

Canadian Arsenals Limited is an established service, comparable to a fourth arm of the Armed Forces. It has been set up to make possible the speedy mobilization of the industrial capacity of the nation. This Company, working under the direction of the Department of Reconstruction and Supply, dovetails its defence preparations with those of the Royal Canadian Navy, the Canadian Army, and the Royal Canadian Air Force. The three Armed Services, and the Crown Company are jointly responsible for making sure that Canada will be in a position to rally quickly should the need arise. The specific task of Canadian Arsenals Limited is not only to keep Canada's Armed Forces equipped with the most modern arms that can be obtained, but also to keep Government and private factories, and key civilian personnel in a state of readiness. Defence manufacture in Canada is roughly divided into two categories. In the first category are civilian plants producing automobiles, refrigerators, ships, aircraft, railway equipment, clothing and other civilian items. Such plants can be rapidly converted to the manufacture of war supplies and, by constant liaison, Canadian Arsenals Limited will make possible a much more rapid conversion than was possible in the early days of the War of 1939-45. In the second category are the plants built to produce defence items of no value to the civilian, such as explosives, shell filling, guns, small arms, etc. It is the intention of Canadian Arsenals Limited to maintain plants in this second category. Civilian plants, convertible in the event of an emergency, will be kept apprised of the latest designs and developments in military weapons.

With the possible exceptions of Canadian Arsenals Limited; Polymer Corporation Limited; Wartime Housing Limited; Park Steamship Company Limited; and Eldorado Mining and Refining (1944) Limited; the remaining Crown Companies operating under the direction of the Department of Reconstruction and Supply are gradually winding up their wartime affairs.

**Contract Settlement Board.**—Settlement of war contracts and the renegotiation of those that were hurriedly made in the war years is proceeding steadily. The Contract Settlement Board of the Department of Reconstruction and Supply is being assisted by a large staff of accountants and auditors in carrying out this work. It has been the established policy of the Government since the start of the War that profits on war contracts would be fair and reasonable and provision was made by Order in Council and subsequently by the Department of Munitions and Supply and Department of Reconstruction and Supply Acts that where profits on war business were found to be in excess of what is considered fair and reasonable, a contractor's war business could be renegotiated on an over-all basis. Such renegotiation is well advanced and to date has resulted in refunds of more than \$400,000,000. Renegotiation settlements have, in every case, been arrived at by agreement between the Government and the contractor without reference to judicial procedure.

**Priorities Branch.**—In addition to its activities in the United Kingdom and the United States Division, the Priorities Branch is concerned largely with the housing situation in Canada, especially housing for ex-service personnel. The sole limitation on the number of houses that will be built during 1946-47 will be the availability of building materials and supplies. Important steps have been taken to provide specific priorities assistance for the Canadian Veterans' Housing Program. This formal assistance is designed to channel the required quantities of building materials into Government-approved low-cost housing and requires suppliers of specified building products, with certain exceptions, to make prior shipment of orders for materials going into approved projects. The Priorities Branch is also concerned with the important task of increasing production of building materials.