

*Supply—Defence Production*

minister has told us that the department was not consulted in any way. I should like to ask if they should not have been consulted. The minister has made it very clear to us in other circumstances that the government acted very definitely in connection with the Avro company. What is the minister's feeling about this near-monopoly? Does he not think it is undesirable to have a situation set up where the government will still, as I see it, be a large partner in the new organization which will dominate the aircraft industry? Perhaps he could give us an idea of the percentage which will be controlled in this way. With the support they have been given from government funds, presumably they are going to step into competition in other fields.

It would be interesting to hear the minister comment on the whole situation. He has told us that he was as surprised as the rest of us to hear of this transaction. Do I understand that this transaction is being carried out without any assistance, directly or indirectly, from the government, either through defence production or in any other way? Of course in one way they have government assistance, in that Avro finds itself in its present position largely due to the huge sums which the government has paid out to them.

**The Deputy Chairman:** Before the minister replies, perhaps this would be a good time to indicate that it is five o'clock, at which time the house will consider private and public bills.

At five o'clock the Speaker resumed the chair.

**PRIVATE BILLS**

**Mr. Harris:** Mr. Speaker, I think you will find that there is general agreement that we go on with the estimates.

**The Acting Speaker (Mr. Applewhaite):** Is there unanimous consent that private and public bills will not be discussed at this time?

**Some hon. Members:** Agreed.

**SUPPLY**

The house in committee of supply, Mr. Applewhaite in the chair.

**DEPARTMENT OF DEFENCE PRODUCTION**

85. Departmental administration and payments to Canadian Commercial Corporation and other corporate agencies for services provided in connection with defence purchasing and production, \$6,391,430.

**Mr. Howe (Port Arthur):** Mr. Chairman, the position of Avro has developed over the years. In the process of the liquidation of war plants after the second world war the Avro plant, as it was then, was sold to the Hawker-Siddeley group for a price which called for payments

over a period of time. Very little work was being done in the plant, but the plant was kept open. When the Korea crisis developed, of course, the plant became engaged in the development of the CF-100 aircraft and the Orenda engine.

Some work on the engine had been carried on before. It was started toward the end of the last war in another government plant, and was put in there as a means of keeping the plant open. The development work was being carried on there at the time. We had a requirement from the air force to develop an all-weather fighter plane which is today the CF-100. We did that work at Avro. As I say, before we got our first plane we had invested some \$122 million, I think it was, in that project. That included the building and equipping of that engine plant. It included substantial additions to the aircraft plant and the installation of additional equipment for the aircraft plant. It included expenses for tooling, expenses for development and of course production materials.

When the plane came into production and others were made, that money was recovered or was in process of being recovered through the delivery of the finished product. We were able to recover the money from the air force by delivering the aircraft to the Department of National Defence. That went on and that particular development work became work in process.

As time went on an agreement was entered into with Avro by which they acquired the real property by purchase from the crown. They purchased it at cost less normal depreciation. Land and buildings costing \$17,388,000 were sold to A. V. Roe for \$17,153,000 on July 1, 1953. That payment has been made in full, so that Avro today own their physical property. The crown still has equipment or machinery in the plant, just as we have in many plants doing war work and which we own. That machinery in the Avro plant has a purchase price of \$44 million. That is property of the crown and can be removed by the crown at any time.

**Mr. Macdonnell:** May I interject a question there?

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

**Mr. Macdonnell:** What is the amount now owing to the crown? Is it just the \$44 million that the minister has mentioned?

**Mr. Howe (Port Arthur):** No, there is nothing owing to the crown. The crown has in the plant certain equipment which the crown owns. There has been no arrangement for sale of the equipment in the plant to Avro. That is the situation where special