



McDonnell Douglas photo

The controversial McDonnell Douglas F-18A, shown here in a demonstration flight carrying U.S. markings, won over its chief competitor, the General Dynamics F-16, to become the main fighter aircraft of the Canadian Armed Forces air command.

the other hand, General Dynamics never entirely overcame the impression that its advertisements, such as its boast of a 20,000 new jobs and \$2.8 billion benefits package, incorporated more interpretative liberties than the norm. An unofficial report from the evaluation office was leaked, presumably because it judged the General Dynamics bid unsuitable and its negotiating techniques distasteful. Although the company knew that its offset package was assessed as inferior to that of McDonnell Douglas, it advertised nine days before the formal selection announcement that the dollar value of the new work it was offering was over four times that of the McDonnell Douglas offer.

That kind of negotiating technique was directly responsible for the public release by the Government of a 38-page analysis and evaluation of all industrial benefits offered by both finalists. Industry Minister Herb Gray, who personally ordered the declassification and release of the document, put the economic impact on Canada of the winning package at \$3.263 billion against \$2.618 billion for that of General Dynamics. This was using the project purchases/Canadian sales basis of comparison, favoured by McDonnell Douglas and by IT&C. General Dynamics submitted an

investment-multiplier basis of comparison, generous estimating the spinoff effects of new investment. Using this technique on both companies, IT&C still put McDonnell Douglas ahead, \$3.68 billion to \$3.5 billion.

The report included quality assessment data of the respective offers as of early March 1980, also favouring McDonnell Douglas. A last minute improvement in the General Dynamic bid slightly invalidated the comparative quality figures, and the Minister omitted specifics on this category. Gray stressed that the project team judged the McDonnell Douglas industrial benefits programme to be superior in quantity of purchases of aerospace and non-aerospace goods and services; investment in new Canadian facilities; transfer of advanced technology from the United States to Canadian firms; technological advancement opportunities; quantity of purchases and technological transfers; export marketing assistance for Canadian products; promotion of tourism in Canada through the company's vacation packages; and regional distribution and risk.

The Air Industries Association of Canada expressed satisfaction that its pressure to put at least 10 percent of the offsets into high-technology business