

with Chrysler Canada and the parent corporation. Their original request was much higher.

In addressing the question of how much assistance is appropriate, the government had specific objectives in mind. We, the federal government, wanted our contribution to ensure that Chrysler would make investments in Canada so that a new product line competitive in the market of the eighties and beyond in terms of size and fuel efficiency would be built. We wished to restore employment over time to a level comparable to that before the recent lay-offs. We felt that the federal government assistance should not be out of proportion with that being offered by the United States government. Also, we wanted Chrysler's commitments to cover its entire operations in Canada. Our objectives have been met.

In considering the form of our assistance, the government did not feel that the solution would rest in taking an equity position in Chrysler Canada. It is not a stand-alone company and is dependent on its parent and the United States dealer network for its survival. Equity participation also implies other obligations which, as a government, we do not consider appropriate to take on.

The Government of Canada will, however, receive warrants to acquire shares of Chrysler Corporation common stock in the same proportion to those received by the United States government, on the same terms and conditions. In this way, Canada will have the opportunity of sharing in the future success of the corporation whose Canadian subsidiary it is assisting.

The federal government decided against making a grant. Our assistance will, therefore, only be in the form of loan guarantees.

The money will come in the form of loans to Chrysler Canada from the private sector and not the government, but the government will insure those loans to make them possible. Obviously, some risk is involved or guarantees would not be required. However, the government has minimized its risk in the following ways.

First, the guarantees will not be drawn down until January 1, 1982, at the earliest, and thus the government is not at risk during the early stages of Chrysler's recovery. Second, the guarantees are tied to investment in Canada only. Third, conditions involving the company's entire operations in Canada, including appropriate security, have been obtained.

Repayment of the insured loan by Chrysler will be over a five-year period in equal quarterly instalments commencing six months after the launch of the van-wagon, which I will describe in a moment, but not earlier than June 30, 1984.

A specific project to which the loan guarantees will be tied is the production in Canada of an all-new, small, fuel-efficient vehicle. The vehicle is the T-115 van-wagon aimed at the market now supplied by large passenger cars, station wagons and lighter compact vans. Chrysler Corporation has granted Chrysler Canada, until the insured loan is repaid in full, an exclusive worldwide mandate to produce this vehicle. The agreement provides that, where practicable, research and de-

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velopment activities, including engineering support for the production of the T-115, will be conducted in Canada.

Upgrading and expanding the existing van facility in Windsor will require some \$400 millions of the total of some \$1 billion in investment. The Government of Canada's \$200 million of loan guarantees in 1982 are to make this investment possible, but our loan guarantees are conditional on Chrysler's proceeding with its full \$1 billion investment program for Canada.

In addition to the investment for the van-wagon, Chrysler Canada will spend about \$250 million to improve its existing facilities for car production and to build one of the new lines of small, front wheel drive cars to be introduced in 1983. Also more than \$300 million will be invested to expand and improve several existing assembly and manufacturing operations, including the Etobicoke aluminum casting plant.

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The government, as a condition of assistance, has required that Chrysler Corporation restructure its operations so that Chrysler Canada operations are in large measure autonomous with respect to purchasing, marketing and production while remaining cost-effective with its competitors. This would help carry out another condition agreed to, and that is that Chrysler Canada will make every reasonable effort to source materials and components in Canada. Of course, Canadian suppliers will have to meet normal competitive requirements.

Also we have required in the agreement that Chrysler Corporation transfer pricing practices will not work to the detriment of Chrysler Canada. Under the agreement the minister has the right to appoint a director to the board of directors of Chrysler Canada Ltd. In addition, the Government of Canada will be supplied with the same reports that Chrysler Corporation has to provide to the United States Chrysler Corporation loan guarantee board.

The details of these and certain other financial conditions will be set out in formal documents. As I informed the House yesterday, I will be tabling these documents following their signing, and I will be tabling in the House the Chrysler Canada financial and operating plan, to which I referred previously in my remarks, at that time. During the negotiations the views of the Canadian director of the United Automobile Workers were obtained on certain matters relating to the agreement.

Finally, I should like to emphasize three important aspects of this agreement. We have as a government for the first time, as far as I am aware, insisted on a condition that none of the facilities of Chrysler Canada can be closed permanently without obtaining the approval of the minister. Also we have insisted, again, as I understand it, for the first time, upon a condition that employment levels in Canada will be maintained at levels at least proportional to those in the United States. Third, the Chrysler Corporation has agreed to review with the minister, once the van-wagon plant is in operation, the concept of moving the relationship between employment in