

Supply

solutions used in the United States or in Europe. We all recognize that product diversification in the defence industry presents multiple difficulties. As indicated earlier today, this is no small task and there is no quick fix.

But this does not mean that problems cannot be resolved. They can and will continue to be resolved. Major efforts are already being made by the private sector, efforts which are proving successful in the Quebec aerospace and defence industry.

• (1510)

[English]

The government will continue to be a full partner in these efforts to ensure that this industry continues to deal successfully with the challenges and the opportunities which will come to Quebec in the future.

Ms. Jean Augustine (Parliamentary Secretary to Prime Minister): Madam Speaker, we have had much discussion on the commitment of the government to defence conversion. Indeed we have indicated in both the Liberal plan for Canada "Creating Opportunity" and the budget the important role that the defence industry productivity program will play in this commitment.

I would like to mention some of the principal aspects of the role which the defence industry productivity program, or DIPP, can play in defence conversion. We believe that the effective use of this tool can contribute to the continuing reduction of the industry's dependence on defence sales.

DIPP, created in 1959 under the auspices of the Canada-U.S.A. defence production sharing agreement, supports the federal policy of participating in international co-operative production sharing agreements. It also plays a major role in supporting Canadian high technology defence related industries like aerospace.

Today Canada's defence industries are characterized by the international scope, high risk and intense competition both in Canada and abroad from subsidized foreign firms.

Under the current program DIPP makes repayable investments to qualified firms for research and development, source establishment, buying against production machinery and for conducting market feasibility studies. The program is market driven and industry led.

The government considered these as essential and desirable features which will continue in any new conversion program. These features can ensure that Canada remains internationally competitive.

The defence industry productivity program has been instrumental in the success in building high technology industries and generating substantive exports and creating jobs across Canada.

Since its inception 35 years ago the program has brought extraordinary benefits to Canada. I would like to mention a few.

Seventeen hundred projects have been completed. The Government of Canada has contributed \$3.4 billion to those projects. The program has leveraged \$280 million from other governments, primarily the U.S.A.

Canadian industry itself has invested \$6.8 billion. These projects have generated sales for Canada of between \$25 to \$40 per DIPP dollar invested primarily to the export markets.

In total around 60,000 person years of employment, most of it high tech, have been maintained in Canada's aerospace and defence industry sectors.

The program has been reviewed by the industry and considers it extremely successful as well as essential for their future growth and development.

The introduction of a viable defence conversion diversification component under DIPP must take into account the global context within which the program is situated: the substantial reductions of defence expenditures by major industrialized countries; the worldwide restructuring of the aerospace and defence sectors; Canada's obligations toward the GATT and other agreements; Canada's fiscal constraints in industrial infrastructure.

The challenge therefore is to introduce a defence conversion and diversification component that will best help firms wishing to diversify while at the same time ensuring that the projects being supported will have a reasonable chance of success.

• (1515)

Although the program was not specifically designed for defence conversion, it has nevertheless reinforced the conversion of Canada's defence industry through its flexibility and responsiveness to market conditions.

For example, sales of the aerospace and defence sector are now 70 per cent commercial versus 30 per cent military. This is the reverse of the mix that we had in the 1960s. However, in view of the new global realities, we must intensify and focus our conversion efforts so that we can attain the new objectives.

Consultations so far have raised a number of important issues that we will have to resolve before we finalize the new component. We will have to recognize that some firms in successful niche markets may not wish to convert and that some may be inconvertible. We may have to modify standard existing DIPP performance criteria to accommodate defence conversions. Repayment options are also to be considered.

From the analysis to date the government is considering the following five activities as candidates eligible for support: defence conversion market feasibility studies, research and development assistance for new technologies, limited capital assistance for tooling and retooling on an exceptions basis, a