

Canadair Limited Divestiture Act

France and Great Britain all have major public-sector involvement in the development of the aerospace industry. However, the United States does not. Of course, the reason for that is obvious. The tremendous power of the military budget and the role of the Pentagon essentially drives the aerospace industry through incredibly vast, financially viable defence contracts. There is no need for the Government to play a participatory role. It simply buys such a significant number of aircraft of all sorts and descriptions as well as parts and technology that the need is not there.

The point I want to make is that the role of a Government as a partner and co-operative player in the development of aerospace technologies is something that is found everywhere. Canada does not have to feel that it is out of step. As a matter of fact, it is now moving out of step by removing itself through the selling off of Canadair.

Back in May of 1985, I read the *Budget Papers* with interest. Under the heading of Rationalization and Privatization of Crown Corporations and Other Federal Investments, a number of points are listed. Point No. 4 at page 26 says the following:

Crown corporations will not be sold at distress prices merely to transfer them quickly to the private sector.

A large deficit and normal fiscal prudence dictate that the privatization program should proceed at a measured pace with careful consideration of all the issues, not the least of which is the receipt of a fair and reasonable price for each asset.

That was contained in the *Budget Papers* of May 1985 which my friend, the Hon. Member for Mississauga South (Mr. Blenkarn), has now committed to memory.

Let us take a look at Canadair itself and just what it is we are talking about at this stage of the progress of this Bill. The history of Canadair takes us back to 1944 and the development of our aircraft industry. It is useful to note that since then we have constructed in excess of 4,000 aircraft including 600 jets. By all accounts, world over, Canadian participation in the aerospace industry is recognized as positive participation. We have been a world leader in a number of technologies and continue to be one.

In 1976 one of General Dynamics' components ran into some very serious financial difficulty and planned to abandon its plant. The Government of the day thought that rather than abandoning the plant and the technology and, perhaps more importantly, all of the people who worked in that sector of General Dynamics, they would purchase it for the best interests of the development of the Canadian aerospace industry. Indeed, the Government did purchase it to the tune of something like \$48 million back in 1976.

Canadair is now recognized as being the number one player in the aerospace industry and its most recent success has been the development of the Challenger executive jet. Personally, I have some concerns about our initiative in that area but, nevertheless, it is a high quality piece of machinery and one of which we should at least feel proud in terms of technological development.

It is important that this occurred at a time when the aerospace industry was experiencing difficulty around the world. Let us face it, there was a good deal of mismanagement going on. I do not suppose it would be easy to prove that, but I think all of us in this room have been briefed by a number of players who have recognized that there was a great deal of mismanagement and some very serious problems with the handling of the affairs of Canadair. This caused a great deal of financial difficulty so the Government and taxpayers of Canada were asked to assist through a variety of measures. A great deal of money, in excess of \$2 billion, was spent over a number of years to develop front-end technology, the expensive part of investing in research and development through to production. We are now at the production stage, having spent all of that time, expertise and research. Quite frankly, now seems like an odd time to be selling after making that tremendous public investment.

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Today we are talking about the four plants in Montreal, three at Ville St-Laurent and one at Dorval, employing in excess of 4,500 employees. It is very important that Canadair remain a viable industry, not only for the City of Montreal or the Province of Quebec but indeed for the future of Canada and Canadian industry.

Why privatization? Why are we selling this off? Over the years the Government has invested a tremendous amount of money preparing the stage and laying the foundation for what is becoming a world leader in the aerospace industry. Various sources place its book value from \$75 million to \$400 million in terms of the actual value of the company. These are difficult times to place a value, because we are trying to evaluate how the company will perform in the future.

Bombardier has received an early Christmas gift considering that all it has to pay is \$120 million. Bombardier is receiving a lot for that money. On December 2, 1986 my colleague from Winnipeg—Fort Garry (Mr. Axworthy) was referring in the House to a condition incorporated into the letter of intent which involved the maintenance contract for the CF-18 going to Canadair as opposed to Bristol Aerospace in Winnipeg, and he stated:

—the transfer of the CF-18 systems technology would cause Canada to pay Crown royalties equal to 1 per cent of Canada's share of the program revenue.

He went on to say:

—that quite clearly in the bargaining and negotiations the Conservative Government had decided to provide the CF-18 work as one condition of the sale in order to get cash flow into Canadair sufficient to satisfy the requirements of Bombardier.

In other words, there was at least the suggestion that there was all sorts of wheeling and dealing prior to the finalization of that decision to provide the CF-18 maintenance contract to Canadair. We see now that this was all done thinking ahead as a way to sweeten the deal, so it could be made more attractive to Bombardier, so that they would purchase it.

An Hon. Member: No proof.