

Supply—Defence Production

Of course the minister may have a very facile reply to that charge. He may say it so happens that most of the industries set up for the production of goods such as weapons systems, and so on, happen to be located in other parts of the country. The fact is, however, that I am referring to the total value of contracts let by the department, not just for weapons systems but also for ordinary, less sophisticated parts, supplies, clothing, food and so on. It seems to me there is no point in overlooking the fact that for years now, out of \$700 million or \$800 million per year of prime contracts let by the Department of Defence Production an inordinately small proportion has been placed in western Canada.

Some of the contracts, of course, are let under the bid system, so the answer will be that firms in eastern Canada are bidding lower prices. This answer would not cover the whole point because many of the contracts let by the department are on a cost plus basis and some are on the basis of a bid with a clear stipulation for adjustment for unforeseen expenses. However, I believe it is clear the Department of Defence Production is allocating to the four western provinces, containing 25 per cent of the population, contracts representing only 8 per cent of the total value of contracts let by the department. The situation may vary from year to year, but I challenge the minister to show that it varies greatly.

• (4:00 p.m.)

I think it is a mixed blessing for a regional economy to have to depend on defence production industries, because they have undesirable side effects. Defence production industries do bring considerable employment and, through the multiplier effect, considerable indirect employment to a community. Many industries grow out of defence production which can transfer their operations to non-military production. Industries high in research and development content grow up around defence production industries and certainly that does no harm to any regional economy. However, as I said, there are certain undesirable side effects in that regions of the country that depend heavily on defence production industries have, to use a colloquial expression, a tiger by the tail.

In the course of the past two or three months most hon. members have received a pamphlet containing reprints from the *Financial Post* which indicate that the war in Viet Nam is doing wonders for Canadian business

[Mr. Schreyer.]

and the Canadian economy. This is particularly the case in those regions of the country that are heavily dependent on defence production industries. Since 1963-64 there has been virtually a 100 per cent increase in the amount of defence production exports to the United States. According to the pamphlet the minister is quoted as saying that defence production contracts in 1966 resulted in full time employment of between 13,000 and 15,000 Canadians, and that an additional 110,000 persons are estimated to be affected indirectly as a result of contracts to ship that materiel to the United States.

Without getting into the philosophical ramifications of the war in Viet Nam, Mr. Chairman, I know all hon. members hope and pray that very soon it will be ended. However, I should like to ask the minister what contingency plans his department and the government are making to take care of those employees who will be directly and immediately affected by the cessation of hostilities in Viet Nam and thereby faced with a prospective loss of employment. Plants producing such materiel are geared to full and overtime production. But when the war is over they will be working at less than full production, either on a part shift basis or on a slow shift basis. Some will be on the verge of closure. Although we all hope and pray the war will soon be over, there are thousands of people who are depending on the war for their livelihood and I should like to ask what contingency plans exist to meet the decrease in production on the termination of the war. I suspect that not very much is being done about the matter.

Some continue to express great enthusiasm over the fact that our defence production sales to the United States have been surging upward so dramatically in the past two years. I am not questioning the defence production sharing agreement between Canada and the United States. The country to the south has been our ally over the decades. At one time Franklin Roosevelt referred to that country as the arsenal of democracy, and that is still my view.

During the first few years of the life of the defence production sharing agreement both countries benefited mutually. However, we now find ourselves in a situation where we must not only look at the direct economic benefits but also at the moral and philosophical implications of the war. We have got ourselves into a hopeless position. Rather than take the time of the committee at this