

Order Paper Questions

8. Will the lack of DIP funds affect jointly funded projects by the Canadian and American Governments, or other projects such as the STOL or Cruise missile?

Hon. Ed Lumley (Minister of Industry, Trade and Commerce and Minister of Regional Economic Expansion): As of May 26, 1980, the reply for the Department of Industry, Trade and Commerce was as follows:

1. Yes. Soon after the new fighter aircraft contract was signed, the Government sponsored a series of advertisements to inform Canadians on the breadth of the CF-18 industrial benefits program and to encourage Canadian companies to take advantage of the new business opportunities the program offers, at a cost of \$259,000, to be shared by the Department of Industry, Trade and Commerce and National Defence.

2. Of the \$2.91 billion industrial benefits program contracted by McDonnell Douglas, \$2.453 billion was firmly committed, that is to say, was not dependent on any form of federal Government assistance. The remaining \$457 million, which comprises a number of structural, engine and avionics work packages on the CF-18 and F-18, was conditional on Canadian companies being competitive with existing U.S. suppliers to McDonnell Douglas. The costs of tooling, training, modernizing plant and equipment, etc., required to start up production in Canada on this aerospace and electronics works must be borne by Canadian funding sources. The Defence Industry Productivity Program may be expected to provide part of the federal Government assistance to industry in this regard. Accordingly, the Government authorized the addition of \$39.5 million to the DIPP budget (19.5 million for year 1980/81; \$20.0 million for year 1981/82), to support the establishment in Canada of second sources for four CF/F-18 airframe structural components. This amount would be repayable from company earnings through the standard terms and conditions of the source establishment provisions of the DIP Program.

3. In the August, 1978 budget reductions, the contribution budget for DIPP was reduced from \$44.2 million to \$40 million for 1978/79 and 1979/80.

4. With respect to high technology development projects arising from the F-18 aircraft industrial offsets, lead times of up to four years before production start-up were anticipated. Two years lead time would be required before most special materials and equipment are identified and procurement initiated. The F-18 contract has been signed and areas requiring development are still being defined. Accordingly, the shortage in DIPP funding had little or no effect on the ability of industry to take advantage of the industrial offset program in order to undertake high technology development.

The application of technology already developed and where specific manufacturing opportunities had been identified, much shorter time scales are involved. Where source establishment and capital assistance aspects of the DIP Program are involved, the impact will be more serious unless funding beyond the current budget levels are provided.

5. (i) The total DIPP contributions to industry were:

- (a) 1973/74—\$57.5 million
- (b) 1974/75—\$48.4 million
- (c) 1975/76—\$39.0 million
- (d) 1976/77—\$44.9 million
- (e) 1977/78—\$43.2 million
- (f) 1978/79—\$52.2 million
- (g) 1979/80—\$57.9 million

(ii) The total DIPP contributions when deflated by an appropriate price index were:

- (a) 1973/74—\$57.5 million
- (b) 1974/75—\$42.0 million
- (c) 1975/76—\$30.5 million
- (d) 1976/77—\$32.0 million
- (e) 1977/78—\$28.8 million
- (f) 1978/79—\$32.7 million
- (g) 1979/80—\$33.1 million

Note: Using the Implicit Price Index for the gross national expenditure published by Statistics Canada, the above values have been computed in terms of the FY 1973/74 dollar.

6. The DIPP budget for fiscal year 1980/81 was committed by December, 1979 to pay legal obligations under contract with Canadian industry.

7. Yes. The Department of Industry, Trade and Commerce received application for DIPP assistance in 1980/81 totalling over \$100 million for development of industrial technology.

Federal Government assistance to Canadian industry on behalf of the F-18 fighter aircraft offsets are in two parts:

(a) The assistance provided as a special fund to McDonnell Douglas for high technology production involving a minimum number (six) of companies. This funding has been provided by the federal Government and is separate from the normal DIPP funding. (See reply to Part 2)

(b) Normal DIPP funding is the second source of assistance to Canadian industry. Canadian contractors will be seeking contracts under the F-18 offset program with the intention of utilizing existing plant equipment which may or may not have been acquired with DIP Program support. Other contractors will require additional advanced capital equipment and may acquire the equipment with their own resources or seek DIP Program assistance which can only be provided if funds are provided in excess of the Crown's legal commitments.

8. (a) Canadian-American Joint Projects. Lack of DIPP funding had no impact on the completion of joint projects underway as long as these projects remained within their planned budgetary allocations. Projects under discussion or negotiation were scrutinized carefully for maximum potential contribution to the Canadian economy.

(b) STOL Aircraft. The jet STOL aircraft will be a multimillion dollar development project for which foreign partners are being sought. The Canadian federal Government's share of the funding would be considered separately from the normal DIP Program budget. The activity is in the project definition stage.

(c) The Cruise Missile. The Cruise missile project had not yet received approval in principle and authority to contract by May 26, 1980. When approved, additional funding was allocated to this project.