

*Supply—Defence Production*

equipment is required for production in almost any plant. The equipment is purchased by the crown, and put in the plant, and the crown retains ownership.

However, as the situation is today, the Avro company is a private company just as Canadian Car is a private company. They both do work for the crown. They both do aircraft work for the crown. The aircraft part of Canadian Car work is rather minor. They had a building in Port Arthur built years ago to assemble freight cars, which has been converted into an aircraft plant and in which they build aircraft and buses. But it is not a major aircraft company. I do not like companies that are too big. If the hon. member wants my impression, my objection is largely as to the size. But if the management is efficient I do not think the interests of the Department of Defence Production will be adversely affected.

My hon. friend speaks of competition. There is not much competition in buying aircraft or buying work of that kind. The cost has to be established for the particular unit. It is possible to get competition between plants as to which will do it for the least cost. That is a matter that must be decided by the person placing the aircraft order. But we try to put development work into the plants that we think can do it most economically.

**Mr. Macdonnell:** What percentage of the aircraft manufacturing capacity in Canada will now be in this merger if it is made?

**Mr. Howe (Port Arthur):** I do not know the answer but I guess it would be about 50 per cent. Canadian Car are not now prime contractors in aircraft; they are only sub-contractors. It would be less than 50 per cent of the floor space that is devoted to the manufacture of aircraft.

**Mr. Macdonnell:** Three years ago the minister told us that the amount of government money that had gone in was \$120 million for what was described as facilities, materials and work in progress. Those were the words used. What amount is still owing to the government? The minister has explained that the real estate was bought and paid for, so I understand.

**Mr. Howe (Port Arthur):** Yes.

**Mr. Macdonnell:** What amount is still owing?

**Mr. Howe (Port Arthur):** There is nothing owing. We still pay for work in process.

**Mr. Macdonnell:** May I put it in this way. How much of the land, buildings and equipment which is used in producing aircraft at Avro represents government investment?

[Mr. Howe (Port Arthur).]

**Mr. Howe (Port Arthur):** We have an investment of \$44 million in equipment. We own the equipment. We have made no arrangement to sell the equipment at Avro. We can take it from the plant at any time we like. We sold the buildings and facilities other than manufacturing equipment.

**Mr. Macdonnell:** That means that the figure of \$120 million has been reduced to what?

**Mr. Howe (Port Arthur):** The \$120 million included work in process. A great deal of it was aluminum that went into planes. A great deal of it was material bought for the manufacture of engines which have since been manufactured and paid for by the R.C.A.F. But there was always work in process. The difficulty at the time was that we found that when we had invested \$122 million we had no production. The production has been coming out for a year or so, and it is still coming out. The main interest today is our investment in machinery used in the plant, special machinery which we own, and payment for work in process, which is labour and materials going into aircraft that are not yet completed. When they are completed we deliver them to the R.C.A.F. and we are paid by the R.C.A.F. for the aircraft. That reduces our commitment to A.V. Roe.

**Mr. Macdonnell:** I want to speak now about Canadair. The minister shook his head when I referred to the fact that Mr. Notman, president of Canadair, is a director of the car company.

**Mr. Howe (Port Arthur):** No. He was a director of the car company. I asked him about that and he said that he had resigned from the car company as soon as he heard that a deal was in prospect. Of course Canadair has no interest in this latest merger in any way. It is because they wanted to operate both that Mr. Notman resigned from the Canadian Car board.

**Mr. Macdonnell:** The minister's answer, particularly his statement that he knew nothing of it and was as surprised as any of the rest of us, makes it in a way difficult to pursue the matter. Yet it leaves me with the uncomfortable feeling that after all in other cases, as the minister has been very careful and emphatic in pointing out to us, the department not only was consulted but played a very effective part, while here we have a situation where indirectly, if you will—I will not say directly—an investment of the government of Canada is being made a sort of steppingstone for this merger which the minister has quite frankly said he does not entirely like on the ground that things get too big.