

Thus, the Board continues to support the fields of research which are of foremost interest to the Canadian Armed Forces and the program is under continuing review to ensure that cognizance is taken of all changes in emphasis in defence requirements. Close liaison is maintained between the Defence Research Board and the Department of Defence Production to ensure that research and development activities are closely integrated with production.

PART II.—DEFENCE PRODUCTION*

Under the provisions of the Defence Production Act (RSC 1952, c. 62, as amended), the Department of Defence Production has exclusive authority to procure the goods and services required by the Department of National Defence and the responsibility to ensure that the necessary productive capacity, capability and materials are available to support the defence production program. The latter responsibility includes defence development and production-sharing with the United States, defence production export activities with NATO and other friendly countries, and co-operation in research, development and production programs within the NATO alliance. The Department also provides management and staff for the Canadian Commercial Corporation, a Crown company primarily responsible for the contracting in Canada for defence goods purchased by other governments and for contracting for supplies to meet Canadian requirements under External Aid Programs and other international agreements. The Department is responsible for planning and making other necessary arrangements for the immediate establishment of a war supplies agency, should there be a nuclear attack.

Implementing recommendations of the Royal Commission on Government Organization, the Government assigned to the Department of Defence Production the responsibility for forming a central purchasing and supply agency. The plan of organization for a future Department of Supply prepared by the Department requires the integration of the purchasing organization of Defence Production with supply functions. The supply functions were grouped with regional purchasing functions of Defence Production and the Canadian Government Repair Service to form the Canadian Government Supply Service.

Procurement contracts issued by the Department of Defence Production had a net value of \$1,030,848,000 in 1966 and \$530,729,000 in the first half of 1967. (The net value of contracts is made up of the value of new contracts issued as well as amendments that increased or decreased existing contracts.) The net value of contracts in 1966 according to the various services for which they were issued was as follows:—

<i>Source</i>	<i>Net Value</i>	<i>P.C. of Total Value</i>
	\$'000	
Department of National Defence.....	710,838	68.96
Department of Defence Production (DDP Votes).....	8,156	0.79
Foreign Governments.....	186,068	18.05
External Aid.....	35,421	3.44
Federal Civil Departments and Agencies.....	90,365	8.76
TOTALS.....	1,030,848	100.00

The \$710,838,000 in contracts placed on behalf of the Department of National Defence in 1966 was 50.1 p.c. higher than the value in 1965. There were increases of \$157,980,000 in the aircraft program, \$41,765,000 in the shipbuilding program, and \$17,570,000 in the armament program, and smaller increases in the tank-automotive program and the electronics and communications equipment program of \$2,235,000 and \$2,099,000, respectively.

Contracts placed outside Canada on behalf of the Department of National Defence in 1966 amounted to \$130,403,000, which constituted 18.3 p.c. of the total net value of prime contracts issued. Contracts valued at \$109,468,000 were placed in the United States,

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