines the procedure to be followed in the case of loss or destruction of the original registration certificates, changes of address of the registrant, or in cases of women who marry subsequent to the National Registration.

7. REGULATIONS RESPECTING THE REGISTRY OF GOVERNMENT SHIPS IN CANADA AS BRITISH SHIPS

Order in Council P.C. 5894 of the 22nd of October, 1940 (Canada Gazette p. 1481 of November 2, 1940)

This Order, based on the recommendation of the Department of Transport, and under the authority of Section 16 of the Canada Shipping Act, 1934, sets forth the regulations with respect to the manner in which Government ships may be registered in Canada as British ships for the purposes of the Canada Shipping Act, 1934.

8. PROHIBITION OF EXPORT OF CERTAIN ARTICLES WITHOUT A PERMIT

Order in Council P.C. 5994 of the 26th of October, 1940 (Canada Gazette p. 1589 of November 9, 1940)

This Order provides for the control of the export from Canada of certain articles, in addition to those mentioned in paragraph (1) of Order in Council (P.C. 2785) of the 20th of September, 1939, and (P.C. 287) of

the 23rd of January, 1940, deemed useful in the production of arms, ammunition, implements, or munitions of war, in order to safeguard domestic requirements, and to carry out more effectively the regulations respecting trading with the enemy 1939. The export of various enumerated forms of iron and steel, machine tools, industrial diamonds, and chrome ore, is prohibited except under permit issued by the Minister of National Revenue.

9. AMENDMENTS OF LIST OF SPECIFIED PERSONS WITH WHOM TRADING IS PROHIBITED

- (a) Proclamation of the 26th of September, 1940, of Revision No. 7 (Canada Gazette, p. 1347 of October 19, 1940), and
- (b) Proclamation of the 2nd of November, 1940, of Revision No. 8 (Canada Gazette, p. 142 of November 30, 1940) of the list of Specified Persons.

10. PRESENCE IN CANADA OF TRAINING SCHOOLS AND OTHER UNITS OF THE ROYAL AIR FORCE

Order in Council P.C. 6841 of the 25th of November, 1940 (Canada Gazette p. 1934 of November 30, 1940)

This Order, pursuant to the provisions of the Visiting Forces (British Commonwealth) Act, 1933, provides: (1) that the Canadian Government consents to the presence in Canada of Training Schools and other units and formations of the Royal Air Force moved from the United Kingdom to Canada; (2) that the Royal Canadian Air Force shall serve together in Canada with all such training schools, units, or formations of the Royal Air Force; and (3) that for the purposes of paragraph (b) of subsection (4) Section 6 of The Visiting Forces (British Commonwealth) Act, 1933, the Royal Canadian Air Force Officer in Command of such Air or Training Command shall be the Officer in Charge of such a combined force.

11. REGULATIONS RESPECTING TRADING WITH THE ENEMY EXTENDED TO ALL OF FRENCH TERRITORY IN EUROPE AND TO CERTAIN OTHER FRENCH POSSESSIONS

Order in Council P.C. 3515 of the 31st of July, 1940 (Canada Gazette p. 2138 of December 14, 1940)

This Order extends the provisions of the Regulations Respecting Trading with the Enemy (1939) to all French territory in Europe, the contiguous territories of Andorra and Monaco, and the French Zone of

Morocco, Corsica, Algeria, and Tunisia. Provision is made for the Minister of Finance to exempt any property, rights, and interests from the provisions of this Order, but in such cases, no transfer of ownership may be made without the permission of this Minister.

12. REGULATIONS RESPECTING CERTAIN PRINCIPLES OF WAR-TIME WAGE POLICY

Order in Council P.C. 7440 of the 16th of December, 1940 (Canada Gazette, p. 2275 of December 28, 1940)

This Order, based on the recommendation of the Minister of Labour, directs the attention of the Boards of Conciliation and Investigation set up under the Industrial Disputes Investigation Act to the principles contained in Order in Council P.C. 2685, of the 19th June, 1940, and approves certain principles of wartime wage policy applicable to conditions in industries coming within the preview of the Industrial Disputes Investigation Act, as extended by P.C. 3495 of the 7th November, 1940.

Under this Order, provincial minimum wage standards are to be regarded as minimum wage standards only; wage rates in each industry are to be stabilized on the basis of wage levels holding in 1926-29, except where it may be shown that such levels were depressed or enhanced due to abnormal prevailing conditions. Provision is made for the payment of a wartime cost-of-living bonus, independent of basic wage rates, for the purpose of protecting the worker against increases in the cost of basic necessities of life. This bonus is to be based on increases or decreases in the cost of living. Provision is made for the maintenance of industrial standards dealing with hours of work, health, and safety, and it is declared that any existing condition of work established by practice or agreement suspended in the interests of war production, shall be restored on the termination of the emergency. Finally it is provided that any agreement negotiated during the war period shall conform to the principles contained in this Order, and in Order in Council P.C. 2685.

(H) INTERNATIONAL CONFERENCES AND AGREEMENTS

1. *RELATIONS BETWEEN CANADA AND THE UNITED STATES, SPEECH OF THE PRIME MINISTER, NOVEMBER 12, 1940*

I wish now to speak of Canada's relations, and indeed of the relations of the whole British commonwealth, with the United States, in the period under review. Before discussing these relations, I should like to say a word about how much our own Canadian war effort owes to the co-operation of the United States. Aircraft and tanks for training purposes, and destroyers for active service, are outstanding among the many essentials of warfare which the United States has so generously made available to Canada. The president's announcement on Friday last of the priorities being given to Britain and ourselves is only the most recent example of United States assistance magnanimously given to the United Kingdom and to Canada. Every member of the house will, I am sure, join with me in an expression of our appreciation and gratitude.

When history comes to record the time and place at which the onward sweep of nazi aggression was halted, and the tide of war turned, that place and time will be found, I believe, to be the English channel, during the months of August and September. Just as the evacuation of Dunkirk will remain a chapter unsurpassed in the history of British arms on land, on sea and in the air, so the indomitable resistance of Britain, the stout hearts of the people of London, the unflagging skill and daring of the young men in the air, and the unceasing vigilance of the navy will mark the supreme moment in the present world conflict when tyranny was halted in its threatening course, and despair was changed to hope.

There remains little doubt that when French resistance collapsed last June, the government of France and her military leaders believed that not only France but also Britain was doomed. In their despair, they thought that the nazi onslaught was irresistible and that Britain, too, would crumble before the might of the German attack. The terms of the French surrender and much that has happened since can be understood only in the light of this conviction of nazi invincibility.

Nor were the French alone in this appalling belief. It was generally held on the continent of Europe and, to a surprising degree, even in the United States. Public attention there became concentrated on the extent of American preparedness to meet the threat to this hemisphere which would follow the defeat of Britain. The myth of isolation was dissolved in an almost frenzied preoccupation with self-preservation. In order to meet the requirements of United States defences on land and sea and in the air, a

movement of opinion developed even to the length of urging the retention in America of supplies of equipment and munitions desperately needed by Britain. Ominous rumours spread and gained credence that Britain could not hold out.

But Britain did hold out, and held out magnificently. The world's vision cleared, Great Britain stood forth as she has through the centuries, an impregnable fortress of freedom. On this side of the ocean despair vanished. The English channel came to be viewed as the first line of defence of the United States and of the new world. This break in the encircling gloom, this dawn of fresh hope on the horizon, inspired in the United States a new desire to do all that was possible, short of actual war, to aid Britain in her resistance, and in her determination to destroy the enemies of freedom.

The practical expression of that new hope was a steadily increasing supply of planes and guns and munitions and other essentials of war from the factories of the United States to the battlefield of Britain and the training fields of Canada. As each week passed, British determination evoked increased admiration. As admiration increased, support also increased.

The overwhelming majority of the people of the United States came to see in Britain an outwork of their own defence. They saw the need of giving all possible assistance to Britain. But they saw, too, the need for strengthening their second line of defence. If the coasts of America were to be immune from attack, naval and air bases were needed on the islands of the Atlantic. Joint action between the United States and Canada was recognized also as necessary to their common security. From the point of view of Canada and the whole British commonwealth what followed constitutes the most significant development in international affairs in the three months since our parliament adjourned in August. In ultimate importance, it far surpasses the formation of the triple axis.

The first inkling of developments already under way was given to the public by the president of the United States, on August 16. On that day Mr. Roosevelt announced that:

The United States government is holding conversations with the government of the British empire with regard to acquisition of naval and air bases for the defence of the western hemisphere and especially the Panama canal. The United States government is carrying on conversations with the Canadian government on the defence of the western hemisphere.

I shall have something to say to the house in a moment about these conversations. I wish first to recall the events which followed immediately on President Roosevelt's announcement.

The following day, which was August 17, I met the president at Ogdensburg. Our conversations that day, in continuance of conversations previously held, culminated in the formulation of an agreement which was

made public the next afternoon, in a joint statement issued by Mr. Roosevelt and myself. I should like now to place the joint statement on record. It has come to be known as the Ogdensburg agreement. These are its terms:

The Prime Minister and the President have discussed the mutual problems of defence in relation to the safety of Canada and the United States.

It has been agreed that a permanent joint board on defence shall be set up at once by the two countries.

This permanent joint board on defence shall commence immediate studies relating to sea, land and air problems including personnel and material.

It will consider in the broad sense the defence of the north half of the western hemisphere.

The permanent joint board on defence will consist of four or five members from each country, most of them from the services. It will meet shortly.

The Ogdensburg agreement was reached, as I have said, on August 17, and the joint statement setting forth its terms was issued on the following day. On August 20, Mr. Churchill announced in the British House of Commons the decision of the British government "spontaneously and without being asked or offered any inducement" to offer the United States sites for naval and air bases in the British possessions in the western hemisphere. I should like particularly to draw the attention of the house to one sentence of Mr. Churchill's announcement of the decision of the British government. "In all this line of thought," he said, "we found ourselves in very close harmony with the government of Canada."

On August 22, the Canada-United States permanent joint board on defence was appointed. Colonel O. M. Biggar, K.C., became chairman of the Canadian section and Mayor Fiorello LaGuardia of New York, chairman of the United States section. The first meeting of the board was held at Ottawa, in the following week. The board has met since on several occasions, and has been engaged upon continuous study of the sea, land and air problems immediately related to the defence of the north half of this hemisphere.

The next significant announcement came on September 3, the anniversary of the British declaration of war. On that day President Roosevelt announced that an agreement had been reached between the governments of the United Kingdom and the United States by which sites for bases in British Atlantic possessions were to be made available to the United States. In Newfoundland and Bermuda these sites were leased for no other consideration than Great Britain's interest in the strength and security of North America. The other sites in the Bahamas, the British West Indies

and British Guiana, forming an outer ring of defence to the Panama canal, were leased in exchange for fifty over-age United States destroyers.

The house is aware that six of the fifty destroyers have since been made available to the Royal Canadian Navy and are already in commission. During a recent visit to Halifax, I had an opportunity of visiting some of the destroyers about to be transferred and of seeing how completely they were equipped. I was also privileged to extend to the United States admiral who brought the destroyers to Canadian waters the thanks of the government and people of Canada. I had previously written to the president to express our appreciation. Hon. members may be interested in the contents of my letter and the president's reply, and perhaps I might be permitted to place these on *Hansard* without reading them. My letter was as follows:

Ottawa, 30th September, 1940.

DEAR MR. PRESIDENT,

During the last few days I have been receiving reports from the officers in command of our naval service concerning the delivery and transfer of the United States destroyers to Canada and to the United Kingdom. One of the aspects of this transfer which has been repeatedly referred to in these reports is the splendid condition in which the vessels arrived in Canada and the cordial and cooperative attitude displayed by the officers and crews when the transfer was actually being effected. I have been told for example, that the vessels were so completely equipped that not only were the mess appointments in perfect condition but the larders were stored as though the vessels were to be used for prolonged cruises with their United States personnel aboard.

I want you to know that the thoughtfulness and consideration which have been displayed in these, perhaps minor, but very characteristic actions, have been recognized and very deeply appreciated by the Canadian naval service and by the government of this country as well. I hope that you will inform the responsible officers that the way in which they have acted in arranging and carrying out the transfer of these vessels has been brought directly to my attention, and that I have asked that they should be thanked collectively and individually on behalf of the Canadian navy, the Canadian government and the Canadian people.

With kindest personal regards, I am

Yours very sincerely,

W. L. Mackenzie King.

The president's reply reads:

October 17, 1940.

DEAR MR. KING:

Your very cordial letter concerning the manner and condition in which our destroyers have been turned over to Canada and the United Kingdom has given me great pleasure.

I shall be happy indeed to have conveyed to the responsible officers the sentiments you have so graciously expressed.

On their behalf and that of the United States navy please accept my sincere thanks.

With kindest personal regards, I am

Yours very sincerely,

Franklin D. Roosevelt.

Now for a word as to the conversations which preceded the Ogdensburg agreement. The agreement itself was not due to any sudden or precipitate action. It was the outcome of several conversations between the president and myself with respect to coastal defence on both the Atlantic and the Pacific, in which the mutual interests of Canada and the United States were discussed. It has seemed to me that I should reserve for parliament such statement as it might be advisable to make with reference to those conversations which, in their nature, necessarily were highly confidential. I might say I have received the president's permission to refer to them publicly.

In the matter of time and significance, the conversations between President Roosevelt and myself on matters pertaining to the common interest of our two countries in the defence of their coasts, divide themselves naturally into two groups: the conversations which took place prior to the commencement of the war, and those which have taken place since.

The first conversation was on the occasion of a visit I paid the president at the White House, as long ago as March, 1937. At that time the discussion had reference to the position on the Pacific as well as on the Atlantic coasts. It was then agreed that, at some time in the future, meetings might be arranged between the staff officers of both countries to discuss problems of common defence.

On September 30 of that year, the president paid a visit to Victoria, British Columbia, crossing on a United States destroyer from Seattle. This visit led to arrangements for talks between staff officers regarding Pacific coast problems, which took place in Washington in January, 1938.

I think I may say that on every occasion on which I have visited the president in the United States, or on which I have met the president on his visits to Canada, matters pertaining to the defence of this continent have been a subject of conversation between us.

The defences on the Atlantic were referred to particularly in our conversations in August, 1938, in the course of the president's visit to Kingston, and the opening of the Thousand Islands bridge at Ivy Lea. At that time, it will be recalled, the president made the open declaration that the people of the United States would not stand idly by if domination of Canadian soil

was threatened by any other empire. To this declaration I replied at Woodbridge, Ontario, two days later, that we too had our obligations as a good-friendly neighbour.

Our common problems of defence were discussed at length and in a more concrete and definite way when I visited Washington in November, 1938, to sign the new Canadian-United States trade agreement.

In the summer of 1939, the president paid a visit to Canadian waters off the Atlantic coast. He subsequently told me that this visit, like his similar visit to Victoria two years earlier, had been occasioned by his concern with the problem of coastal defence.

With the outbreak of war, the question of coast defences became of vital importance. At the same time, the fact that Canada was a belligerent and the United States a neutral complicated the problem of pursuing the discussions. In the face of the European menace it was obviously desirable to give expression to the needs of joint defence. To the means, however, of effecting this end, the most careful consideration had to be given in order that there might be no grounds for the belief that there was any attempt on Canada's part to influence the policies or to interfere in the domestic affairs of a neutral country. Had there not been, between the president and myself, complete confidence in each other's purpose and motives, I question if the situation could have been met without occasioning genuine embarrassment to one side or the other, if not indeed to both. Fortunately, in the light of our previous conversations, there was no danger of the position being misunderstood, and my visit with the president at Warm Springs, in April of the present year, afforded an exceptional opportunity for a careful review of the whole situation.

This is perhaps an appropriate place for me to say that, from the beginning, and at the time of each conversation, the president made it perfectly clear that his primary interest in the subject was the defence of the United States. I was equally frank in making it clear that my concern was the effective defence of Canada, and the defence of the British commonwealth of nations as a whole.

If one thing above another became increasingly evident in the course of our conversations, it was that our respective countries had a common interest in the matter of the defence of this continent. Since this was the case, everything, pointed to the wisdom of planning carefully in advance for whatever contingency might arise.

The conversations begun between the president and myself before the war, in the direct manner I have described, and at Warm Springs taken up anew after Canada had entered the war, were supplemented as the weeks went by, by conversations conducted through diplomatic channels. Staff conversations followed in due course.

I should perhaps say that I gave to my colleagues who were members of the war committee of the cabinet my entire confidence with respect to the conversations I had had with the president, and subsequent steps were taken with their knowledge and full approval. I should also like to say that the British government was kept duly informed of what was taking place. The Canadian government likewise was kept informed of the defence matters directly discussed between the British government and the United States. The discussions naturally included questions pertaining to the leasing of air and naval bases on the Atlantic.

As I have already mentioned, the president had announced the day before our meeting at Ogdensburg that conversations had been taking place between the two governments. The Ogdensburg agreement formally confirmed what the previous conversations and planning had initiated. It made known to the world that plans of joint defence were being studied and worked out between the two countries. It did one thing more: It made clear that the board which was being established to make studies and recommendations was not being formed for a single occasion to meet a particular situation, but was intended to deal with a continuing problem. The board on joint defence was, therefore, declared to be permanent.

By a minute of council approved by His Excellency the Governor General on August 21, the establishment of the Permanent Joint Board on Defence was formally ratified and confirmed.

With the permission of the house, I should like to insert in *Hansard* a copy of the complete minute:

The committee of the privy council have had before them a report, dated August 20, 1940, from the Right Honourable W. L. Mackenzie King, Prime Minister and Secretary of State for External Affairs, representing:

That on August 17, 1940, at the invitation of the President of the United States, he proceeded to the United States to Ogdensburg in the state of New York, to meet Mr. Roosevelt for the purpose of discussing mutual problems of defence in relation to the safety of Canada and the United States;

That conversations on this subject between the Prime Minister and the President of the United States, accompanied by the Secretary of State for War of the United States (Mr. Stimson), took place on August 17, and the following joint statement with respect to agreement which had been reached was, on August 18, released for publication by the Prime Minister and the President:

"The Prime Minister and the President have discussed the mutual problems of defence in relation to the safety of Canada and the United States.

It has been agreed that a Permanent Joint Board on Defence shall be set up at once by the two countries.

This Permanent Joint Board on Defence shall commence immediate studies relating to sea, land and air problems including personnel and material.

It will consider in the broad sense the defence of the north half of the western hemisphere.

The Permanent Joint Board on Defence will consist of four or five members from each country, most of them from the services. It will meet shortly."

That the actions of the Prime Minister in conducting the said conversations and in agreeing on the part of Canada, to the establishment of a Permanent Joint Board on Defence for the consideration of the defence of the north half of the western hemisphere, are in accord with the policy of the government as approved on many occasions by the war committee of the cabinet and the cabinet itself.

The Prime Minister, therefore, recommends that his actions in conducting the said conversations and in agreeing to the establishment of the said Permanent Joint Board on Defence be ratified and confirmed.

The committee concur in the foregoing recommendation and submit the same for approval.

The Permanent Joint Board on Defence might well be considered a logical development from the declarations made by President Roosevelt and myself in August, 1938. Let me recall these declarations to the minds of hon. members. The vital passage in Mr. Roosevelt's declaration at Kingston on August 18 reads:

The Dominion of Canada is part of the sisterhood of the British empire. I give to you assurance that the people of the United States will not stand idly by if domination of Canadian soil is threatened by any other empire.

My acknowledgment of Mr. Roosevelt's Kingston declaration at Woodbridge, Ontario, on August 20, 1938, contained these words:

We, too, have our obligations as a good friendly neighbour, and one of them is to see that, at our own instance, our country is made as immune from attack or possible invasion as we can reasonably be expected to make it, and that, should the occasion ever arise, enemy forces should not be able to pursue their way, either by land, sea, or air to the United States, across Canadian territory.

These declarations marked the first public recognition by both countries of their reciprocity in defence.

I should be the last to claim that the Ogdensburg agreement was due wholly to the conversations between the president and myself, or to our reciprocal declarations in 1938. I am happy to know that, in a moment of crisis, personal friendship and mutual confidence, shared over many years between Mr. Roosevelt and myself, made it so easy for us to conclude the agreement reached at Ogdensburg. In reality the agreement marks the full blossoming of a long association in harmony between the people of Canada and the people of the United States, to which, I hope and believe, the president and I have also in some measure contributed. The link forged by the Canada-United States defence agreement is no temporary axis. It was not

formed by nations whose common tie is a mutual desire for the destruction of their neighbours. It is part of the enduring foundation of a new world order, based on friendship and good will. In the furtherance of this new world order, Canada, in liaison between the British Commonwealth and the United States, is fulfilling a manifest destiny.

It cannot be assumed that our common background would, of itself, have produced harmonious relations between the two countries, much as that background has helped to make possible a close understanding between us. The understanding which exists owes its vitality to positive and far-sighted statesmanship over more than a century.

May I recall in this connection the words I used at the opening of the Thousand Islands bridge on August 18, 1938:

Our populations, after all, do not differ greatly from those of Europe. Indeed, the European countries have contributed most to their composition. Each of our countries has its problems of race and creed and class; each has its full measure of political controversy. Nevertheless we seem to have found the better way to secure and maintain our peace. . . . In the realm of international relations, we, too, have learned to bridge our differences. We have practised the art of building bridges. . . . In the art of international bridge-building there are two structures, each with its association with the St. Lawrence and the great lakes, of which I should like to say just a word. They stand out as monuments of international co-operation and good will. Each has its message for the world of to-day. The one is the Rush-Bagot agreement of 1817; the other, the International Joint Commission created in 1909.

The Rush-Bagot agreement is a self-denying ordinance of mutual disarmament. The International Joint Commission is an instrument for the peaceful adjustment of differences. The permanent joint board is a mutual arrangement for common defence. All three may appear an inevitable progress dictated by ordinary common sense. But we need only to pause for a moment's reflection to realize that, in the madness of the world to-day, common sense is the highest statesmanship.

I doubt if any act by a Canadian government, and certainly no development in our international relations, has ever received such unanimous acclaim in this country. So far as I have been able to ascertain, not a single newspaper from coast to coast uttered a syllable of disapproval of the Ogdensburg agreement itself. Though estimates of its importance and of the contribution made by myself may have varied, almost no voice was raised to decry its significance.

The present war has, as I have shown, enlarged the opportunities and the solemn responsibility of Canada to serve as a vital link between the United States and the British commonwealth. This role is, however, not the only one which Canada is uniquely equipped to play in international

relations. There is a third great nation with whom our ties are close. I have spoken of Canada's place as an interpreter of the English speaking peoples. Canada, however, is not merely an English-speaking nation but is also a French-speaking nation. It is, indeed, the second French-speaking nation of the world.

The agony of France has thrown upon Canada a great responsibility and a great mission. As I pointed out at the moment of the collapse of France, "the tragic fate of France leaves to French Canada the duty of upholding the traditions of French culture and civilization, and the French passion for liberty in the world. This new responsibility will, I believe, be accepted proudly."

Events are throwing upon Canada not only the mission of upholding the traditions of French culture and civilization, but also the duty of helping to keep alive in the hearts of Frenchmen, all but prostrate to-day before a brutal conqueror, their devotion to liberty and their hopes of its ultimate triumph.

In the consciousness of that mission, my colleague, the Minister of Justice (Mr. Lapointe), recently broadcast a message to the French people. May I repeat a few lines from that message:

"Over there, you are our allies because we know too well the heart of France to doubt an instant of her heart's loyalty. Because we love the same things, we know that, no matter what fate may bring to her, no matter what tribulations await her, France will never fight against the British, against us, French-Canadians, so many of whose sons have been resting in the soil of France for the past twenty-three years."

I appeal to hon. members in the house and I appeal to my fellow-countrymen in all parts of the dominion to bear always in mind the task which Canada alone can perform in keeping hope alive in the hearts of the grief-stricken people of France. Let no word from Canadian lips add to the agony of her open wounds. Let us inflict no new pain, and let us be ever watchful to exercise the healer's art. In the new world which will follow the destruction of the evil thing which now crushes France, Canada's part in cementing the bonds between the French and the English-speaking peoples may be just as great as her role in bringing into closer relationship the peoples of the British commonwealth and the United States.

2. MEETINGS OF PERMANENT JOINT BOARD ON DEFENCE.

As reported in the last issue of the Bulletin, meetings of the Permanent Joint Board on Defence were held at Ottawa on August 26 and 27, at

Washington, D.C. on September 9, 10 and 11. Since the latter date, the following meetings of the Board have been held:—

October 2..	Boston.
October 3 and 4..	Halifax.
November 13..	San Francisco.
November 14..	Victoria.
November 15..	Vancouver.
December 16 and 17..	New York.

The appointments of Mr. O. M. Biggar, Captain L. W. Murray, Air Commodore A. A. L. Cuffe, Brigadier Kenneth Stuart, and Mr. H. L. Keenleyside, as dated from August 22, 1940, were approved by Order in Council P.C. 5597 of October 10, 1940.

The appointment of Lt.-Col. G. P. Vanier to the Permanent Joint Board on Defence was approved by Order in Council P.C. 5598 of October 10, 1940.

3. *EXTENSION OF CANADA-NEW ZEALAND TRADE AGREEMENT—ANNOUNCEMENT OF THE MINISTER OF TRADE AND COMMERCE, OCTOBER 2, 1940.*

The Honourable James A. MacKinnon, Minister of Trade and Commerce has announced that an Order in Council has been passed extending, for a further period of one year, the Trade Agreement concluded between Canada and New Zealand on May 24, 1932. This Trade Agreement was originally concluded for a period of one year but has been extended on a number of occasions, the last being in 1939, when the Trade Agreement was extended for a period of one year up to September 30, 1940. It is now provided that the Trade Agreement will continue in force until September 30, 1941.

The Trade Agreement provides for fixed rates of duty on certain enumerated goods imported into New Zealand, and on all other products the benefits of British Preferential Tariffs. Corresponding concessions are granted on New Zealand's products imported into Canada.

Since December 5, 1938, the Government of New Zealand have found it necessary to impose import restrictions on goods imported into that country. This has been due to the general financial position in New Zealand, while since the outbreak of the war the need for conserving foreign exchange has made it necessary to curtail imports of goods from other countries to an even greater degree than has been the case with the restrictions in force last year. As a result there has been a falling off in Canadian exports to New Zealand, but the balance of trade between the two countries is still in favour

of Canada. During the twelve months ended June 30, 1940, Canada exported goods to New Zealand to the value of \$8,464,987 as against imports into Canada from New Zealand valued at \$4,812,658.

4. *ARRANGEMENT BETWEEN THE GOVERNMENTS OF CANADA AND OF THE UNITED STATES TO GIVE EFFECT TO ARTICLE III OF THE AIR TRANSPORT ARRANGEMENT ENTERED INTO BETWEEN THE TWO GOVERNMENTS ON AUGUST 18, 1939*

By an exchange of notes between the Chargé d'Affaires ad interim of Canada, and the Secretary of State, the Governments of Canada and the United States entered into an arrangement accepting the recommendations of the competent aeronautical authorities of the two Governments resulting from a meeting of the representatives of these authorities held at Ottawa, Canada, on September 9 and 10, 1940. The note of the Secretary of State, is dated November 29, 1940, and the reply of the Chargé d'Affaires ad interim of Canada is dated December 2, 1940. The arrangement became effective on December 3, 1940.

It was provided in Article III of the air transport arrangement between Canada and the United States entered into on August 18, 1939, that the details of the application of the principle of reciprocity with respect to the operation of air transport services between Canada and the United States should be the subject of amicable adjustment between the competent aeronautical authorities of the two countries. As a result of the meeting at Ottawa in September, 1940, these authorities recommended that Article III of the arrangement of August 18, 1939, should be given effect in accordance with the following enumerations:—

“International air transport services actually in operation between the two countries, for which certificates and permits have been issued by the respective Governments, to be confirmed. Services with respect to which applications for formal certificates or permits are now pending, other than those services specifically listed below, shall be subject to disposition at the sole discretion of the appropriate agency of the Government before which such applications are pending.

“With respect to new services:

“Each Government to take the appropriate steps to permit the operation by air carrier enterprises of the other, holding proper authorization from their own Governments, respectively, during the

period ending December 31, 1942, in accordance with the following specification of the routes and of the nationalities of the air carriers by which service over each route will be operated between:

Bangor, Maine—Moncton, New Brunswick..	United States
New York, New York—Toronto, Ontario..	Canada
Buffalo, New York—Toronto, Ontario.. . .	United States
Windsor, Ontario—Any point or points in the United States..	United States
Detroit, Michigan—Any point or points in Canada..	Canada
Great Falls, Montana—Lethbridge, Alberta..	United States

“The Canadian Government to co-operate in, or to permit or undertake the establishment on behalf of a United States air carrier, subject to Canadian law, of the necessary aids to air navigation, along the coast of British Columbia.

“Further decisions with respect to routes and services to Alaska to be reserved for future consideration.”

The arrangement resulting from the exchange of notes dated November 29, 1940, and December 2, 1940, will remain in effect until December 31, 1942. This arrangement provides that at least six months prior to December 31, 1942, a further conference of representatives of the competent aeronautical authorities of the two Governments will be called for the purpose of considering any revision or modification of the recommendations resulting from the meeting at Ottawa in September, 1940, as well as any new problems pertaining to air transport services which may have arisen in the interim.

(I) PASSPORTS AND VISAS

1. CONFERENCE BETWEEN CANADIAN AND UNITED STATES REPRESENTATIVES ON PASSPORT AND VISA REGULATIONS

A series of meetings were held at Ottawa on the 11th and 12th of November, 1940, between officials of the Governments of Canada and the United States for the purpose of discussing revisions in the existing regulations governing movement across the Canadian-United States border. The Canadian representatives were headed by the Hon. T. A. Crerar, Minister of Mines and Resources, and the United States representatives by the Hon. Robert H. Jackson, Attorney General of the United States.

The following Joint Press Release was issued on November 12, 1940:

"Canadian and American delegations, headed respectively by Hon. T. A. Crerar, Minister of Mines and Resources, and Hon. Robert H. Jackson, Attorney General of the United States, met yesterday and to-day in an attempt to work out methods of speeding up and simplifying the formalities necessary for border crossing, while at the same time arranging for closer co-operation between the two countries with regard to protecting the frontier against passage of subversive elements. With regard to the speeding up and simplification of border crossing, alternative plans were suggested which will be considered in further detail by the competent services of the two countries and subsequently by the Governments themselves, but they will in any event include provision for a simplified crossing where the Immigrant inspectors are satisfied of an emergency which admits of no delay.

With regard to the policing of the border, arrangements have been made for extension of the co-operation between the police and immigration services of the two Governments which has already been very close. Details as to policing arrangements are not to be announced."

2. SEAMEN'S IDENTIFICATION CERTIFICATES

The Department of Transport has completed arrangements to issue an official Seamen's Identification Certificate to Canadian citizens or other British subjects legally landed in Canada who are employed as merchant seamen on vessels registered in Canada. This Certificate contains full details regarding the individual seaman, his name, address, height, dis-

tinguishing marks, photograph and finger prints. Seamen's Identification Certificates are issued by shipping Masters and Collectors of Customs acting as Shipping Masters in Canada.

In order to facilitate the movement of Canadian Seamen going forward to join vessels in United States ports, or to enter United States ports on shore leave, the United States authorities have agreed to accept the Certificate as a travel document in lieu of a passport. Further, the Secretary of State under the emergency provisions of Section 30 of the Alien Registration Act, has waived the visa requirement in such cases. The United States Immigration officers have been notified to this effect.

(J) COMMONWEALTH AND FOREIGN REPRESENTATIVES IN OTTAWA

1. The new Japanese Minister to Canada, Mr. Seijiro Yoshizawa arrived in Ottawa on October 16 to take up his official duties.

(K) APPOINTMENTS IN CANADIAN SERVICE

1. PROPOSED APPOINTMENT OF MINISTERS TO ARGENTINA AND BRAZIL, PRIME MINISTER'S STATEMENT OF NOVEMBER 14, 1940.

On the orders of the day:

Mr. H. C. Green (Vancouver South): I should like to direct the attention of the Prime Minister to a Canadian Press dispatch from Buenos Aires, appearing in the *Ottawa Citizen* this morning, in which it is reported that the British ambassador to Argentina has notified the foreign minister of that country of Canada's decision to instal diplomatic representation, with the rank of a legation, in Argentina. May I ask the Prime Minister whether or not this report is accurate, and whether he would be willing to amplify it; also to let us know whether or not it is the intention to send ambassadors to any other countries in South America and, if so, to which ones.

Right Hon. W. L. Mackenzie King (Prime Minister): If I recollect aright, when we were discussing the estimates of the Department of External Affairs at the close of last session, the hon. member for Vancouver South (Mr. Green) asked whether the government intended to have representation in the Argentine or any of the other South American republics. At the time I replied that the government was giving consideration to the matter. I am now in a position to state that the government has decided to have a minister sent to the Argentine and also to have a minister sent to Brazil.

At the time, when my hon. friend previously brought up the question, I indicated that the government was considering whether or not it might be possible to have an arrangement with respect to the South American republics similar to that which was made with regard to Belgium and Holland, having one minister represent this country at two capitals, in this case Buenos Aires and Rio de Janeiro. For obvious reasons, however, it has seemed inadvisable to restrict the appointment to one minister and has seemed very desirable to have two appointments.

I might say that the formal approval of His Majesty the King is necessary before a step of the kind is taken. That approval has been obtained, and the governments of the Argentine and Brazil have been informed, at our request, by the foreign minister of the United Kingdom through the British ambassadors to those countries, that it is the intention of our government to make the appointments in due course. I should say that both countries intimated to the government some time ago that they would like to be in a position to send ministers to Canada. Each of these governments asked whether we would be prepared not only to receive their ministers but to reciprocate in the matter of making appointments to their respective countries. It is just within the last month or two that it has been possible to give them a definite answer on that point.

My hon. friend has asked me to elaborate. I do not know just what he may have in mind. It may be that he refers to the possibility of trade commissioners being able to perform the duties that ministers might perform; I notice there has been some comment in the press to that effect. I imagine, however, this would not commend itself to my hon. friend. I do not think any country has a finer trade commissioner service than Canada has, and the work that is being done by our trade commissioners in the South American republics is satisfactory in every particular. But as hon. members will realize, representatives of the Department of Trade and Commerce as such have not immediate access to foreign governments. In many countries to-day, in order that the ministry may be approached by a representative of another country, that representative must have ministerial standing. Hon. members also are aware that at the present time matters of trade are becoming largely controlled by governments themselves, by means of quotas, prohibitions and restrictions of various kinds, so that it is becoming imperative to have someone with the authority of a minister to gain the contacts that are necessary with governments on these matters. Perhaps I need only add that the importance of the South American republics, both from the political and the economic point of view, is obvious; and the government feels that it would be in the national interest that we should have this representation at an early date.

2. Lt.-Col. George P. Vanier, Canadian Minister to France, has returned to Canada on leave of absence. Colonel Vanier arrived in Canada early in October.

3. Mr. Jean Desy, Canadian Minister to Belgium and the Netherlands, who has returned to Canada on leave, and Mr. Paul Renaud, of the Canadian Legation in Brussels arrived in Canada in the first week of November.

I might say that the formal approval of His Majesty the King is necessary before a step of the kind is taken. That approval has been obtained, and the governments of the Argentine and Brazil have been informed by the foreign minister of the United Kingdom through the British ambassadors to those countries, that it is the intention of our government to make the appointments in due course. I should say that both countries indicated to the government some time ago that they would like to be in a position to send ministers to Canada. Each of these governments asked whether we would be prepared not only to receive their ministers but to reciprocate in the matter of making appointments to their respective countries. The fact with regard to Argentina is the line it has been possible to give them a definite answer on that point.

PROPOSED APPOINTMENT OF MINISTERS TO CANADA
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My friend has asked me to elaborate. I do not know just what he may have in mind. It may be that he refers to the possibility of trade commissioners being able to perform the duties that ministers might perform; I notice there has been some comment in the press to that effect. I imagine however this would not commend itself to any one familiar with the fact that any country has a free trade commissioner service that is not the work that is being done by our trade commissioners in their own American republics is satisfactory in every particular, but it is not the representatives of the Department of Trade and Commerce as such have not immediate access to foreign governments. In many countries it may be that the minister may be approached by a representative of another country, but representatives have not ministerial rank. The same is also the case with the present trade relations of trade are becoming largely controlled by governments themselves, by means of quotas, prohibitions and restrictions of various kinds, so that it is becoming imperative to have someone with the authority of a minister to see the agents that are necessary with governments on these matters. It seems to me that the importance of the South American countries, particularly political and economic, that it would be in the national interest that we should have a representative in an early date. I should say that the fact with regard to Argentina is the line it has been possible to give them a definite answer on that point.

Mr. Jean Desy, Canadian Minister to Belgium and the Netherlands, who has returned to Canada on leave, and Mr. Paul Renaud, of the Canadian Legation in Brussels, arrived in Canada in the first week of November.