

*Supply**[Translation]*

We are determined to achieve this objective. For that matter, we have made great progress in developing an effective strategy.

*[English]*

Our defence conversion program has three major components: first, redefining Canada's defence policy; second, rationalizing the military infrastructure in Canada; and third, rationalizing the defence industrial base. Really what we are talking about here is the third of these points, rationalizing the defence industrial base.

*[Translation]*

Our defence industry is largely composed of fully diversified businesses, most of which depend only moderately on military markets. For these businesses, the rationalization of our defence sector does not pose major problems. Sales of military material will be maintained at a relatively high level, but companies like CAE Electronics, Canadair and Spar will be able to make gains on both commercial and military markets.

*[English]*

We have a second group of companies capable of further diversification. These companies have the technology, skills and the manufacturing base to achieve long term growth in non-military markets. However, they may need assistance in analysing the most advantageous areas for diversification. This is where a broadening of the criteria for the defence industry productivity program, DIPP, will be particularly applicable.

We have a third group of companies. They are the strong niche players in the global military market. They fully expect to continue to grow and prosper in this market and nothing will be gained from attempting to discourage this growth. While they may remain primarily defence oriented they nonetheless are innovative and contribute to the advancement of technology which often leads to substantial commercial applications.

Finally, we have a fourth group of companies whose futures are very much in doubt. These are companies that are heavily dependent upon the domestic defence market, companies with little or no readily commercialized technologies. They have little export potential and may not be able to compete in the international marketplace. Conversion for these companies would likely be cost prohibitive and their futures must be managed on a case by case basis.

While we can make predictions about each of these groups of companies and their future prospects for growth and diversification, there are very few certainties. What it really boils down to is the fact that the future of defence companies in Canada will hinge on the defence market itself and the ability of companies to diversify into other product lines.

The future demands of the domestic defence market will not really become clear until we have completed a defence review. That is not something which is done overnight or even over a couple of months.

*[Translation]*

It is clear that we cannot wait for the completion of the defence sector review. Canadian businesses cannot wait. We are all very well aware of the fact that competition is intensifying on international markets; no one can afford to wait for the results of a review to be published. Therefore, the government must go ahead, resolutely.

*[English]*

Our main objective is to reduce the dependence of Canadian firms on defence sales. We want to encourage a greater focus on research and development, on dual use technologies to support product development and on improving market access.

● (1100)

In pursuit of these objectives there are a number of principles that I believe will guide us toward success.

First, the process must be industry led. It only makes sense that industry is in the best position to determine how it will meet the challenges and recognize the opportunities presented by defence conversion. There is a role for government in all of this, and it is a very important role. The government can facilitate that conversion by providing some assistance in identifying market opportunities and removing barriers to growth.

Second, defence conversion should not imply massive subsidies. There is no room for bailouts, for attempting to rescue companies that have suffered through market disruptions. Simply put, such an approach would be fiscally irresponsible and in the long term would do no one any good. What resources the government does have at its disposal—and I do not think I need remind anyone in the House that those resources are limited—should be focused on support for entering new promising markets. They should be focused on innovative projects and initiatives that will continue to contribute to economic growth and the creation of high value employment.

*[Translation]*

The government is aware that its primary responsibility is to the citizens of this country, the taxpayers of Canada. They would not accept massive financial help programs because it would go against the present thrust which is to try and reduce our huge deficit. But, they need not worry about that, the government will not launch such programs.

*[English]*

To that end we will be utilizing to the extent possible existing programs. That does not mean they will be infused with a flood of new funding. We are looking at what works, what does not work, and what can work better. We are asking industry to be innovative, and we intend to be equally innovative in the design of policy and program initiatives.