

the Standing Committee on External Affairs and National Defence. When I inquired on May 6 why the Minister of Supply and Services claimed he did not know about the shortfall and the verbal agreement, the deputy minister of national defence, Mr. Nixon, declined to answer directly, stating:

We as officials certainly informed Mr. Richardson, and I can only presume that the people in Supply and Services had equally informed Mr. Goyer of the situation.

That quotation is taken from the *Minutes of Proceedings and Evidence* of the Standing Committee on External Affairs and National Defence of May 6, at page 37:6; yet the minister now claims he never knew there was a verbal agreement. Mr. Nixon at that time admitted he would have preferred a written assurance that financing could be arranged. This is what Mr. Nixon said:

—but I think General Allan and I have both made it clear to the committee that if time had permitted under the circumstances in which we had this understanding that Lockheed could provide the financing, it should have been in writing, but not being in writing it did not obligate you to something of undue proportion.

The Minister of National Defence agreed with this contention.

The truth is that General Allan was told and believed that the shortfall could be financed by the Lockheed Company. He was told the same thing by the Boeing company.

Those are the words of the minister who said he never knew of any verbal agreement. When asked if the Minister of Supply and Services knew this, the Minister of National Defence said:

I will not speak for another minister but I know it was in the cabinet document, as I have said, and which cabinet considered.

That is from the *Minutes and Proceedings of Evidence* of the Standing Committee on External Affairs and National Defence of May 27. The minister went on to say:

It was certainly not, and I have said this before, the Department of National Defence that said, let us finance the shortfall, let us do it that way. Other departments of government said that in order to hold down government expenditure next year and the year afterwards we only want you to spend so much. I said, all right, we will only spend that much. The payments required are so much. I think the figures are \$140 million in the first year. So that must be financed. That is what took place.

As I said before, it is not really very hard to re-enact the circumstances. But when we started in to the further negotiations, Lockheed said that they could not proceed. This is the crux of the matter. I think if you have to place the blame somewhere, it was a failure of Lockheed to be able to do what they said they could do.

I ask you, Mr. Speaker, where in all this can one find the slightest trace that the Minister of National Defence was ignorant of the fact that this was a verbal agreement they were talking about. I would like to point out something the Prime Minister (Mr. Trudeau) is often fond of saying, that is, that Machiavelli said one who deceives will always find those who will allow themselves to be deceived. There was a lot of deception going on in this case, according to the senior members of the cabinet who claim that they were just simple people who believed everything everybody ever told them. They had no hesitation in believing this and in giving away at least \$16 million of the Canadian taxpayers' money on the strength of their gullibility.

The statements that I have quoted thus far were made by the minister and his subordinates only at the end of a long and painful process stretching over a number of months in

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which the minister and his colleagues had sought to keep the details of their conduct from the public. The Minister of National Defence did, however, let the House know in late March that the problems revolved around the interim financing. You will recall, Mr. Speaker, that before that he tried to blame it on Lockheed's bribery around the world and suggested that this was holding up the signing of the contract. In March he said it was his opinion that it was the Lockheed company's fault that the financing was not forthcoming. On March 26 he affirmed this. He said:

There was a difference between the amount of funds available in the National Defence budget and the progress payments required by Lockheed. We explained this and were told by Lockheed that the difference could be financed by them.

May I remind you, Mr. Speaker, that the minister had claimed he did not know it was verbal. In the days up until March he said they were told by Lockheed of the difficulties in respect of financing.

Subsequently they told us they could not do it. That is all there is to the misunderstanding. It is serious, but easy to explain.

I trust that the government will not find it so easy to explain this in the years ahead. On March 30 the Minister of National Defence went on to say:

Mr. Speaker, as recently as this morning, and on numerous earlier occasions, I talked with the officials who were negotiating with Lockheed and they were very clearly of the belief that Lockheed could provide this financing. They were so told and they so reported to us, and it was on that basis that we continued—

They had been told that it was a verbal agreement and the minister now claims he knew nothing about it. It seems logical to conclude that if the officials reported what they were told, and it was on that basis that "we" continued, then it seems to me that the Minister of National Defence and anyone else included in the term "we" must have known Lockheed gave a verbal, not a written, assurance.

● (1700)

This reasonable conclusion does, however, fly in the face of the minister's statement of Friday past. Are we then to conclude that the minister and his officials did not bother to inquire in any detail into the financing arrangements to be made by Lockheed, despite the minister's claim that the problem and its severity had been recognized by the minister and his colleagues a month before they were informed by Lockheed that they could not undertake the financing alone? Again I will quote the minister:

The need for financing, as I have said many times, was known during November and was the subject of discussion in the cabinet, the cabinet committee and the Treasury Board.

The minister does seem to be affirming that the decision on financing was seen as vital, yet despite that perception he made no real effort to see that the interim financing was in fact being arranged. If there was no verbal agreement and no written agreement, what on earth were they going on—pipe dreams?

What are we to conclude from this examination of the statements of the minister and his staff? The overwhelming feeling which one gets from looking at the record is that the government lacked all common sense, to say nothing of business acumen. The inadequacies that have been demonstrated are not restricted to the Minister of National Defence alone for he has involved his colleagues by saying