

smaller companies being taken over or going out of business. May I call it ten o'clock, Mr. Speaker.

## PROCEEDINGS ON ADJOURNMENT MOTION

[English]

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

### SUPPLY AND SERVICES—CONTRACT WITH LOCKHEED— REASON FOR FAILURE TO PROVIDE FOR SHORT-TERM FINANCING—POSSIBILITY OF BUYING CANADIAN AIRCRAFT

**Mr. Stuart Leggatt (New Westminster):** Mr. Speaker, this matter arises from a series of questions that have been asked in the House concerning the strange contract for the purchase of the Lockheed Orion. I refer to the questions that have been asked from time to time by the hon. member for Victoria (Mr. McKinnon), and in more recent days by myself.

I hope the parliamentary secretary will address himself specifically to some questions which remain unanswered. I hope he will not think that this is simply an unwarranted attack on the government's position, because I appreciate that the matter is presently under negotiation and that the problem of financing is paramount. But I do think that this House deserves an answer as to why a company with the reputation of the Lockheed company in November of last year, after some six months of information from all over the world which has certainly scandalized the U.S. Senate, was not questioned very carefully as to the capacity of that company to develop its own cash flow or to generate sufficient funds within the company to meet its obligations on the final signing of a contract with the government for the purchase of the Orion.

● (2200)

It seems to me that the parliamentary secretary should try to answer the question as to why it was that further and more detailed inquiries were not carried out in this case by the Department of National Defence. I appreciate the fact that the parliamentary secretary does not speak for defence, but surely it is part of his general responsibility to answer why such a proper inquiry was not made into the financial capacity of the Lockheed company to satisfy its obligations under the contract in November when we announced in principle the purchase for \$1 billion of LRPAs aircraft. That was in November.

In January we found that suddenly there was not enough start-up money, and therefore formal contracts were not going to be entered into. We had the very strange interview with the Minister of National Defence (Mr. Richardson) in which he alleged, first of all, that Lockheed had misled us. He then suggested that they were given an assurance by Lockheed that the financial situation was all right. In the same interview he went on to say that because the Boeing contract was basically the same financially as

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the contract with Lockheed, they were relying on the assurances that since Lockheed was meeting the Boeing contract it would not be a financial problem. All three of these statements are in conflict, and I hope that the parliamentary secretary will cast some light on that.

We have invested about \$11 million and eight years of study in the purchase of these aircraft. In Canada we have excellent aircraft. We have the Argus, and we have another new aircraft which we have developed called the Dash 7. The Dash 7 is manufactured by De Havilland, and the Argus by Canadair. We did not need to enter into this agreement with the Lockheed corporation because we had a perfectly satisfactory aircraft. The Dash 7 would have provided very adequate service in the north and in terms of the environment, and the Argus, with refitting, would have provided a satisfactory LRPAs aircraft and substantiated our anti-submarine role about which some of us have some reservations. Nevertheless, we can appreciate, with the 200 mile zone becoming a reality in the near future, that satisfactory aircraft will be needed.

We could have had Canadian workers and all Canadian companies, and every dime of that tax investment could have been made in Canada. The government made a bad decision and now it has a golden opportunity to change that decision because if it was misled by the Lockheed company, as the Minister of National Defence stated, then legally—

**An hon. Member:** He never said that.

**Mr. Leggatt:** The hon. member suggests that the Minister of National Defence did not say that. I hope he will read the interview in the *Hamilton Spectator* by Mr. Clive Thomas, and reject the statements in that interview as being incorrect. Either the reporter is wrong or the minister is wrong. I welcome the opportunity for that discrepancy to be clarified. I am taking this as a direct quote from the *Hamilton Spectator*, and I am prepared to provide the hon. member with the date.

**An hon. Member:** I have seen it.

**Mr. Leggatt:** I would be happy to be corrected if the minister is misquoted. I do not want to put words in his mouth that are not correct.

The last point I want to make on the Lockheed contract, is that the United States government guarantees the company to the extent of \$250 million of its contracts. Two thirds of the company's contracts are for the United States domestic market. We have had some indication by the Minister of Supply and Services (Mr. Goyer) in the House that that fact could give us sufficient assurance that we will receive delivery. I would submit that the present financial position of Lockheed gives us no assurance whatsoever.

In his response to these remarks I hope the hon. parliamentary secretary will tell us whether we have any United States government guarantee of delivery, or if we are going to take \$200 million of Canadian taxpayers' money to buy a pig in a poke without any guarantee of a single aircraft. I should like that to be dealt with as well.

**Mr. Walter Smith (Parliamentary Secretary to Minister of Supply and Services):** Mr. Speaker, I am not too sure