

Congo. All offices participated actively in the procurement of materials required for the winter works program.

**Defence Production and Development Sharing.**—The value of United States prime contracts and subcontracts related to the defence production and development sharing program that were received by Canadian industry amounted to \$112,700,000 in 1960 compared with \$96,300,000 in 1959. In the subcontracting area, which was virtually non-existent before the establishment of the production sharing program in the autumn of 1958, invitations to bid rose from some 1,900 in 1959 to more than 2,700 in 1960, and replies to these bids rose from approximately 1,400 to more than 2,100. United States subcontracts received by Canadian firms numbered 882 with a value of \$51,700,000, compared with 365 valued at \$45,300,000 in 1959.

In 1960, negotiations continued toward liberalization and expansion of previous Canada-United States arrangements designed to encourage joint production sharing. Thus, regulatory and procedural restrictions, such as the Buy American Act and duty regulations which prevented Canadian firms from obtaining equal access to United States defence markets, were virtually eliminated with regard to defence supplies. Other problems, such as security, were not completely eliminated but their effects on Canadian suppliers were mitigated. The lessening of these problems did much to establish a climate favourable to production sharing.

Equally important was the intensive educational program carried out in both countries. The United States Department of Defense and the American Services distributed directives and regulations designed to encourage purchasing from Canada. Representatives of many United States companies visited Canadian firms to make facility surveys.

The Department of Defence Production continued its extensive campaign to complete the listing of Canadian companies as sources for United States Government requirements. Departmental officers were able to obtain information and provide guidance to participants in the program as a result of visits to United States procurement centres and to industry, trade associations, trade fairs and symposiums. Of particular importance was the revised booklet on *Canada-United States Defence Production Sharing*, which is widely used in both countries. Other booklets distributed to Canadian industry outlined procedures used by the United States Services in regard to research and development purchasing. In addition, United States buyers were provided with brochures listing Canadian defence companies and the areas in which they had special competence.

The Department provided financial assistance to Canadian firms, primarily in the electronics and aircraft industries, by absorbing part of their preproduction and tooling costs. This was designed to put them in a more equitable competitive position with United States contractors who normally have an advantage because most of their preproduction and tooling costs have been written off under previous contracts. Payments of \$630,000 were made to Canadian firms in 1960 for this type of assistance, and new commitments made totalled \$307,000.

Increasing emphasis was placed on the research and development aspect of production sharing in 1960. This involved the continuation of financial support for a long-term development program designed to maintain and improve Canadian industry's scientific and technical competence so that it will be able to participate in future United States defence production programs. The Department provided assistance to competent Canadian companies in support of uniquely Canadian projects whose successful development is expected to be of interest to the United States Services. To improve Canadian industry's position to compete for United States financed development requirements, the Department shared the cost of selected projects with the United States Government and the Canadian companies concerned. Contracts valued at \$2,425,000 were issued in 1960 for this research and development assistance. Payments amounted to \$2,033,000. In addition to these contracts, financial support for a number of other projects was being considered, including several unique Canadian concepts. These projects, and United States requirements