

which had not been done in the earlier *Aurora* contract, had been successful. On the other hand, the Association, which had openly advocated the assembly and testing of the NFA competition winner in Canada, raised no objection when the Government waived this stipulation. The minimum requirement to discharge Canadian commitments was set by National Defence at 130 aircraft. Had the Government sacrificed numbers of aircraft by insisting on the costlier Canadian assembly and testing, the margin of sufficiency would not have been achieved. (Australia is paying the requisite premium for this feature with its NFA purchase, since alternative ways of achieving national content are fewer than in Canada).

The Government was not only concerned with the industrial benefits component of the NFA procurement, but with the spread of that offset programme across the country. This was an aspect omitted from the LRPA contract, but ignored neither by Ministers nor by political opponents. Allan McKinnon, speaking two months before he became Defence Minister in the 1979 Progressive Conservative Government, objected that British Columbia, with 10 percent of Canada's population, paid its full share of national taxes but had received only one-third of one percent of the offset benefits of the LRPA contract.

The fact that Boeing owned an aerospace component plant in Winnipeg was generally presumed to be connected with Defence Minister James Richardson's interest in promoting the 707 in the LRPA competition. The Minister was occasionally referred to as 'Mendel Rivers' Richardson, after the American Senator who loaded his home state with defence industries. Although Boeing lost out, Sperry Univac Canada Ltd., as a direct result of a Lockheed sub-contract, opened a Winnipeg plant to make digital magnetic tape units. When Lockheed announced in 1975 that a large part of a prospective Lockheed LRPA contract would go to Canadair, Edward Schreyer, then Premier of Manitoba, criticized the federal government decision to purchase Canadair, a company he argued which would have gone out of business 20 years earlier if it had not been force-fed by Ottawa. In his view, Manitoba was entitled to five to six percent of the aerospace work going to eastern Canada.

The Lockheed announcement had been intended to placate Supply Minister Goyer, and thus undermine the option of re-fitting the *Argus* at Canadair. Goyer was reputed to have been instrumental earlier in securing overhaul work on CL-41s for Canadair rather than for CAE Aircraft Ltd. of Winnipeg; in reversing a 1974 commitment of Richardson's to grant CAE an overhaul contract on military 707s; and in conveying to the CAE a very distinct impression that its prospects of receiving two future government contracts would be much improved by not resorting to legal action against the Government over what he had done. Goyer's warning induced a certain pause for thought on the part of

CAE. Eventually, however, it took the case to the Federal Court of Canada in 1980, characterizing its status in the mid-1970s as that of a pawn between Goyer and Richardson.

Quebec's position

The LRPA contract was signed four months prior to the 1976 election of the Parti Québécois Government (PQ) in Quebec; the NFA contract was signed less than six weeks before the May 1980 sovereignty-association referendum in Quebec. The proximity of the latter two events thus afforded an opportunity for injecting the contract issue into the referendum debate. Picking up Goyer's self-appointed role as promoter of Canadair, Premier René Lévesque depicted the F-16 as the natural aircraft to afford employment to the Quebec aerospace industry, an industry comparable in its economic and manpower impact to the automobile industry in Ontario. That analogy implied that recent federal assistance to Ford and forthcoming support of Chrysler in Ontario ought to be balanced by a federal commitment to recognize the aerospace industry as centred in Quebec.

The federal dilemma was thus starkly raised: to commit \$750 million to Chrysler in Ontario but reject the F-16 with its large Quebec offset package would appear as a raw deal for Quebec, either casual neglect or deliberate discrimination. During the next month it was Gray's task to reduce the analogy to negligible dimensions. A much more limited sum to Chrysler was one way. Some method other than a grant or loan, the means chosen to help Ford in November 1978, was another. These calculations dictated some immediate commitment to Chrysler without foreclosing the possibility of later additional assistance, a guarantee rather than a direct cash flow, and a minimum dollar commitment. The \$200 million guarantee announced in May 1980, but effective only in 1982, adequately met these diverse criteria.

Minimizing one side of the ledger was part of the game; maximizing aid to Quebec was another. The government announced the imminent construction of the \$100 million Complexe Guy Favreau, an office and residential project to be located in the PQ stronghold of east-end Montreal. A protracted heavy subsidization of the domestic energy price is advantageous to the federal position in Quebec, so a pre-referendum negotiated settlement with Alberta involving higher energy prices was inadvisable. Extension of the natural gas pipeline eastward to Quebec City and then northward to the separatist-inclined Lac St. Jean region was announced in the final week of the referendum campaign. Bombardier Ltd. was offered \$100 thousand to submit a production proposal for the manufacture of 2,800 M35 logistical support trucks, the total cost of which was estimated at \$235 million in 1980 dollars. Despite the evaluation of different options since 1977, however, the omission of a commitment to award a firm contract