Industry and Defence.—The Minister of Defence Production is responsible for organizing and mobilizing the resources of Canada, including the co-ordination of economic and industrial facilities, in order to meet the current and prospective needs of defence. The general economic background against which the defence production program is carried out must be taken into account as the strength of the defence production base depends, to a large extent, on the general condition of the national economy. The equipment demands of the Armed Forces affect virtually all sectors of industry in varying degree and the rate of innovation in modern defence equipment is such that a broad and responsive industrial base is essential. The striking economic advance achieved in 1955 indicates the ability of the Canadian economy to meet future defence needs.

During 1955 developments continued in most sectors of defence industry which insured facilities and skills needed to meet the new requirements of the Armed Forces and which reduced the degree of dependence on foreign sources for strategically important equipment and components. Production development advanced in connection with the *CF-105* supersonic interceptor, the PS-13 jet engine and the *CL-28* maritime reconnaissance aircraft programs. The broadening of Canadian ammunition capacity was continued, particularly in the fields of propellants and steel cartridge case manufacture. Surveys of probable electronic requirements were undertaken in order to assist industry in calculating the practicability of establishing facilities for the production of certain strategic components, and Canadian facilities for the manufacture of klystron and magnetrons were created in 1955. Major electronic developments on which progress continued to be made included the airborne guided missile program, a complex electronic simulator for use in naval tactical training, sonar domes for anti-submarine protection, and various types of data processing devices. A large part of the preparatory work was completed for the production of the new 7·62mm rifle.

During 1955 manufacturers were encouraged to invest their own capital in the production facilities needed for these new developments, this encouragement often taking the form of protection in the event of early termination of contracts, or of additional capital cost allowances for income tax purposes (accelerated depreciation) on capital expenditures incurred by contractors for the purpose of carrying out defence work. A number of important Crown assets were sold to the management companies but in all such sales a condition was attached requiring that the facilities be available for a minimum period of ten years to meet any defence production requirements that may arise. New investment of public funds in the form of capital assistance was lower in 1955 than during 1954 and, with the exception of capital investment in Canadian Arsenals Limited plants, was mainly for those highly specialized types of equipment for which limited requirements precluded the recovery of capital cost. Capital assistance projects approved in 1955 amounted to only $1,800,000, slightly less than one-half the total approved in 1954.

3.—Net Value of Capital Assistance Projects Approved by the Department of Defence Production 1954 and 1955 with Cumulative Totals from 1951

Program	1954	1955	Total Apr. 1, 1951-Dec. 31, 1955
	$'000	$'000	$'000
Aircraft	512	405	103,296
Ships	132	19	18,806
Weapons	14	1,262	10,823
Ammunition and explosives	46	—	24,836
Electronics and communication equipment	415	66	3,339
Other	2,650	62	15,817
Totals	**3,769**	**1,814**	**176,917**