

comprised about 2.75 p.c. of the gross national product in 1950 and about 8 p.c. in 1952. Of the total expenditure for the period roughly 33 p.c. was required for military pay and allowances and for administrative and service expenses, the remainder going for procurement of equipment and supplies and for construction.

The build-up of the program, of necessity, took time, for many types of equipment deliveries had to await the perfecting of new designs, tooling up and, in some cases, the erection of new plants. Thus, the year 1951 was primarily one of preparation, of designing and constructing plant and equipment, of determining types of military goods to be produced, of undertaking development work and of placing some of the more important contracts. Government measures enacted to facilitate the creation of the necessary capacity and to ensure availability of required materials have been referred to at pp. xiv-xvi. Meanwhile, the purchasing of various items requiring no special facilities proceeded.

During 1952, many specialized facilities were completed and the production commenced of various more complicated items. An outstanding example is the plant making Orenda jet engines, which was opened in September 1952. Rapid progress is being made in setting up capacity for producing such Orenda components as fuel systems, combustion chambers, light metal castings, and turbine blading. In shipbuilding, Canada is able to produce the propulsion machinery for its own escort vessels. Under the weapons program, new facilities were created for the manufacture of various U.S.-type equipments. In the electronics field also, Canada is keeping abreast of the rapidly changing situation, and now possesses capacity to turn out such items as walkie-talkies, gunfire control equipment, and subminiature tubes.

The major impact of defence purchasing has been concentrated in but few industries. Of total procurement outlays for 1952, aircraft accounted for 27 p.c., construction 22 p.c., shipbuilding 8 p.c., clothing and other textiles 10 p.c. and electronics, weapons, automotive equipment, ammunition and explosives taken together totalled 22 p.c. As the program progresses, major equipment items such as aircraft, ships, guns, ammunition and electronics will comprise an increasing proportion of total procurement.

The influence exerted by defence purchasing on Canada's balance of payments position altered significantly during the years 1951 and 1952. This, of course, excludes the United States content of orders filled by private contractors. The value of Canadian Government defence orders placed in the United States in 1951 was nearly two and a half times as large as United States orders placed in this country. The position was, however, greatly altered in 1952 and the totals for the two years were not far from being equal. This development took place for several reasons: the United States was becoming increasingly aware of Canadian facilities, while Canada was able to depend more fully upon its own sources of supply and, in some cases, to reduce or cancel orders already placed in the United States. During 1951, in particular, the United States was the only available source for U.S.-type equipment but with Canada's increasing capacity to supply its own needs the decision was made to use the Orenda engine produced by A. V. Roe (Canada) Limited to replace the U.S.-J 47 in the F-86E fighters.

Considering the impact of the defence program on the economy as a whole, it is apparent that expanding defence requirements absorbed a major portion of the increase in national output in the two years under review. Nevertheless,