

Lockheed Contract

like these is in the national interest and is a defence matter; it has nothing to do with partisan politics. What is so disturbing is this loose contract and verbal assurances. It is unbelievable when you read the background of this company. When it received backing in the United States, a 48 to 48 tie had to be broken in the Senate before it could receive any financial aid from the United States government. That would not indicate it had very strong support in the United States. As far back as 1971 it was stated, and I quote:

● (1750)

The legislation would permit the government to guarantee up to \$250 million in bank loans to any corporation whose failure would "seriously and adversely" affect the national economy or that of any region.

That is referring to Lockheed.

—Administration spokesmen made clear their expectation that the entire \$250-million would be used to shore up Lockheed . . .

Mechanically, guarantees of the loans to Lockheed will have to be authorized first by a three-man board that is created under the legislation. The members of the board are the Secretary of the Treasury, the chairman of the Federal Reserve Board, and the chairman of the Securities and Exchange Commission.

As far back as 1971 you can see the financial straits this company was in, and this certainly should have alerted the minister and the government when dealing with it. They should not be talking about verbal assurances, as was the Minister of National Defence (Mr. Richardson) on a number of occasions. The Minister of Supply and Services (Mr. Goyer) said that he does not believe in verbal assurances of contracts.

In an article in the December 9, 1972, *New York Times* there are further comments about Lockheed by the General Accounting Office, the U.S. congressional watchdog agency. I quote:

Firm orders for 110 of the large planes "will probably generate about \$393 million in cash through 1975—an amount sufficient to repay the government-guaranteed loan", the agency said. However, it added: "Lockheed could suffer substantial losses if it does not receive additional Tristar orders."

You can see the difficulties it was in at that time.

At the last meeting of the Standing Committee on External Affairs and National Defence on March 23 the matter was pursued further. With regard to questions about the Lockheed purchase the Minister of National Defence stated, and I quote:

The problem was that the particular company that we were dealing with had an understanding with their banks and with the United States government that they would not borrow further. But they did not reveal that to us.

The Canadian government certainly did not go into any detail whatsoever in drafting this contract with Lockheed. One member of the committee then asked:

Was the government aware of that limitation?

The minister replied:

No, we were not, and that was the prime cause of the misunderstanding.

The Minister of National Defence was premature in making the announcement about this purchase in November, 1975. There was no firm contract. If he had waited until there was a firm contract and all negotiations were completed, we would not be committed to this \$60 million.

[Mr. McKenzie.]

In all probability we would not be in the mess we are in today. Further at that committee meeting our defence critic, the hon. member for Victoria (Mr. McKinnon), stated:

Well, the fact that Lockheed were not able to borrow further was common knowledge in the United States—

I just revealed this fact going back to 1971.

—and I am a little puzzled about this remark that it was not known by an organization who were planning to spend \$1 billion of Canadian taxpayers' money on this company.

The minister replied:

I can only repeat, Mr. Chairman, that our officials were advised by Lockheed that they could provide the financing.

There was no official documentation. It is unbelievable that the minister would get involved in a contract like this on verbal assurances.

At the committee meeting of December 1, 1975, we questioned the minister about this contract. He had stated that a large part of the work would be done in Canada. I was most interested in where and who in Canada was going to get this work. I put this question to the minister:

Mr. Minister, I would like to get more information on the manufacturer of parts for the Lockheed Orions in Canada. You stated that there could be a maximum of \$560 million spent in Canada in the manufacture of parts, and that you had a firm commitment that \$283 million would be spent in Canada. Apparently a General Allen of National Defence was chairing a committee to firm this up. Could you inform the committee as to what provinces, or what firms, will be getting this spare-part manufacturing business?

The minister replied:

I can give you the over-all figures even more precisely than I did the other day.

The minister had given me some information in the House a couple of days earlier.

I mentioned in the House a figure of \$283 million that was confirmed, and the \$285 million figure. I understand that both of those figures are ones the Lockheed firm are prepared to carry out in Canada for a total of \$568 million. The reason for their separation is that the \$285 million of work has not been identified as to its exact location, but it still is work that can be done and will be done by the Lockheed company in Canada.

I was interested in what work would be going to Winnipeg. The minister informed me that work would be going to Standard Aero and Bristol. He said, and I quote:

I do not have dates, but the program is starting now and it certainly will be during the life of the contract. Even Standard Aero will not have to wait, even though it is repair and overhaul, until they are starting to repair engines from our own aircraft. They will start to get work now,—

That is what he stated on December 1, 1975. The parliamentary secretary told us today that they are still negotiating a firm contract, but the minister stated in committee that they will get work in Winnipeg "now". What did he mean by "now"? May I call it six o'clock, Mr. Speaker?

Mr. Deputy Speaker: It being six o'clock, I do now leave the chair until eight o'clock tonight.

At six o'clock the House took recess.