

Concentrated in southern Ontario and Quebec, the Canadian defence industry involves about 1,000 companies with special experience in what is called the new knowledge based industry, specifically aerospace electronics and communications.

Robert Gillespie, former assistant deputy minister in the Department of National Defence, gave the following description of the defence industry:

Our industry is composed of only a few large companies with sales in excess of \$100 million per year. The vast majority of firms are in fact quite small and very few of those produce purely military products. The industry is over 50 per cent foreign owned with U.S. companies dominating the group and is very heavily dependent on the export market.

There has been great fluctuation in Canadian military exports over the period 1959 to 1991. For example, 1974 and 1975 were low years, each at \$280 million. In 1985 the industry hit its recent peak at \$1.9 billion in exports, with a similar amount in 1991 during the gulf war build-up and actual combat.

Research was based on three factors: first, public domain listings of unclassified prime military contracts awarded by the Department of National Defence; second, military export contracts arranged by the Canadian Commercial Corporation on behalf of foreign governments, primarily the United States; third, Pentagon contracts placed directly with Canadian companies, together totalling about 80 per cent of all Canadian military production.

According to research covering those three factors the top six Canadian military prime contractors are: SNC Industrial Technologies Incorporated and Bombardier, both of Montreal; Computing Devices Company of Ottawa; Standard Aero Limited of Winnipeg; Allied Signal Aerospace of Rexdale, Ontario; and Bristol Aerospace of Winnipeg. All six companies had total value reported prime contracts during fiscal year 1990-91 in excess of \$100 million. For three of the six, their estimated or reported military sales were less than half of total sales.

Of the top 20 Canadian military prime contractors, accounting for some 60 per cent of reported military prime contracts in Canada, according to the same three factors which I listed earlier, 11 companies of the top 20 had estimated or reported military sales of less than half of total sales. Incidentally eight of those top 20 companies are located in Quebec. I believe we can see the source of the Bloc's concern with this issue.

What kinds of things do these companies produce? Although Canada does rank 14th in world-wide production of conventional weapons, the Library of Parliament has provided me with a list of some 180 companies engaged in producing defence electronics and avionics. These folks produce a whole lot of things that most people cannot even pronounce, let alone manufacture. Many of them are part of the new knowledge

based economy, their employers being well educated, not to say out and out brilliant.

Because of the brilliance of these people and the highly specialized nature of what they produce, I seriously doubt that a notoriously inefficient federal government could do anything really helpful for these industries and would only end up throwing tax dollars at them, an approach which I strongly oppose.

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Moreover, as I have shown, a large number of defence industry companies have less than 50 per cent of their production going into military purposes. Hopefully they can convert a greater percentage of their operations to non-military purposes. Because of the talents of the employees of these particular high tech companies, it would be a great loss to Canada if the employers were to shut down and the employees moved to the United States. Remember, we are talking about an industry that is already half foreign owned.

However, I am certain the sales and marketing offices of the bigger companies and probably the presidents of the smaller companies have long since smelled the coffee in so far as the end of the cold war is concerned. Certainly they have been hard at work tracing and developing new markets which could increase their non-military sales.

Even the average man or woman on the street is well aware of the remarkable growth in the knowledge based industry for such things as fax machines, personal computers and the transportation industry. Given the great land mass of Canada, we truly have become a world leader in communications, a technology needed all over the world for everything from moving information, people and goods to distributing TV signals or predicting the weather. I have great faith that Canada's technological leadership in this sector of the world economy cannot only be maintained but will grow steadily.

In conclusion it is high time for the government to smarten up its own overall defence planning. I also believe one of the worst things any of us could do to a given industry would be to encourage the government to increase its involvement and further upset the functioning of a free market economy.

Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso): Madam Speaker, I listened with some interest to the remarks on this motion by the hon. member for Okanagan—Shuswap.

I found it somewhat strange that he would mention a concern on behalf of his party for the defence cuts which the government introduced in the budget. At the same time as saying that these cuts were premature he argued that we should not support the conversion of our defence industry to civilian purposes and to help in the redirection of that technology into areas of greater demand.