

and of any reference to a delivery schedule left the impression of a premature and calculated announcement.

A news release was issued by IT&C stating that Canadair would be building the *Challenger E*, a stretch version of the successful corporate jet aircraft. Secretary of State and Communications Minister Francis Fox, representing a Montreal suburban riding, questioned whether the investment and market to support the 5,000 job project would still be forthcoming if Quebec chose to separate. He also warned that the economic benefits for Quebec in the NFA package would disappear if Quebec rejected the federal option. A Radio Canada newsman reported that Quebecair was to be granted the right to buy Nordair, an acquisition it had been seeking for months. The report was not corroborated by any federal announcement, but the rumour circulated widely. Once the referendum was over and the constitutional package became the new issue, Ontario's concern over the ownership of Nordair entailed continual postponement of any decision on the company.

Project evaluation

The most potentially compromising setback to the impartiality of the project evaluation principle was administered by the Defence Minister. Second only to the NFA procurement in urgency and cost, the selection of two finalists for the contract definition stage of a frigate replacement program was already overdue. The Minister is keen to strengthen the growing reputation of procurement through project evaluation. However, moved by the exigencies of the Quebec referendum campaign, Maurice Lamontagne promised that "Quebec shipyards will be favoured, since there are two which require assistance."

Two consortia had a large Quebec component, one led by Pratt & Whitney and the other including Vickers Canada of Montreal and Davie Shipbuilding of Lauzon. The Minister's comment might have implied that the consortia involving Saint John Shipbuilding & Drydock, the Department's preferred bidder, would not be short-listed. Although all groups had the opportunity to adjust their consortia to conform to the government's increased Canadian control and content requirement, each of these three satisfied these criteria. The Vickers & Davie group, not the Saint John, was ultimately dropped. The integrity of the project evaluation withstood the strain. The direction of the program is towards the victory of a single consortia, though with a decision 18 months in the offing, a reversion to dispersed construction is not entirely foreclosed.

The heavy pre-referendum emphasis on employment and production commitments for Quebec requires further consideration in relation to Gray's estimate of April 1980, based on the project team assessment, that McDonnell Douglas offered the best deal for Canada as a whole, and for its various regions. According to the evaluation report, on a sales/purchase value basis the

McDonnell Douglas bid represented \$1,573 million, Quebec and General Dynamics \$1,472 million, but figures exceeding the promised benefits to Ontario. The team assumed that Canadair would be likely to build the forward fuselage rather than McDonnell Douglas' own plant at Malton, at times listed as \$2 million. Canadair has been heavily involved in the abortive F-16 bid, but the Defence Minister strongly encouraged Canadair to bid on several specific sub-contracts for the F-18A. McDonnell Douglas of Missouri was also sufficiently pleased at winning the overall contract that it could afford to be generous about not favouring its Canadian subsidiary. The project evaluation team evidently assumed new priorities for Canadair and the McDonnell Douglas parent company.

If these assumptions are valid and Canadair manufactures the forward fuselage, then the McDonnell Douglas industrial benefits are superior to the General Dynamics offer in both provinces, and in Quebec over Ontario. If not, the F-18A package would be superior in Ontario over Quebec, and the F-16 package superior in Quebec over the F-18A. In either case, the evaluation report interpreted the General Dynamics offset figure for the rest of Canada as higher than the McDonnell Douglas figures. Gray's claim that the McDonnell Douglas industrial benefits package was the best deal for each of the regions in Canada is thus overwhelmingly true in Ontario, possibly marginally accurate in Quebec, but marginally inaccurate outside of central Canada. An updated comparison of effects for the two corporations in 1981 is, of course, impossible, since only McDonnell Douglas continued sub-contracting negotiations.

One cannot fairly conclude an assessment of the linkage between Canadian defence procurement and national industrial benefits without paying tribute to the relative proficiency of the evaluation process gained in a very brief spell of years. The LRPA contract offered an initiation process; the NFA contract introduced the three new factors of regional industrial benefits, of small sub-contracting and high technology offsets; the frigate contract may permit sustained awarding of the most efficient shipyard rather than direct subsidization of the least. Over a number of years, the project evaluation system may lead to some rationalization of the shipbuilding industry and restructuring of the aerospace industry. Neither aim has to this point been integral to the goals of the Department of National Defence or of Regional Economic Expansion. Industrial restructuring was not part of the NFA contract, though IT&C might have wished that were. The project evaluation system is not yet a fixed model and probably never will become one, but it is being observed with respect from abroad. Canada may not have the lead exclusively to itself in this new innovative procedure, but no other country is clearly ahead of it.