

*Statement on Defence Production Sharing*

be competitive with United States industry in terms of technical competence, delivery and price.

We must look, however, beyond immediate programs in order to work out effective arrangements for sharing in the production of future weapons related to the defence of North America. Our continuing objective is to co-ordinate the defence requirements, development, production and procurement of Canada and the United States in order to achieve the best use of our respective production resources for our common defence. The attainment of our objective will be made easier if the sharing of tasks can be initiated at the development stage. It must be recognized that in the final analysis the degree of participation by Canadian industry in the production of major weapons will be governed largely by the extent to which Canadian scientific and engineering skills are able to share in co-ordinated programs of development.

There has always been co-operation between the two countries in utilizing each other's defence production resources. Production sharing arrangements will now place greater emphasis on across the border flow of defence work. From April, 1951 to the end of 1958 Canada has placed contracts for defence equipment in the United States amounting to \$590 million. The United States, on the other hand, has contracted in Canada for defence equipment totalling \$540 million for the same period. In 1958 Canada placed contracts in the United States to the value of approximately \$55 million, but the net value of business placed was reduced to approximately \$10 million primarily as a result of the termination of the Astra and Sparrow programs, and decreases in some older contracts for aircraft equipment. In the same year the United States placed \$40 million worth of contracts in Canada. These figures represent prime contracts only, and do not take into account any subcontracting which is handled by prime contractors.

Here it is true that Canada subcontracts a greater volume of work into the United States than the United States prime contractors place in Canada. Although statistics on these transactions are necessarily approximate, I believe that about an average of 20 per cent to 25 per cent of our aircraft and electronic equipment contracts are subcontracted into the United States. It is in the United States subcontract field that the greatest results can be achieved through the production sharing arrangements which we have set up in conjunction with the United States.

One of the largest contracts placed in Canada by the United States was the mutual aid purchase of CF-100 aircraft for delivery to

Belgium. The United States has bought 5 Caribou aircraft for evaluation purposes, and continues to buy Beaver and Otter general purpose aircraft. There are also continuing contracts being placed for R-1340 engine spares, F-86 aircraft spares and maintenance support for the United States-financed Pine-tree radar sites. Other purchases include radomes and support items for the distant early warning radar line. Not included in the foregoing figures is a recent United States contract placed in Canada covering radar sets for installation in the United States-financed Pinetree radar sites amounting to \$6.5 million.

As I previously pointed out, it will take time and continuing efforts on behalf of the government and Canadian industry to make any significant headway in our recently organized production sharing arrangements. I am pleased to point out that as a result of production sharing efforts, a Canadian company has been selected for the production of wings and ailerons for the Bomarc missile. The present value of this contract is \$1.7 million. Also Canadian engineers are working on the Bomarc missile for the United States prime contractor on a subcontract basis. In addition, certain other contracts covering electronic equipment have been placed in Canada. We expect as time goes on that further contracts will be placed in Canada.

As the Prime Minister has previously pointed out, the defence of North America has become a joint responsibility of both Canada and the United States, and the skills and resources of both countries must be utilized in the most economic manner.

**Mr. G. J. McIlraith (Ottawa West):** Mr. Speaker, the house will be grateful to the minister for having made a statement on the subject of defence production, but I am sure the house is very much disappointed with the content of the statement. It was announced in the house on Friday last that the minister would be making a statement on production sharing with the United States. That announcement was contained in the Prime Minister's statement to the house that day on a very important aspect of defence.

It is not possible to comment on the minister's statement today in a detailed way, because we have not seen it; but as I followed the announcement it seemed to me that it emphasized two or three main points. First of all, the minister was very careful to point out that the companies would themselves have to go and get these orders. In other words the government had not been able to get very far in making arrangements