

Chrysler Canada

whether or not there has been a prima facie breach of privilege. I will instead take the matter under advisement.

ROUTINE PROCEEDINGS

● (1600)

[English]

INDUSTRY

**CHRYSLER CANADA—STATEMENT REGARDING AGREEMENT
REACHED WITH FEDERAL GOVERNMENT**

Hon. Herb Gray (Minister of Industry, Trade and Commerce): Madam Speaker, I wish to inform this House in a formal way of the agreement reached between the federal government, Chrysler Canada and the Chrysler Corporation following extensive negotiations.

Chrysler Canada has presented to the federal government its corporate financing and investment plan for the years 1980 to 1985. This plan calls for an investment of approximately \$1 billion to convert and expand certain of its existing Canadian facilities. This investment will enable employment in Canada to return to historic levels. The average annual employment levels included in this plan are 9,800 in 1981, 10,100 in 1982, 11,300 in 1983 and 15,900 in each of 1984, 1985 and 1986.

The government recognizes the difficulty of projecting with absolute precision employment levels that are in large part dependent on economic and market conditions, particularly in the automotive industry. As a result, one condition insisted on by the federal government is that Canadian employment will be maintained at no less than the historical average of 11 per cent, expressed as a ratio to United States employment, for the years 1982 through 1986. During 1980 and 1981, recognizing that Chrysler is now in a restructuring process, the figure shall be maintained at no less than an average of 9 per cent.

Deviation from the investment, financing, facilities or products outlined in the plan or from the proportional employment commitments will occur only with the consent of the minister.

In return for these investment and employment guarantees, the Government of Canada will guarantee loans to an amount of \$200 million by financial institutions in support of Chrysler Canada's investment of about \$1 billion in its operations. These loan guarantees will not begin to come into effect until 1982.

The government's offer to Chrysler Canada is also conditional on the successful achievement of the over-all financial package now being sought in the United States by the parent company, Chrysler Corporation.

Before elaborating on additional conditions and safeguards that the federal government has attached to its assistance, I wish to outline the background and considerations that were taken into account.

Chrysler Canada's difficulties arise primarily from the plight of its parent, which has been well publicized. Chrysler Corporation, until recently the tenth largest company in the United States, has suffered proportionately more than any other auto company as a result of the dramatic switch of consumer preference to smaller cars.

In 1979 Chrysler Corporation approached the United States government for help to meet the very large program of investment necessary to convert its plants to smaller car production and to meet engineering and design costs of these new products. These costs will amount to about \$9 billion in the period 1980-85.

The United States government's response was to pass the Chrysler loan guarantee act, which will make available to Chrysler Corporation up to \$1.5 billion in United States loan guarantees, provided comparable amounts of credit can be raised by others with a stake in the future of the corporation. These others include banks, suppliers, dealers and state, local and other governments.

Chrysler Canada approached the Canadian government last year for assistance. Although not in as serious a financial situation as its parent, Chrysler Canada sells about 80 per cent of what it produces in the United States market. It is thus unable to finance by itself the necessary investment to modernize its facilities to take part in building the next generation of vehicles needed to re-establish itself in the market.

In weighing the Chrysler request, the government had a number of considerations in mind. First, a refusal by the government to assist Chrysler Canada would have had an adverse effect on the ability of the United States parent to achieve the over-all financial package it requires. Chrysler Canada is integrated so closely to its parent's activities that demise of the parent would inevitably lead to termination of Chrysler activities in Canada.

Chrysler Canada is our country's seventh largest company of any kind. The impact of its failure on Chrysler dealers, suppliers and their employees as well as on the entire economy would be such that the government cannot ignore the implications for the country. Estimates of direct jobs at risk if Chrysler were to fail run as high as 40,000 across Canada. These include 14,000 jobs in Windsor, Ajax and Mississauga prior to recent lay-offs, close to 10,000 parts supplier jobs nationally, and some 16,000 jobs in more than 600 dealerships across the country. For example, more than 4,000 people are employed by the 160 Chrysler dealers in Quebec. There are 1,700 such jobs at stake in Alberta, 600 in Nova Scotia and some 1,200 in British Columbia. The costs of these direct job losses in terms of taxes forgone and unemployment insurance payments alone would be considerable.

These are the direct jobs at stake. Also, if a company having 40,000 employees directly depending on it should fail, the impact on indirect jobs and the economy generally would be equally substantial.

Arriving at the \$200 million level of guarantees for third party loans is the result of an extensive period of negotiating