

company was not operating while they were deputy ministers there is no conflict of interest arising.

**Mr. Baker (Grenville-Carleton):** That is an important question. But according to contracts tabled by the Prime Minister yesterday, Mr. Grandy was under contract to the Department of Industry, Trade and Commerce for a period of one month immediately following his resignation as deputy minister of the same department to advise on the "rationalization of the aerospace industry in Canada". However, Mr. Grandy did not leave the Board of Directors of de Havilland Aircraft, to which he was appointed on June 26, 1974 until December 19, 1975. Considering Mr. Grandy's range of activities, is the Acting Prime Minister now prepared to comment on the rather questionable conduct of a former deputy minister and does he not agree that a conflict of interest situation exists when consideration is given to the fact that de Havilland stood to benefit from the Lockheed contract since Lockheed agreed to promote sales of the Dash-7 if the Orion were selected?

**Mr. Sharp:** I neither agree with what the hon. gentleman has said, nor differ from it. As the Prime Minister has stated, an unprecedented situation has arisen recently. The Prime Minister feels it is a serious issue and is having it examined. Until that examination takes place, I would hope the hon. member would not attack the reputation of people like Mr. Grandy and Mr. Reisman by innuendo in the House of Commons.

**Some hon. Members:** Hear, hear!

**Mr. Baker (Grenville-Carleton):** In view of the rather cavalier attitude expressed by the Acting Prime Minister—

**Some hon. Members:** Oh!

**Mr. Baker (Grenville-Carleton):** In the absence of the Prime Minister, can we assume from the answers we have just received from the hon. gentleman that he does not regard this as a serious matter with respect to the public service and are we to continue to have delay in this matter of guidelines, legislation and other measures governing the conduct of public servants in and out of office?

**Mr. Sharp:** As I have just stated, the Prime Minister has said he does consider this to be a serious matter. The hon. gentleman is once again making statements in the House of Commons in order to affect the reputation of people like Mr. Reisman and Mr. Grandy. We on this side believe in justice, whatever the opposition might believe in.

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● (1420)

#### NATIONAL DEFENCE

##### LOCKHEED CONTRACT—DATE OF FINAL DECISION— REFERENCE TO OTHER FINANCIAL CONSIDERATIONS

**Mr. Edward Broadbent (Oshawa-Whitby):** Mr. Speaker, I have a question for the Minister of National Defence. Considering that it was expected that the cabinet would not be making a final decision on the Lockheed Orion purchase till its meeting tomorrow, in light of a report in

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today's press to the effect that a decision was made last Thursday to proceed would the minister tell the House whether or not that final decision has been taken; and in the context of answering would the minister tell the House what are the further financial considerations that the government has in mind which were referred to in the same article and which will have to be met if the government is to go ahead?

**Hon. James Richardson (Minister of National Defence):** Mr. Speaker, the press report is inaccurate. There has been no decision taken by cabinet. The financial arrangements are of the kind that we have discussed previously. We are working with the Canadian banks and conversations are progressing, but there has been no financial arrangement completed which I can announce at this time.

##### LOCKHEED CONTRACT—ALLEGEDLY CONFLICTING STATEMENTS ABOUT FINANCING—POSSIBLE DISCUSSIONS WITH U.S. LOAN BOARD

**Mr. Edward Broadbent (Oshawa-Whitby):** A supplementary question, Mr. Speaker. The minister said in the House yesterday that he and his officials were aware of the full financial position of the Lockheed Corporation last fall when the negotiations were taking place. Considering that his deputy minister told a committee of this House during the past ten days that he was not aware of the provisions of the United States emergency loan guarantee act which would prohibit Lockheed from proceeding with the front-end financing, would the minister explain this apparently flat contradiction between what he says and what his deputy minister says; and, more specifically, could he tell us whether he or his officials held any discussions with the U.S. officials of the emergency loan guarantee board at the time of the negotiations, or did they just take Lockheed's word regarding their financial position in this matter?

**Hon. James Richardson (Minister of National Defence):** Mr. Speaker, as I have indicated before, my officials were aware of the emergency loan guarantee board and the fact that the Lockheed company had to get approval from United States bankers before increasing their loans. This was known to my officials, but the Lockheed company indicated to us that they could overcome these impediments and that they could in fact participate in the financing of the difference between the payments required and the funds available in the Department of National Defence.

##### SUGGESTED BUILDING OF AIRCRAFT IN CANADA RATHER THAN PURCHASE "ORION"

**Mr. Edward Broadbent (Oshawa-Whitby):** A final supplementary question, Mr. Speaker. Since it is now abundantly clear that Lockheed is not able to live up to the commitment that the minister says they made, even though that has been denied by the Lockheed Corporation itself, and considering that the government of Canada owns and controls the Canadair Corporation and the de Havilland Corporation of Canada, would the minister not now make a commitment not to proceed with the Lockheed deal, and instead build the aircraft in Canada to meet the