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Facts About
Canada's War Effort

EXTRACTS FROM AN ADDRESS

BY

The Minister of Finance

HON. J. L. RALSTON

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CANADA'S WAR EFFORT

The house will remember that, back in November last, I intimated to the public of Canada that the programme which had been laid down by the government and which had been announced, it will be remembered, within a very short time after parliament prorogued, was estimated to cost \$315,000,000. After that there had been added a considerable amount, I think some eight or ten millions, on account of what we have referred to repeatedly as ancillary troops, troops which may be used eventually as corps troops or divisional troops; and in addition there had been added the estimated cost of the air training scheme, all of these for the first year of war, that is to say the year ending September 1, 1940. At that time I intimated that Canada's rate of expenditure during that first year of war was estimated to be about \$1,000,000 a day. Since that time that sum has had a very progressive and sturdy growth. I am not asking for any sympathy in the position which I occupy in endeavouring to direct to some extent, if I can, the economic policy of this country and this government. But I do say that the sums which come to one for consideration and which have to be dealt with in connection with the provision of funds for our war activities—may I say this at least?—somewhat larger than I have been used to in private life. They are almost overwhelming. This sum to which I have referred, which amounted to something like \$375,000,000, grew so that when the estimates were prepared at the end of the year for the session which was to open on January 25, 1940, it amounted to, not \$375,000,000, but \$500,000,000. Soon after that I intimated in a public address which I made that I estimated that these commitments which were proposed would, for the fiscal year ending March 31, 1941—if hon. members will differentiate that from the first year with which I was dealing, the first year of the war—amount as I said to not less than \$500,000,000. Then some items of difference arose from factors which are difficult to estimate.

Growth of Expenditures for War

May I say there is the greatest difficulty in estimating the cost of military units because obviously it depends entirely on where the military unit may be serving, in other words on what the cost of maintenance may be, or to use a more brutal word, what the wastage may be; and the wastage depends on the degree of activity in which the unit

is engaged. Officers of the Department of National Defence advised me that it was difficult to make estimates and they had to do the best they could by taking the rates of wastage which were being used from time to time, resulting from experience, in order to make up these estimates. The amount was roughly \$500,000,000. Included in that were amounts for some other departments which were engaged in war activities. That amount continued to grow. I do not want to go into items at all; but I remember one item, it did not mean the provision of another division or anything which the public would know anything about, it was an increase in the establishment of the rifle battalions in the division. That sum alone, just for the increase of the numbers in each rifle battalion in the division, of which there were nine, amounted to between \$5,000,000 and \$6,000,000. I remember also there was a change in the engineers establishment, and although there was still a division, the changes made in that item amounted to about \$4,000,000. I remember that a depot for mechanical transport—and there was nothing to indicate to the public that anything was being done; it did not show on the surface—cost about \$1,200,000. I just mention these items to indicate some reasons for the increase which took place in the financial obligation.

In addition there was the announcement made by the Prime Minister in January that a second division would be going overseas, which meant an increase in cost, on account of the necessity for providing additional equipment, of something like \$41,000,000. There were other items which I need not mention which increased the estimate to between \$560,000,000 and \$570,000,000. Then in preparation for this session the estimates were reviewed again, further additions were made, and the amounts—and here again I realize that they are estimates—were in round figures: for the army, \$265,000,000; for the navy, \$100,000,000—the Prime Minister used the figure \$103,000,000; I think that is the more exact figure—for the air force, \$100,000,000, and for the air training plan, after allowance for payments to be received from our sister dominions of Australia and New Zealand, the net cost will be, according to the estimates, something like \$120,000,000, making a total of between \$585,000,000 and \$595,000,000.

That would include the capital expenditure on the fields. The cost of the air training plan is lumped, as I think was said by the

Prime Minister yesterday, at something like \$600,000,000. I believe he was a little modest in that estimate, but there again officers find it very difficult, in forecasting a programme, to set down the cost of fields and buildings covering a long period. May I say here to the hon. member for Greenwood (Mr. Massey) that I have a great admiration for the air force. There is one branch of the force which I think excelled themselves; along with Air Vice-Marshal Croil, they took part with the staff officers from the air ministry of the United Kingdom, Australian and New Zealand in working out this plan and endeavouring to make the most effective programme and the best estimate possible. These men made no less than three different plans and estimates, necessitated by variations in the plan which resulted from the fact that Australia and New Zealand took over certain portions of the plan which originally were expected to be carried out here, but which they preferred to do at home, particularly in connection with the elementary training. This made readjustments necessary and required the preparation of completely new estimates. As I was saying, that amounted to between \$585,000,000 and \$590,000,000. There were also certain administration services.

Formation of Canadian Corps

And now, as the Prime Minister announced yesterday, there has been authorized the formation of a Canadian corps. I am sure there are many people in the country, and possibly some members of this house—and I am one of them—who did not realize and possibly do not realize yet what that involves in the matter of expenditure. The formation of a Canadian corps, as I have learned, is not simply the putting together of two divisions and having a corps headquarters. The formation of a Canadian corps means the augmenting of those divisions by corps units. By the way, I understand each division contains no less than forty units, although most of us think of a division as being composed of nine or twelve battalions with a certain number of ancillary units such as army service corps, ordnance and signallers, et cetera. As I was saying, the formation of a corps does not mean simply putting together those two divisions; it means the provision of a number of units known as corps units, which operate with the corps as an integral and cohesive body, which, if the two divisions were operating in another corps, would normally be supplied by that corps command, whatever it may be. When I tell hon. members that the additional cost due to the forming of a Canadian corps complete with all ancillary units does not mean just the cost

of a corps headquarters, but means, according to the estimates given me, between \$50,000,000 and \$65,000,000, they will realize that the decision which was made by the government involves a substantial further financial commitment. In addition, as the Prime Minister has indicated, it has been decided to mobilize a third Canadian division. The estimated cost of that third division for one year of service in Canada, in England and overseas, is in the neighbourhood of \$38,000,000. So that the \$591,000,000 may be increased by about another \$100,000,000, and then there are amounts to be provided for other departments for expenditures connected with the war.

It may be said that possibly this bill does not provide sufficient money. Those of us who are on the government benches know that as the result of communications we have sent overseas other suggestions have been made and other matters are under consideration by way of cooperation. At the moment, however, this \$700,000,000 is the amount for which we are asking parliament.

\$25,000,000 for Bomber Squadron

I was indicating that it was difficult to make estimates in the matter of military units. Let us take one example in connection with the air force, which has been referred to by the hon. member for Greenwood. The initial cost of a fighting squadron, including pay and allowances for one year, without active operations, is \$2,500,000; but the cost of keeping in the air in actual operations those twelve or sixteen machines depending on the sort of squadron it may be, is something like \$10,000,000 for the year. The initial cost of a bomber squadron is in the neighbourhood of \$2,700,000, while the cost of keeping those machines in the air and restoring wastage for the period of a year is something like \$23,000,000. So, as the house will understand, in estimating the cost one has to take some hypothetical figure and some hypothetical view as to what will be the degree of activity of that particular unit.

The house may wish to know the expenditures from September 1 to March 31. For this period the total payments on defence account were \$112,000,000. The total payments to May 15 were \$136,000,000. The commitments from September 1 to March 31, in addition to pay and allowances, amounted to \$267,000,000.

The degree of financial obligation which we undertook can be perhaps realized to some extent by comparing these appropriations with those for the last war. Please, Mr. Speaker, do not let anyone think I am making any invidious comparison between our efforts

in the last war and our efforts in this war. What I am pointing out is that an entirely different situation exists to-day. In the last war our contribution obviously was largely represented by man-power. This time it is represented by man-power and machines; by a naval force of from 6,000 to 10,000 men as compared with 1,500 in the last war; by an air force, which of course did not exist at all in the last war, and by the air training scheme, which of course is entirely new. In the last war the appropriation that was requested by, I think, the Prime Minister of the day, who sponsored a similar bill, was \$100,000,000. This year we are compelled to ask for \$700,000,000 for practically the same period. May I add also, in order to show the financial obligations we have undertaken as compared with those of the last war, that to-day the dollar is worth more in terms of purchasing power than it was at that time.

I do not think I need go into further detail in connection with this resolution. I have tried to give a running picture of how the amount is made up and have indicated sketchily the differences in the various departments of activity in this war as compared with the last war. There has been some talk of red tape. I think my colleagues will agree, as I believe the house would agree if it knew the circumstances, that every endeavour has been made to shorten not only departmental but also official procedure in every way. In my capacity as Minister of Finance I have not hesitated to sign my name to authorizations which I believed would be honoured by this house and by the Canadian people, authorizations covering commitments extending beyond the first year of war and even beyond the first fiscal year, where that seemed to be necessary in order to promote, speed up or produce greater efficiency and greater economy in the production of war materials. Speaking of commitments, I think I should remind the house that the amount provided for in this bill does not by any means represent the total economic effort of Canada.

Helping British Financing

As the house already knows, we have endeavoured to assist the United Kingdom in connection with the purchase of goods from this country by providing here a market for the acquisition or, as we sometimes call it, the repatriation of Canadian securities held in the United Kingdom. This means that we are furnishing an internal market to take the place of an external market for those particular securities, and providing the funds necessary therefor.

The first operation provided for the repatriation of something like \$91,000,000 in securities. I might say that since that time there has been a substantial accumulation of sterling, and only a few days ago I gave authority for a still more substantial accumulation of sterling on the part of the Canadian government, looking forward to a further repatriation effort which would be made in the not far distant future. In the meantime, as members well realize, that accumulation of sterling provides the funds necessary to assist in the purchase of Canadian goods.

Heavier Taxation Necessary

One other matter I should like to mention is the suggestion which appeared in one of the morning papers to the effect that the entire payment of this year's war bill will be by borrowing. This bill does not mean that, by any means. I wish to assure the house and the country of that fact. It is true that in accordance with the last paragraph of the resolution provision is made for the issuing of bonds and the borrowing of any sum up to the amount stated. But that is only to assure us of adequate authority for that purpose. Our policy—and I believe it is the policy wanted by the people of Canada—is that which was announced at the first session after war was declared, namely, a policy of paying as you go, so far as that may be found possible. The system of raising funds for purposes of the war will be by taxing taxation, and then by borrowing any portion of our war expenditure which it may be found necessary to finance in that way.

I have given a brief outline of what is contained in the measure, and the way the amount has been made up. We have been asked, and I have been asked, what the extent of our war effort is to be. I have said before and I say it to-day—and without any heroics it is said in the words of the speech from the throne—that the limit of Canada's war effort is only the limit of her strength and of her capacity. I am sure the government and the house believe that Canada wants to put every ounce she can muster into the war, and that in trying to estimate and appraise her capacity every true Canadian will approve the principle of not how little, but how much. It is in that spirit that we have approached the problem of providing funds for the war effort outlined yesterday by the Prime Minister. As I have indicated already, as a result of communications we have sent to the United Kingdom further measures are contemplated. I can only assure the house that if it is seen fit to give this vote of credit or appropriation to the govern-

ment, it will be used in the best way which earnest men can devise, not in any spirit of complacency but as men who realize only too vividly the seriousness of the responsibilities resting upon their shoulders, in an endeavour

to make as definitely effective a contribution as possibly can be made to the success of the cause which is at stake in this the greatest world crisis of all time.

