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(HANSARD)

**Thursday, May 5, 1994**

**Speaker: The Honourable Gilbert Parent**

# HOUSE OF COMMONS

Thursday, May 5, 1994

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

[*English*]

### WORLD WAR II

**Hon. Lawrence MacAulay (Secretary of State (Veterans)):** Mr. Speaker, later today I will have the honour of leading a delegation of veterans to Italy. This pilgrimage will mark the 50th anniversary of the Italian campaign of the second world war.

Veterans from across the country representing all of the regiments and units which participated in the campaign will travel with me to sites throughout Italy. Together we will retrace the steps of Canadians who fought for democracy in Italy between 1943 and 1945 and pay tribute to those who gave their lives for freedom.

The story of the Canadians in Italy is a special chapter in our history. The first Canadians stepped on to the beaches on July 10, 1943. Well planned and decisive, the successful allied landings in Sicily marked an important turning point in the cause of freedom.

Then came 20 long gruelling months of fighting in which our troops proved themselves time and time again—Ortona, Monte Cassino, the Liri Valley and the push to the Lombardy plains and the industrial north of Italy. These fierce battles tested our Canadians fully and in every case our troops showed their exceptional ability and determination. Their proud record brought them respect from friend and foe alike.

All three of our services saw action in the Italian campaign. The flotillas of the Royal Canadian Navy successfully brought our troops ashore and, together with the merchant navy, kept them well supplied. The Royal Canadian Air Force provided vital air support, bombing strategic enemy positions. The infantry and armoured divisions of the Canadian Army renewed our country's reputation as the home of courageous and accomplished soldiers. The "red patches" of our Canadian Infantry Corps were some of the toughest troops in Italy.

Our troops left Italy and went on to northwestern Europe where they gained further honours in liberating Holland. But in Italy the important role they played in driving back the German army contributed to the downfall of the Third Reich.

I ask all members of the House to pay a very special tribute to the Canadian veterans of Italy who 50 years ago helped return freedom to Europe and brought such great honour to our country.

[*Translation*]

**Mr. Maurice Godin (Châteauguay):** Mr. Speaker, I would like first of all to thank the Secretary of State for Veterans for taking the trouble to pass on to me, within a reasonable time, the text of his statement.

As the Official Opposition critic, I will be privileged to be part of that pilgrimage which will take us to Italy, in order to commemorate the 50th anniversary of the campaign to free Europe from Nazi control, a campaign in which Canada participated.

Certainly Canada must remember the incalculable price that the world had to pay in order to protect rights and freedoms. It must remember those efforts that were made in that terrible war, even at the cost of our innocent citizens' life. Veterans are still here to remind us of the courage that they showed in those events. So I agree with the Secretary of State that it is important to make sure that those events are never forgotten.

(1010)

Canada also has other duties toward its veterans. It must never forget the situation that they are living in today. It seems to me that their living conditions should be of prime importance, since that is the best way for us to show our gratitude to those who fought for the preservation of these values and these collective interests. If it is essential to commemorate our veterans' achievements, it is even more essential to guarantee them decent living conditions.

The Bloc Québécois is proud to salute all these people who made sure, 50 years ago, that Italy found the road to freedom.

[*English*]

**Mr. Jack Frazer (Saanich—Gulf Islands):** Mr. Speaker, I want to congratulate the secretary of state for veterans affairs for taking the lead in organizing this, if I may, pilgrimage to Italy to recognize the contribution of the Canadian forces who participated in the Italian campaign.

*Supply*

As has been mentioned, the Canadians landed in Sicily at Pachino Beach on July 10, 1943. After having assisted in the conquering of Sicily, they moved up the Italian peninsula. They were involved in the downfall of the famous Gustav line. On May 11 they commenced the attack on the Gustav line and four days later it collapsed.

They moved on to the Hitler line and on May 23 they breached the line with the loss of 1,000 casualties. This enabled the allied forces to combine with the American forces who had landed at Anzio, just south of Rome prior to that. This campaign for the first time saw a Canadian corps in the field commanded by a Canadian general, in this case, General E.L.M. Burns who later became famous as the commander of the first peacekeeping force recommended by Prime Minister Lester B. Pearson.

Moving up the Italian peninsula, the Canadians fought with great determination and great capability. At the Guthic line just south of Rimini on August 25, it took them five days to break through this last foothold before they moved into the plains of Lombardy.

By 1945 the Italian campaign had pinned down 27 German divisions and unquestionably had a great impact on the outcome of the war with D-Day. During the Italian campaign, some 92,757 Canadians served in the Italian campaign. Of those 5,500—plus were killed, 20,000 were wounded and 1,000 were taken prisoner.

Canada won three VCs, Victoria Crosses, the highest commendation during that campaign: Captain Paul Triquet of the Royal 22nd Regiment, Major Mahony of the Westminster Regiment and Private E.A. Smokey Smith of the Seaforth Highlanders.

It is not only appropriate that this return to honour and commemorate the Canadians who participated in the Italian campaign should be done, but it is appropriate that all parties should be represented in it. This is non-political. It is a Canadian venture and I commend the secretary and the members of the party who are going to Italy. It is not only right but fitting that Canadians remember the Italian campaign.

\* \* \*

(1015)

**INCOME TAX ACT**

**Hon. David Anderson (for the Minister of Finance)** moved that Bill C-27, an act to amend the Income Tax Act, the Income Tax Application Rules, the Canada Pension Plan, the Canada Business Corporations Act, the Excise Tax Act, the Unemployment Insurance Act and certain related acts, be read the first time and printed.

(Motion deemed adopted, bill read the first time and printed.)

**PETITIONS**

## SEXUAL ORIENTATION

**Mr. Ray Speaker (Lethbridge):** Mr. Speaker, I wish to present a petition on behalf of 187 constituents from Lethbridge.

They present the petition requesting that Parliament not amend the Canadian Human Rights Act or the Charter of Rights and Freedoms to include the undefined phrase sexual orientation.

I so present the petition to Parliament.

\* \* \*

[Translation]

**QUESTIONS ON THE ORDER PAPER**

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, I ask that all questions be allowed to stand.

**The Deputy Speaker:** Are the questions allowed to stand?

**Some hon. members:** Agreed.

[English]

**The Acting Speaker (Mr. Kilger):** I wish to inform the House that pursuant to Standing Order 33(2)(b) because of the ministerial statement Government Orders will be extended by nine minutes.

**GOVERNMENT ORDERS**

[Translation]

**SUPPLY**

## ALLOTTED DAY—CONVERSION OF MILITARY INDUSTRIES

**Mr. Réal Ménard (Hochelaga—Maisonneuve)** moved:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of the defence industries to civilian production, which would save and create new jobs in high technology sectors.

At the outset, Mr. Speaker, I would like to remind the House that if the Official Opposition has felt necessary to use its allotted day to deal with industrial conversion mechanisms and propose solutions, as the government will see, it is because we believe there really is a feeling of urgency. The reason why I raise this feeling of urgency is that we remember that 10,000 jobs have been lost in Quebec in the sole sector of defence material production and in the sector of arms production and that as many and even more have disappeared in the rest of Canada, where it is said that 47,000 jobs have been lost since 1987.

Despite the stagnation of markets, despite the urgency of the situation, the government is making no progress. This government, in spite of its commitments, and we will come back to that, has given no real indication of its will to go ahead in that

sector. There was no indication whatsoever in the Speech from the Throne, nor was there anything in the Budget brought down recently.

Of course, the difficulties that the defence material and arms industries are facing encompass much more than the national market. We of the Official Opposition are well aware, because we are responsible members, that the difficulties result from changes which have taken place in the international order. What kind of reality are we talking about when we deal with arms production? We are talking here about an international market worth \$450 billion. Evidently, the streamlining, the adjustments made in these markets affect not only Canada but also Europe and the United States. I think it would be useful to point out that since 1987, Europe has lost 600,000 jobs in that sector and the United States 700,000. If you add that to the Canadian reality, it is easy to understand that the change is world-wide.

(1020)

This is even more of a concern because jobs lost in the area of armament or defence production are high technology jobs; many studies show that jobs found in the area of defence equipment and military weapon production generally are better-paying for the employees. It is even said that these jobs pay 36 per cent more than comparable jobs in civilian industry.

Mr. Speaker, the causes of that streamlining are well-known. It began with the fall of the Berlin wall, which had been the symbol of the cold war for two generations. Because of the cold war various nation-states, including Canada, ratified a number of treaties providing for a limitation of the production of both nuclear arsenals and conventional weaponry. It is easy to understand that limitation treaties mean less contracts for producers.

Let us take as an example our neighbour to the south. Five or six years ago, when George Bush was President, the Pentagon was told to prepare for a significant reduction of its purchasing power. Even though it was the main source of defence contracts, the Pentagon will nevertheless have its purchasing power reduced by 27 per cent between 1993 and 1997. Of course, the whole thing will impact on Canada and Quebec since we are closely linked to the American defence market.

We must note also that arms deliveries to Third World countries dropped by more than 61 per cent between 1988 and 1992. Up to now, rationalization efforts have mainly focused on ground-based systems. Contracts for such systems dropped by about 77 per cent. Also, naval contracts, for which Quebec had some expertise, were reduced by 26 per cent. Thirdly, the aviation industry, with an important production centre based in Montreal, registered a 23 per cent drop in its contracts.

### *Supply*

This is why the government should urgently propose a real conversion strategy. We should not forget—and we will keep reminding the government and the people listening to us—that while I speak, jobs are being lost and, despite the disappearance of tens of thousands of them, the government has not offered the slightest help, it did not propose anything to companies willing and even anxious to undergo conversion.

Mr. Speaker, it might seem strange, but Canada, a medium power, a peace-loving country, which never was the main belligerent in any war, was nevertheless an important producer of arms and auxiliary equipment. In fact, Canada ranks eighth in the world when it comes to arms production.

As for arms exports, we are ranked fourteenth in the world. I mentioned the difficulties experienced by the American market, and this is very relevant for Canada and Quebec since 70 per cent of the Canadian production of arms and military equipment is sold on international markets, and 80 per cent of that on the American market.

(1025)

Therefore, the situation is worrisome, it is here to stay and it is structural. We cannot pretend that Canadian and Quebec defence industries are going through a temporary crisis. All indications point to a structural crisis caused both by the international situation and problems more specific to North America.

If the Official Opposition chose to have this debate, it is not only because the stakes are very high for English Canada, but mostly because the streamlining process is of the utmost importance for Quebec.

It concerns Quebec to the highest degree since there are some 650 companies, either prime contractors or subcontractors, which are directly involved in contracts awarded by the Department of National Defence. Quebec firms had gained expertise in four specific areas, namely communications electronics, aerospace, shipbuilding, and ammunition.

In spite of this expertise—which had been developed mainly through DIPP as we will see later—and Quebec's know-how in the four sectors I just mentioned, 10,000 jobs have been lost in Quebec since 1987, due partly to the international situation. As you can appreciate, the loss of 10,000 jobs in a market like Quebec is, to all intents and purposes, absolutely catastrophic. I say catastrophic, because these jobs, as was mentioned earlier, are in the high-tech field and if the conversion program is not implemented, there is no indication that Quebec will ever get them back.

As a member from Montreal, one of, if not the nicest city and region in all of Quebec and Canada, I must point out that the Island of Montreal is the centre of defence arms and materiel production.

*Supply*

Mr. Speaker, I want to back up my statements and focus on specifics, so that the government cannot accuse us of being vague and of not basing our demands on concrete facts. As you know, I have always made it my duty when speaking in this House to deal in specifics. Therefore, the following facts are for the benefit of the Minister of Industry who is honouring us with his presence today and who, I am told, will be taking part later in the debate. I would like to remind him that Montreal is affected most of all by the current crisis since 60 per cent of all contracts awarded either go to or are carried out in the Montreal area.

For example, between 1987 and 1992, a total of 15,000 sole-source contracts were awarded annually to the Montreal region. For those who are familiar with this issue, and I could name names because there are people in Quebec who have studied the conversion question, Montreal is considered the leading centre of military production in Canada, accounting for 26 per cent of all contracts awarded in the country.

We are shocked, saddened, worried to see the Montreal region, a region which has had its share of hardship these past few years—Montreal was said in the committee on social programs reform to have become the capital of poverty—suffer a 40 per cent overall decrease in economic activity from the defence industry over the past six years, while for the whole of Quebec, the decrease was 25 per cent.

So, there is a sense of urgency, an urgency that makes all the more unacceptable the attitude and inaction of a government the intentions of which in that respect are yet to be known.

(1030)

But, in the past, back in the days when they were in opposition, the Liberals, the big guns of this government, had made firm commitments in terms of reconversion. They were aware of the need and supported this necessary transition. This transition stage is required because the good old days when governments could award lavish defence equipment contracts are gone, for ever.

If I may, I would like to quote three former members of Her Majesty's loyal opposition who had endorsed wholeheartedly the conversion process, but now seem conspicuously silent. I am referring to the current Minister of Human Resources Development, Mr. Axworthy, the current Defence Committee Chairman, Mr. Rompkey, who was the opposition's Defence critic at the time, and Mr. Jim Peterson, who was their Industry critic.

**The Acting Speaker (Mr. Kilger):** Order! I would simply like to remind all members that whenever they refer to other members, the proper practice is to call them by their official titles, for example parliamentary secretary, or member for such-and-such a riding.

**Mr. Ménard:** Mr. Speaker, I apologize for this breach of order. But you will still allow me to quote these three members whose constituencies I do not remember.

These people were saying, "We must expand the mandate of Industry, Science and Technology Canada's \$200 million DIPP from developing defence technology to helping the industry convert and diversify into areas such as environmental technologies and high-tech peacekeeping technologies".

That is smart thinking, Mr. Speaker. And that is what we in the Official Opposition are demanding. We are telling the government that there is an urgent need to act on defence conversion and that this could be done by adjusting a program not currently used for conversion. However, if the government's intentions are serious, there is a program that would allow us to make conversion budgets available to businesses. It is the DIPP or Defence Industry Productivity Program.

We must never forget that this program, which in fact has promoted research and development, has been in place for over 20 years. It enabled businesses to conduct market studies and refine technologies mostly aimed at the defence industry. We think that the program which kept Canadian industries somewhat dependent on defence markets should now help them to pull through.

We say to the government that DIPP, which already had large budgets, \$300 million in good years, but today it is more like \$225 million, we say to the government that this is the vehicle to use. We will not accept an argument that DIPP is already being used for conversion. Because if they tell us that, we say to the government, "If this vehicle is really being used for conversion, come with us and meet various companies in the Montreal area that are having these problems. You will see that with these funds, they cannot really convert."

We say to the government that any conversion solution must involve regionalization, given the obvious fact that Canada's military industries vary enormously from one region to another. Each region has developed its own military specializations, so that each regional specialization has its own needs.

Obviously, an industry that makes munitions will not have the same needs, the same process, the same expectations for conversion as one that makes telecommunication satellites, for example. The Canadian reality is that each region has developed a very specific type of defence equipment production.

We must keep in mind that this debate is about the future and shows how forward-looking the Official Opposition is. I see my colleague opposite nodding and I am pleased to see that he agrees that we see things right.

(1035)

One must never forget that conversion is a medium-term process, lasting five, six, or seven years. Now is the time to lay the groundwork for conversion. We must recognize that certain regions are further ahead than others in their reflection process,

because they know, and this is a basic point to keep in mind, that no conversion is possible without hard and constant co-operative work. In Quebec, we have come quite a long way in this regard.

We have come a long way with this co-operative work because, immediately following the recession of 1981, this approach to economic recovery was taken into consideration by the major players in Quebec, including the labour unions, starting with the CNTU, which just this last year organized a seminar on the subject. Even the Conseil du patronat, which can hardly be suspected of having any sympathy for sovereignty, apparently has easy access to ministers. There is also the current Quebec government; we are not talking here about some obscure future separatist government, but rather about a conventional federalist government ready for commitment, and which is asking the federal government to give its businesses access to available funds for conversion.

The government will have no choice because of the direct relationship that exists. That is precisely what the Official Opposition is attempting to show today, namely that there is a direct connection between the dependency of Quebec businesses on defence industries and the lay-offs now taking place.

I will give you six very real examples which should prompt the government to act much more speedily than it has up until now. I could have given about 50 examples, but I will only mention six, because of the limited time at my disposal.

Between 1990 and 1994, Bendix Avelex, an avionics company which depends on the military market for 70 per cent of its production, laid off 35 employees. As you will see, the more dependent companies are on the military market, the more massive are the lay offs.

Expro, which you will soon hear about in great detail, since the hon. member representing the region concerned will later make a presentation, makes ammunition. That company is also dependent on the military market for 70 per cent of its production and laid off 300 employees.

Héroux, an aeronautics firm, is dependent on the military market for 80 per cent of its production and had to lay off 131 people.

MIL Davie, which is well-known and which we talked about several times in this House, depends on the military market for 91 per cent of its production and laid off 2,740 employees—yes, Mr. Speaker, 2,740. This is unacceptable! It is a shame and a social disaster!

Oerlikon, which is well known, builds ground-based and missile systems. It is 100 per cent dependent on the military and had to let go 410 employees. As for Paramax, it is 100 per cent dependent and it laid off 1,000 people.

### *Supply*

I do not know if the Minister of Industry is as shaken as I am, but I can hear him. I share his feeling of helplessness and I offer him my co-operation and that of the Official Opposition. We are telling this government that action is urgently needed. Stop procrastinating and let us work together; we, the Official Opposition, are willing to co-operate.

In the past, government members have said that we were only concerned by issues affecting Quebec, that we did not have a national vision and that we did not truly assumed our role. Now, this is an issue which concerns all regions of Canada, and particularly Quebec. And what we are saying is that, if the government is really serious about this, it should recognize that it does have that instrument, which, if improved, could help us to truly support businesses that really want to proceed with a conversion process. And let me remind those who are listening to this debate that this instrument is the Defence Industry Production Program or DIPP. We will see how serious the government is, since important budgets are involved in this program; we are speaking of \$225 million.

For the program to be efficient, this budget must take into account local factors as well as local stakeholders, the main people concerned, who must work together and cooperate to achieve conversion.

You indicate to me that my time is up, Mr. Speaker. I simply want to tell the government that we want nothing more than to co-operate on this issue because we truly and honestly believe that time is of the essence.

(1040)

[*English*]

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry):** Mr. Speaker, I begin by saying through you to the member for Hochelaga—Maisonneuve that we welcome this debate today and we welcome the spirit and tone that he has put forward in his remarks. We too are going to be constructive and specific in responding.

By the way, I do share the hon. member's view that his riding in Montreal is one of the most beautiful parts of our country. One day when he comes to Toronto he will share the view that I have of my city.

The conversion of military technology to peacetime use is something to which we in this government are committed. The member cited many examples of how people through layoffs, et cetera, were in a disastrous state, unemployed, highly skilled people. We are aware of that. We are moving.

We have to expand our thinking and maybe look at new types of instruments to help in this conversion. I want to give a specific example. Amortek is a company in Stratford, Ontario, that made military fire trucks. About a year and a half ago the need for military fire trucks was really not there. It converted to

*Supply*

making an environmental garbage truck that handles wet, dry, and recyclable garbage all in one unit.

It used its skilled labour to do the conversion. It did not get any grant money from the Government of Canada. What it did was enhance its marketing team by one or two people and participated in a few more trade shows in South America and the United States. It used the resources of the Export Development Corporation for credit lines and guarantees and a combination of those instruments, plus its banks are becoming a little bit more receptive to this type of environmental technology that is exportable. Right now the company has so many orders it cannot fill them.

I think it important that we communicate to those people who are in this conversion mode that they cannot just rely on the old system of funding because we are in a very difficult fiscal framework and we have all acknowledged that. I know the member acknowledges that.

Could the member not see that we could use the existing instruments like the Export Development Corporation, the chartered banks and some of the new creative funds they have and the enhanced marketing services of the export marketing development unit of the department of the minister of trade. Maybe through a little bit more creative thinking we could bridge that transition and that could help us get people back to work a little more quickly without adding further to the deficit and debt.

Could he consider that as a possible option?

[*Translation*]

**Mr. Ménard:** Mr. Speaker, as you know, it is always a pleasure to debate with the member opposite, probably the most faithful listener I have, but I think the hon. member is mistaken on several counts. First of all, I specifically stated, at the beginning of my speech, that the tightening of the market is closely linked to international conditions. Now, I feel the question put by the hon. member is somewhat partisan, since it implies that the businesses I talked about are a little passive, that they depend on the government and are not really unhappy about the whole situation.

(1045)

I found that a bit strange, Mr. Speaker. Do you not think that a business which has been operating on a specific market and which has to lay off 600, 700, 800, 900, or 1,000 workers would have, all by itself, considered developing a strategy plan to find some new niches and some new markets?

In fact, in some cases, businesses have, on their own, presented the government with a conversion plan. In a number of cases, the government was provided with conversion plans, and there is supporting material to prove it. However, according to

professor Bélanger, whom I hope the hon. member will have the privilege to meet some day, there are structural obstacles to conversion.

First, in many cases, these firms do not know the new markets as well as the ones they used to operate on. Very often, in order to proceed with the conversion process, they need to change their production technology, which requires significant capital expenditures, something they cannot always afford.

But should this whole debate not rather deal with the fact that the DIPP, for historical reasons which cannot be denied, tried to maintain in a state of dependency a number of businesses involved in research and development in the military sector? Is it not socially responsible for the Official Opposition to argue—notwithstanding trade fairs, which I know the hon. member likes a lot—that there will be no conversion without a comprehensive approach, without the government's support?

Nobody says that that conversion process has to be the exclusive responsibility of business; no company says that either. Professor Bélanger interviewed people from over 80 companies. They are ready to play their part, they are aware that there is an element of strategic planning involved, and they also know that it is incumbent upon them to take the first step. No company denies that.

But we have to recognize that the government has a responsibility. It must take a comprehensive approach to this issue, provide a tool that will give impetus to the process and make funds available because of the studies that often have to be conducted. I am not talking here about annual funding. I am talking about funding a process over five to seven years.

I partly agree with my hon. colleague, and I will conclude my remarks by saying that, yes, businesses must take the initiative of looking for new markets, but they have the right to expect the government to provide them with a tool, and we are telling the government that the tool they need is the DIPP.

**Mr. Jean H. Leroux (Shefford):** Mr. Speaker, first, I would like to congratulate the hon. member for Hochelaga—Maison-neuve for the soundness of his remarks.

We, in the Bloc Québécois, consider the conversion of defence industries to be of great importance and we think that government members too, when sitting in the opposition, believed that to be important. It seems that changing sides in the House also means suddenly changing argument.

So I have a question for my hon. colleague. I would like him to explain the position of the Bloc Québécois and also the different stages it would be important to go through. Government members opposite keep saying they want to listen; so I hope that at some point, after we have explained to them one last time what it is they should do, they will stop listening and finally take action.

*Supply*

**The Acting Speaker (Mr. Kilger):** The hon. member for Hochelaga—Maisonneuve has only a few minutes left. He should keep his answer short.

**Mr. Ménard:** Mr. Speaker, in school I was always told I had an exceptional talent to sum things up. My colleague is quite right when he says we should remind the government that three main steps should be taken.

Mr. Speaker, is the hon. member across the way trying to interfere systematically so I have less time to give my answer? So, there are three main steps.

First of all, the government should make tools available to businesses which, in many cases, have specific conversion plans in mind.

Mr. Speaker, I do not understand what the minister is saying.

(1050)

**The Acting Speaker (Mr. Kilger):** I regret to interrupt the member, but the period reserved for questions and comments is now over. The Hon. Minister of Industry has the floor on debate.

[*English*]

**Hon. John Manley (Minister of Industry):** Mr. Speaker, when the hon. member suggests that we make tools available to these companies, what he really means is a cheque book. That perhaps is where I should begin.

I would like to make a few general remarks about what the hon. member for Hochelaga—Maisonneuve has said this morning. I do welcome this debate. It is an opportunity for us to talk about an important aspect of industrial policy, that being defence conversion, but I want to put it in the broader context.

I have a few comments though arising from the hon. member's remarks. First of all, let me say how pleased I am that the Bloc Québécois members are interested in talking about defence conversion. Realizing that their political objective is to create a new country, one which would have no army, navy or air force, one would have expected they would be anticipating massive expenditures on defence itself. If they succeed in their objective they may as well anticipate that. Therefore defence conversion is not what they should be concerned about, but in fact the creation of a defence industry.

Second, it occurs to me from listening to his remarks that he described the loss of jobs in this sector as a social catastrophe. I agree with him, if he means that any unemployment is catastrophic to the persons involved.

We have experienced over the last number of years many job losses in Canada in many sectors. We have seen it most recently in the fisheries in Atlantic Canada. We have seen it, although it is recovering well right now, in the automotive sector in Ontario. We have seen it in industries in western Canada. As we

live at the moment with 11.5 per cent unemployment, 1.5 million Canadians out of work, for those people it is a catastrophe.

I suggest however it is no greater catastrophe for those in the defence industry than for those in any other industry. What we really are talking about—

**Some hon. members:** Oh, oh.

**The Acting Speaker (Mr. Kilger):** Order. I know that members feel very strongly about these issues. Of course this is the place for that debate to take place, but I think we all want to do it in such a fashion that we maintain the respect of all our constituents.

In all fairness to members on either side of the House, given the strong views, I would ask members to allow one another to debate and I will do my utmost to maintain that debate in the most respectful fashion.

**Mr. Manley:** Mr. Speaker, I have three children at home. I am used to talking when others are talking, so it is not really a problem for me and there are children here too.

The other comment I make arising out of the remarks of the member for Hochelaga—Maisonneuve is the notion which appears to underlie his basic thesis which is that we should give money to individual firms in order to assist them in converting.

He mentions DIPP and that is an important tool of industrial development. In fact it has historically given money to firms. As we revise DIPP, and I will say more about this in a few moments, what we have been doing is essentially making DIPP a refundable, repayable contribution to assist firms in developing products for markets.

There is quite a distinction between a strategic approach to an industrial sector and one which focuses on bailing out particular firms by writing cheques for taxpayers' money.

As we talk about defence conversion most members will agree that what we have here is a very complex process. I do not think there are simple answers or formulas. Furthermore Canada's position with respect to defence conversion is unique among industrialized nations. The hon. member for Hochelaga—Maisonneuve and many of his colleagues need to be informed about exactly what it is we are attempting to do. Let me try to provide some perspective on just where we are coming from in Canada in this area of industrial conversion.

(1055)

In the red book we stated that many opportunities are available for industries which recognize and exploit the trends in global markets. We knew that the time had come to help defence industries to make the transition from high tech military production to high tech civilian production.



*Supply**[Translation]*

We are determined to achieve this objective. For that matter, we have made great progress in developing an effective strategy.

*[English]*

Our defence conversion program has three major components: first, redefining Canada's defence policy; second, rationalizing the military infrastructure in Canada; and third, rationalizing the defence industrial base. Really what we are talking about here is the third of these points, rationalizing the defence industrial base.

*[Translation]*

Our defence industry is largely composed of fully diversified businesses, most of which depend only moderately on military markets. For these businesses, the rationalization of our defence sector does not pose major problems. Sales of military material will be maintained at a relatively high level, but companies like CAE Electronics, Canadair and Spar will be able to make gains on both commercial and military markets.

*[English]*

We have a second group of companies capable of further diversification. These companies have the technology, skills and the manufacturing base to achieve long term growth in non-military markets. However, they may need assistance in analysing the most advantageous areas for diversification. This is where a broadening of the criteria for the defence industry productivity program, DIPP, will be particularly applicable.

We have a third group of companies. They are the strong niche players in the global military market. They fully expect to continue to grow and prosper in this market and nothing will be gained from attempting to discourage this growth. While they may remain primarily defence oriented they nonetheless are innovative and contribute to the advancement of technology which often leads to substantial commercial applications.

Finally, we have a fourth group of companies whose futures are very much in doubt. These are companies that are heavily dependent upon the domestic defence market, companies with little or no readily commercialized technologies. They have little export potential and may not be able to compete in the international marketplace. Conversion for these companies would likely be cost prohibitive and their futures must be managed on a case by case basis.

While we can make predictions about each of these groups of companies and their future prospects for growth and diversification, there are very few certainties. What it really boils down to is the fact that the future of defence companies in Canada will hinge on the defence market itself and the ability of companies to diversify into other product lines.

The future demands of the domestic defence market will not really become clear until we have completed a defence review. That is not something which is done overnight or even over a couple of months.

*[Translation]*

It is clear that we cannot wait for the completion of the defence sector review. Canadian businesses cannot wait. We are all very well aware of the fact that competition is intensifying on international markets; no one can afford to wait for the results of a review to be published. Therefore, the government must go ahead, resolutely.

*[English]*

Our main objective is to reduce the dependence of Canadian firms on defence sales. We want to encourage a greater focus on research and development, on dual use technologies to support product development and on improving market access.

(1100)

In pursuit of these objectives there are a number of principles that I believe will guide us toward success.

First, the process must be industry led. It only makes sense that industry is in the best position to determine how it will meet the challenges and recognize the opportunities presented by defence conversion. There is a role for government in all of this, and it is a very important role. The government can facilitate that conversion by providing some assistance in identifying market opportunities and removing barriers to growth.

Second, defence conversion should not imply massive subsidies. There is no room for bailouts, for attempting to rescue companies that have suffered through market disruptions. Simply put, such an approach would be fiscally irresponsible and in the long term would do no one any good. What resources the government does have at its disposal—and I do not think I need remind anyone in the House that those resources are limited—should be focused on support for entering new promising markets. They should be focused on innovative projects and initiatives that will continue to contribute to economic growth and the creation of high value employment.

*[Translation]*

The government is aware that its primary responsibility is to the citizens of this country, the taxpayers of Canada. They would not accept massive financial help programs because it would go against the present thrust which is to try and reduce our huge deficit. But, they need not worry about that, the government will not launch such programs.

*[English]*

To that end we will be utilizing to the extent possible existing programs. That does not mean they will be infused with a flood of new funding. We are looking at what works, what does not work, and what can work better. We are asking industry to be innovative, and we intend to be equally innovative in the design of policy and program initiatives.

*Supply*

[Translation]

If we ask the Canadian industry to diversify its activities, if we exert pressure to achieve conversion, we must help companies respond to the needs of the military as well as the requirements of the commercial markets.

[English]

In order to do this we will work to introduce early into the procurement process industry views that can shape specifications to meet military requirements and diversify into production for commercial requirements.

Simply put, there is no room for the one-off, one of a kind military products of the past. No one can afford them. They do not fit into any logical equation for promoting competitiveness, innovation and economic growth.

It is no secret that governments, any governments, are always ripe for a little simplification of procedures and administration. This is an area we are looking at very closely. It is an area where changes will have to be made. The system as it exists now in Canada makes it difficult, if not impossible, for companies to support efforts in both military and commercial markets.

In fact the U.S. is already moving in this area and we will be following in the same direction.

I have a couple of final points to make, if I may. In no way do we intend to pursue a course that is defence conversion merely for the sake of defence conversion. By that I mean that the government has no intention of subsidizing the conversion of defence industries into commercial activities and commercial sectors that are already effectively serviced by existing firms. This is one of the dangers in the argument that was being made by my friend from Hochelaga.

[Translation]

I will not go any further into that, but I will just point out that when people try and criticize the government for not doing enough to help defence industries switch to civilian production, their arguments only underline the fact that this is a complex question, that many did not take the time to research fully.

(1105)

[English]

No one gains when the end result of conversion is oversupply in another commercial sector. In fact the results would likely be more damaging than they would have been had there been no conversion effort at all.

[Translation]

Finally, job creation is still an absolute priority of the government and yes, certainly, the process of conversion of defence industries could result in the creation of new and very interesting jobs. However, we should not forget that this will lead to disruptions within the labour force. The market will take care of some of the affected workers and many of the highly qualified defence industry workers will find jobs in other sectors.

There is no doubt, however, that there will be some problems with less qualified workers. In those cases, to help the workers involved, the government will use, as much as possible, its industrial and community adjustment programs as well as programs geared to human resources.

[English]

I only mention this because it is an element of the whole question of defence conversion that is often ignored by those who wish to give advice or criticize. There are some knowledge gaps out there. There may be some knowledge gaps in the House. Over the course of the debate I hope we can perhaps fill some in.

For my part I am eager to hear the recommendations and suggestions of opposition members on this matter, especially those who have within their constituencies companies or sectors that have been affected by the changes in the international environment, particularly with respect to defence acquisition.

[Translation]

I should add that when we talk about the private sector we should remember that the shareholders and the managers of the companies also have obligations.

[English]

Shareholders and managers of companies have an obligation to invest in their own strategic development, to invest in marketing and to foresee changes that are coming.

We stand here today in 1994, almost five years after the Berlin wall fell. The fact that companies in the defence sector face significant challenges should not come as a surprise this year or last year to those companies. Government is prepared to work with companies that are trying to make conversions, trying to develop products that have dual use, or trying to find new markets for their goods.

Let us never lose sight of the fact that governments do not solve problems for firms. Firms, individual enterprises and individual shareholders have a big responsibility to help solve their own problems.

[Translation]

**Mr. Réal Ménard (Hochelaga—Maisonneuve):** Mr. Speaker, I will try to keep my cool, but it will not be easy. I will do it out of respect for the Chair.

*Supply*

I feel I have been watching excerpts from a movie which got rave reviews in Quebec. It was called "The Unbearable Lightness of Being". With all due respect to the minister, I cannot understand his discourse. No later than March 26, 1993 A.D., Mr. Speaker, the Liberals, who were then getting ready to assume power, were calling for the solution we are offering in part today.

Because the Official Opposition claims that the government must play an important part in the conversion process, the minister began his remarks as follows: "The hon. member for Hochelaga—Maisonneuve—yours truly—suggests that the government make its cheque book available to these companies". In part, Mr. Speaker, in part. We do not see anything wrong in doing so; as a matter of fact, we believe it is acting responsibly. Why do we think that the government should give them money? Because, through DIPP, these companies have become dependent on government funding.

(1110)

Does the minister not agree that most companies facing the difficult task of converting, have adopted or presented the government with their own conversion program? Today, the minister follows a laissez faire approach and tells us that it is up to the private sector to adapt. Yet, the Liberals were even more interventionist than we were, because in addition to recommending adjustments to the DIPP, they demanded the following in the second part of their press release entitled *Liberals Announce Defence Conversion Policy* issued on March 26 of 1993: "The establishment of an Economic Conversion Commission, with the participation of industry and labour, to facilitate and coordinate the process of conversion in the 100,000-job defence industry".

One would think from this press release that the Liberals agreed with our position that state intervention was essential to the conversion process. Therefore, I cannot understand the government's lack of commitment or why it has backed off and flip-flopped on this issue. We do, however, agree with the minister about one thing, and that is that unemployment affects everyone. Happiness, they say, may be the absence of misery. This is the kind of sophistry that is served up to us here today.

I will agree with the minister that unemployment is catastrophic for everyone, but will he agree with me that the money spent by the government on the conversion process will spare some people their jobs and allow them to continue investing in the economy? I fail to understand why no connection is being drawn between implementing a strong, immediate and urgent conversion strategy and the benefits that would accrue from it, in terms of national production and unemployment. I hope that the minister will review his position, that he will take a much more interventionist approach and that he will show some

leadership. I have been told that he can count on the co-operation of his colleague, the Minister of Finance, and I know that the two ministers are prepared to work closely together. Their co-operation and the will of the opposition will ensure that we work together on this issue.

**Mr. Manley:** Mr. Speaker, the hon. member is trying to misrepresent what I said. In my remarks, I tried to explain that in a strategy for the conversion of defence industries, we need to have, first of all, in the private sector, the sort of initiative that can provide direction to every company affected.

Take for example Paramax, now Unisys GSG, the prime contractor for the helicopter contract the government cancelled on November 4.

*[English]*

I am quoting from a Canadian Press article published in the *Gazette* of April 19, 1994:

Paul Manson, president of Unisys GSG—says the company may end up better off than it might have had it carried the multibillion dollar helicopter contract through to its conclusion.

"We've gone through the worst of the setback from the helicopter", he said.

The article goes on:

He said Unisys is using the expertise gained in military work for commercial contracts, especially in the field of total systems integration. "Once you would sell a mainframe or a mini-computer or a PC and then walk away", he said.

"Now we're involved in the whole package—maintenance, software, systems and integration.

The article goes on:

The cancellation cloud may have had a silver lining in that it forced Unisys into diversification at a time of "intense downward pressure on defence budgets".

My point is simply that I hope this indicates a success for the particular company. It has a highly motivated very professional manager as president, Mr. Manson. He has done a good job trying to anticipate where his company can find new successes. He spent a fair bit of time discussing strategy with Industry Canada. We have tried to be helpful to him as a government should be in identifying opportunities and in looking for possibilities.

(1115)

Indeed the DIPP fund may prove useful in this exercise again as a repayable contribution to research which will lead to the production of new products to sell into new markets.

This is a very clear strategy. It is not a do-nothing strategy as the hon. member has attempted to characterize it. It is a practical pragmatic strategy that reflects two things, first of all the important contribution that these firms make to Canada's base of highly skilled, highly educated technical people. Second, it reflects the reality of the fiscal situation of the Government of Canada.

With all due respect to the hon. member who makes quotations from press releases at a time when the government in office was projecting \$30 billion deficits, times have changed. Any government is forced to see how it can make most effective use of the resources that it has available.

If he has practical suggestions on that or if he would like to come forward and say that he thinks the DIPP fund should be increased by another \$250 million and here is where we take the money from then let him suggest that. So far, other than his ranting and raving I have not heard any specific suggestions from him as to what it is exactly he wants us to do.

**Mr. Jack Frazer (Saanich—Gulf Islands):** Mr. Speaker, mine is a very brief intervention because I know the time is short. I would ask the minister if he could provide us with the figures on the DIPP program as to how much was invested and what the payback was in the most recent figures he has available.

**Mr. Manley:** Mr. Speaker, I am afraid I could not answer that question off the top of my head but I will certainly undertake to get that information to the hon. member as quickly as possible.

**The Acting Speaker (Mr. Kilger):** Resuming debate. I will take the occasion to remind all members on both sides of the House that for a member to be given the floor he must seek the floor and of course that means to rise at your chair. We speak about or refer to these unofficial lists that we have, which are somewhat helpful at times, but in the end members seeking the floor of course are those who will be recognized by the Chair.

[*Translation*]

**Mr. Bob Ringma (Nanaimo—Cowichan):** Mr. Speaker, after reading the Bloc Quebecois motion, I have more questions than anything else. The motion reads as follows:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of defence industries—

This certainly raises questions. I am pleased to say first of all that some of my questions were answered by the first speaker, the Bloc critic, and also by the Minister of Industry.

Before listening to this morning's speech, I had decided that I should speak for the motion for one part and against it for another, based largely on the interpretation of certain key words in the motion.

[*English*]

In listening to the first speaker, the member for Hochelaga—Maisonneuve, some of the answers came clear to me. One was that first of all he was making a very Bloc Quebecois statement, one that is enshrouded a little in mystery. In fact, it was partly

*Supply*

brought out by the Minister of Industry saying: "Why are they talking about this defence industry when their long term motivation is to withdraw and perhaps have no armed forces at all". That part of it is still a bit of a mystery to me.

(1120)

I noted also that the speaker talked really only about Quebec. He did mention regionalism. I think regionalism is a very great consideration to all Canadians partly because we do not see sufficient consideration on the part of the government about regionalization or the necessity for developing different regions. We see a total concentration, it seems to me, on one at a time and giving way to political considerations rather than human or industrial ones.

The main question I had in listening to the Bloc spokesman was what is the motivation behind the motion. I think that came very clear that the motivation was to get money for industry in Montreal. I do not think that is sufficient. Perhaps it needs money. Perhaps it needs help. Perhaps it needs government leadership. However, to just say: "Let's have more money for Montreal or for Quebec" is not acceptable. It should be put in the context of what is needed in the rest of the country.

I heard the statement by the Minister of Industry in response. I have to say that the thrust of his statement was good. I did agree with a good part of what he said. He said there should be no question of just giving cheques to industry, that industry must take the initiative itself.

I would put a little caveat in here in saying that the government must show some leadership for industry, but the minister said it correctly in saying that the defence market has to take care of its own. It has to be market driven and, he said very clearly, there must be no major subsidies or bailouts. I could not agree more with what the minister says in that regard. He wound up in effect saying the whole process must be industry led. I agree with that also.

Having in a cursory manner described what I heard from both of these presentations on the part of the Bloc and on the part of the government, I have to admit that my own thought processes on this process were much more objective. I am looking at the context of the world situation, of Canada's foreign policy, Canada's defence policy and what industry has to do within that whole milieu.

Let us see how objective I am.

[*Translation*]

The motion introduced by the Bloc Quebecois refers to unacceptable delays in developing a genuine strategy.

*Supply**[English]*

My comment on that is that some delay is inevitable in that it must await the evolution of foreign policy and defence policy. That review is under way now. We will not see anything until the end of September. There is an inevitable delay there.

Having said that I have to criticize the government for some of its dealings with defence policy. For example, that it did a whole base closure program before the defence review was done.

(1125)

That does not make good sense to me. I know the government was under the gun to save money. I agree with the government and compliment it in the sense that it has allowed the Department of National Defence to rationalize its own infrastructure. The government did well in that regard, but there is a certain backwardness to putting the closures ahead of the defence review.

Coming back to the motion, let us talk about the development of policy. Here the point to be underlined I would think is that government leadership is required. The government should be talking very seriously with industry, not but bailing it out but saying here is what we foresee, here is what is falling out so far from the defence review, which incidentally I understand is being done in a pretty non-partisan way by the special joint committee on that and good for them.

The government nevertheless can take some leadership here. It should be talking with industry, perhaps it is but we do not know about it, saying here is what we see in the medium term and the long term. Let us look ahead 5 years, 10 years, 15 years and let us build on the strengths of Canadian industry today as demonstrated in the field of electronics, communications, extra-sensory perception—not ESP, sorry—but the remote sensing as practised by and developed by firms like MacDonald Dettwiler of Richmond. These are the areas where Canada is a leader. Government I think should be sitting down with industry and saying, fine, how can we exploit the advantages that we have in this country in these industries to give us a long term benefit of employment.

While at it the government should make a firm resolve to have no political patronage or interference once the policy has been decided. If you look back over a number of governments, Mr. Speaker, that is precisely what you will find. When the Bloc talks about contracts for Quebec, what I have seen from a western point of view is the scandalous putting aside the contract of Bristol Aircraft of Winnipeg on the F-18 maintenance and giving it through pure political patronage to Canadair in Montreal.

That sort of thing has to stop. I hope the government will take a lesson from the past and say yes, it is resolved to do that.

In the development of policy I would urge the government to do a continuous strategic review of our defence policy, update it from year to year. The government should not leave it hanging in the balance for five years at a time and then say, now we must do a review. It should do a continuous, ongoing strategic policy reassessment year by year so that we do not have to make these sudden shifts, some of which of course affect industry. If industry cannot see what the long term prospect is and be able to adjust year by year to smooth things out, it does not know where it is.

The final point in the development of policy is that I would encourage the government to please get more public input. The public of Canada is very supportive of defence and the armed forces in time of war, but it is not that supportive as it is uninformed during most of peace time. Therefore I would encourage the government please to get the public more involved in the review of policy.

We have been talking about developing policy. In implementing this policy the emphasis must be on industry rather than government. Again I take the words of the Minister of Industry and emphasize them.

(1130)

Government must emphasize research and development. It has a role to play. We have a fairly sizeable research and development expense year by year in national defence. I suggest that it should be more tightly attuned to what is going on in industry to give us more bang for the buck.

I agree with the motion when it calls for more jobs in high tech. That is the direction in which we must be going. Look at what has happened in the past because of government policy. Look at the Avro Arrow. The Avro Arrow has been talked to death over the years but I would like to bring it back as a reminder. It had wonderful potential for Canadian industry but it was chopped and thousands of jobs were lost because of a political decision. That sort of thing should not happen.

Closer to our time, perhaps not as severe but nevertheless of high impact is the EH-101 helicopter decision. I understand clearly that the government of the day, the Liberal Party, as part of its election campaign, said that it would cancel the contract. It stuck to its promise. By sticking to its promise, it hurt the country and it hurt industry. I am not sage enough to say how the government could have got around breaking its promise but if it had had an all party review of that project, perhaps that would have given them the answer.

The predicament the government got itself into by cancelling the EH-101 contract is that it says: "Fine, we are probably liable to \$250 million in cancellation charges" but the word is that perhaps those cancellation charges will be as high as \$1 billion. Whatever the figure is, we have nothing for our money

and yet we still are going to have to pay out hundreds of millions if not billions of dollars to acquire a replacement helicopter.

The Bloc is talking about good paying jobs and high technology and they were there with the EH-101 contract. Ten per cent of the manufacturing of every helicopter produced worldwide would have been done in Canada. That would have meant a lot of jobs and a lot of money.

People will say that we are at peace. We are not at peace and I will come to that later. I remind members that some of the applications of this helicopter are peaceful as well as warlike. It had a naval version, a transport version and a passenger version and I think we are going to see more of this helicopter in the future.

I have heard estimates there is a market for 800 such helicopters. More recently I heard that the U.S. marine corps is thinking of buying 500. Think of the market that Canada has lost. Think of the jobs. Think of the high tech job creation we have lost by putting that behind us.

(1135)

Let us talk generally about the defence industry. When anyone says defence industry it sparks emotion. It sparks emotion on the part of the general public which says it does not want a military industrial complex. I agree with the public that we do not want a military industrial complex that drives the government, such as we saw in the former United States model. We do not need that in Canada.

At the same time, however, we must be realistic and recognize that there is a defence industry. It will continue, we can be a contributor, and government should take its leadership role in asking industry what it can do best and how can government best encourage it without necessarily giving them dollops of money.

The idealism that gets involved, the exaggeration that is involved when one says defence industry, should really be moderated in Canada. It is too much of an extreme view when we hear people saying: "Oh, you can't even say the word defence industry because it is bad". The fact is there is a positive role for the defence industry, not just in employment but in creating new products for the good of all people. The government's role vis-à-vis the defence industry must be one of preserving a minimum base for that industry throughout the years ahead.

In this connection there is an organization called the Canadian Defence Preparedness Association, which I understand gave testimony to the joint committee in the last day or two. It has a real role to play with the government. Its objectives, if I may read it, are "to foster an industrial framework to achieve both the sustainment of forces in being and a modest mobilization capacity in times of conflict." I think that is a worthy objective.

### *Supply*

What government can do in conjunction with a group like the Defence Preparedness Association and other defence minded groups is to look ahead and ask how they may co-operate. Can we have the production of aircraft, for example, that are stressed so as to land on rough terrain but have an application, a use, in time of peace but are available to the government, to the Canadian forces in time of emergency?

The answer, if the government looks long term, is yes we can have things like that. Can we have, for example, roll on roll off ferries that are in day to day use, let us say with B.C. Ferry Corporation in British Columbia, subsidized to a degree by the Canadian government? If we can have these used in peacetime but also available in time of emergency, we have something that is a good combination for peace and war, if you will.

There are other things that the government can do in its leadership role vis-à-vis organizations such as the Defence Preparedness Association. One such is legislation. It should be listening to these organizations and asking how we can best support the militia or members of the militia by ensuring that they have a job once they come back from either peacekeeping operations or militia training. Things of that order can be done.

Implicit in the Bloc motion, or at least my interpretation of it, is that we are now in a time of peace. If that is so, I have to say we are not there yet. You simply have to look at Rwanda, the situation in Somalia and the situation in the former Yugoslavia. You can look anywhere in the world and if there is no trouble there right now, you can see it coming in the future.

(1140)

In summary, there is good and bad to be said about this motion. I was cheered by the reply of the Minister of Industry. I think the government is going in the right direction. However, government can do much more in the planning sphere to create jobs and to make better life for us all.

[*Translation*]

**Mr. Yves Rocheleau (Trois-Rivières):** Mr. Speaker, I would like to comment on what the hon. member for Nanaimo—Cowichan said about the F-18.

I think it would be a good idea to remind the hon. member for Nanaimo—Cowichan of the historical facts on the F-18. We need to place the F-18 events in their historical context. In this regard, we must remember that during the referendum debate, after our friends opposite got involved, in particular the hon. member for Saint-Maurice, who was already a minister in Mr. Trudeau's Cabinet, Quebecers were promised a carrot: "If you vote against the Parti Québécois' proposal to give them the mandate to negotiate eventual sovereignty with all related commitments, we promise you, first of all, that the superspecialized F-18 will be built in Quebec". That was the carrot.

*Supply*

And I remember in the 1980s seeing follow-up analyses saying that, according to the experts, the promises were never kept. Either I misunderstood the member from the Reform Party or he does not know—that is his right—but I hope we will no longer hear such remarks, as though Quebecers' concerns were whims, to use once again the words of the hon. member for Saint-Maurice.

I would like to suggest to my dear colleague from Nanaimo—Cowichan, who is responsible for recruiting Reform Party members in Quebec, that such comments will not help him in his task.

**Mr. Ringma:** Mr. Speaker, I obviously did not express myself clearly in English because the hon. member misunderstood me or he does not understand the F-18 situation.

First of all, there were no promises to build the F-18 in Quebec; it was to be built in the United States but a few parts would be built here in Canada. The contract I mentioned was only for the maintenance of this plane and it was awarded to Winnipeg-based Bristol Aerospace, which had it in the bag but, as the hon. member said, the government decided that it should still give Quebec something even if it lost votes in the West or upset Westerners. It did not matter; they had to give it to Quebec.

The contract was awarded for political reasons, and that must stop in Canada.

**Mr. Jean H. Leroux (Shefford):** Mr. Speaker, first I want to tell the hon. member that indeed, and Quebecers are aware of it, there are frustrations in Western Canada, where people may have the impression that Quebec gets more than its fair share. However, I want to remind the hon. member that, among large provinces, both in terms of population and size, Quebec is undoubtedly the province with the highest unemployment rate and the largest number of poor in cities. It is a state, or at least a province, where there are numerous problems. And I personally do not think that Quebec is asking for more than its fair share, far from it.

(1145)

I want to point out to the hon. member one thing which was overlooked. If we proposed to discuss today the conversion of defence industries, and if Bloc Quebecois members talk more specifically about Quebec, it is because a consensus already exists in our province between the City of Montreal, the Quebec Liberal government, the unions and the Conseil du patronat.

Mr. Speaker, the situation in Quebec is such that we must absolutely find a way to ensure the conversion of this industry. As my colleague from Hochelaga—Maisonneuve mentioned earlier, out of 57,000 jobs, 11,000 have disappeared since 1988.

The situation is disastrous and even catastrophic. The Reform Party member did not say that we are in times of war, but he seemed to imply that there are conflicts everywhere. We must be serious and believe that it is possible to have peace. I think it is reasonable to say that we are less in danger than we were 20 years ago, and that the need for arms is also less than it was 20 years ago.

I find it somewhat unfortunate to think that we must continue to arm ourselves. In conclusion, I want to tell the hon. member that there are frustrations in the West. However, the Bloc Quebecois is well aware of those frustrations and we have a plan for the future of Canada which will eliminate those frustrations once and for all. Our plan will ultimately put an end to the constant bickering between us by creating parallel systems, in harmony. This is what Quebecers hope.

[*English*]

**Mr. Ringma:** Mr. Speaker, I would agree with my hon. colleague that indeed we want to work side by side in peace not just with Quebec and all of Canada but elsewhere in the world.

Absolutely there is no one who likes peace more than a professional military person. Having put in my 35 years, having seen the terrible results of war, I could not agree more. Let us go for peace.

Having said that, I look around the world. I look at the two Koreas. I look at the situation in Vietnam and Cambodia. I look at Sri Lanka, the Tamils vis-à-vis the rest of India. I look at the Kashmir situation, Afghanistan, on and on. You cannot look at any part of the globe and say there is peace around the world because peace is not there. Therefore the assurance of peace is certainly being threatened. Anyway, that is getting far too much into philosophy.

[*Translation*]

We are aware of the unemployment problem in Quebec, but I wonder why the problem is more acute in that province. I believe Quebec has all the necessary tools: intelligent people, hard workers, industries, the river, transportation, everything.

So, if unemployment is more severe in that province, I wonder if it is not partly a matter of policy.

**Mr. Yves Rocheleau (Trois-Rivières):** Mr. Speaker, as industry critic for the opposition, I am very pleased to take part in this debate on a motion put forward by my colleague, the hon. member for Hochelaga—Maisonneuve, for which I want to congratulate him. His motion concerning industrial conversion reads as follows:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of defence industries to civilian production, which would save and create new jobs in high-technology sectors.

(1150)

This motion shows how concerned we, in the opposition and in the Bloc Quebecois, are about this whole issue of industrial conversion, given the current situation.

You have to realize that the problem is very acute and the situation is very serious. During the last few years, defence expenditures have decreased. In fact, in only seven years, from 1987 to 1994, they have dropped by 10 per cent. According to some experts, defence expenditures are expected to fall by another 25 per cent in the next few years. This 10 per cent drop in activities has had devastating effects throughout the West. In Europe, for example, 600,000 jobs have already been lost. In the United States, 700,000 jobs disappeared in five years. By the year 2000, about 1.6 million jobs will have been lost because of the reduction in military production. Here, in Quebec, as was mentioned earlier, 10,000 workers in the defence industries have already lost their jobs.

According to some analysts, in Quebec, there are about 650 businesses directly or indirectly involved in military production.

Around forty of those are mainly and fundamentally involved in military production, a high-tech sector where much emphasis is put on research and development. So, we are talking about highly-qualified workers, who are highly paid, and, as you know, for every job in this high-tech industry, there are five indirect jobs.

Faced with this very serious problem, there is only one conclusion to be drawn. We urgently need a strategy for the conversion of defence industries to civilian production. The nature of manufacturing must be changed.

Here is Canada's position in the world market: in 1992, Canada was the eighth arms producer in the world, with a production value ranging from \$3 to \$7 billion, depending on the products. We should know that 70 per cent of these products are exported and that 80 per cent of our exports go to the United States.

In view of the reduction of military activity that was talked about earlier and that has caused the loss of 700,000 jobs in the United States, we can already see how the situation is threatening for Canada and Quebec, since the market is constantly shrinking.

Once again, that is another way of seeing the urgency of the situation and the need to redirect all military production effort at the present time.

We should also know that the federal government's intervention in military production has been specifically a type of intervention called the Defence Industry Productivity Program, better known as the DIPP. The DIPP is defined as follows:

The main mission of this program is to support businesses in the defence industry, mostly in aeronautics and avionics, to facilitate and consolidate research and development activities, to establish suppliers networks in

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by-products and components for these sectors, and to promote investments and exports in these high-value added manufacturing sectors. The objectives of the program are to assist defence businesses in remaining competitive in the world markets and the Canadian market.

In 1989-90, three years ago, the DIPP had a budget totalling \$300 million.

(1155)

In 1992-93, the budget was only \$226 million, a reduction of a little over 25 p. 100. This means that Quebec received \$168 million dollars in 1989-90, and only \$80 million in 1992-93, a reduction of 52 p. 100, whereas the total budget has been reduced only by 25 p. 100. Given this, the Opposition now feels that this program must be revisited and that the DIPP mandate of military equipment promoting agent must be changed, so that part of this budget will be allocated to the conversion of defence industries into civilian production.

The Opposition is not saying anything new when making such remarks. For once that we agree with the Liberal Party, let us capitalize on that. I believe we agree with them more than they agree among themselves. This may be the difference between this side and that side. On this side, one can make remarks, on the other side, one must implement them. This is not always easy. Power is painful and difficult to assume. We understand it.

The press release of March 26, 1993 says a lot about the intentions of this government. This press release was cosigned by the leader of the Opposition, now prime minister, the present minister of Human Resources Development, the present member for Labrador and his colleague for Willowdale, who was then the critic for industrial affairs. It states three major commitments. "Expand the mandate of the Defence Industry Productivity Program (DIPP) of the Department of Industry, Science and Technology, which has a budget of \$200 million, in order to add to it a support element that would facilitate the conversion and diversification to areas such as environment technology and advanced technology for peacekeeping".

Second recommendation: "The creation of a commission of economic conversion in co-operation with industry and labour in order to facilitate and co-ordinate the conversion of the military industry which today employs some 100,000 workers. Sign conversion agreements with the United States, which import 80 per cent of our military equipment production". And finally, "the conversion of military bases" which has already started. We can already see the position taken by the Liberals.

There is one aspect that I would like to draw to your attention because I think this is the source of the hesitation of the government regarding the role of the state in that area. Yet, the Liberal Party was very clear at the time, that is only 14 or 15 months ago which is not a whole life time.



*Supply*

I would now like to quote the second paragraph on page 3 of their press release: "The Liberal Party believes—and we are reliably informed that this is the cause of the hesitation of the government—, believes that the mandate of the state is to take initiatives that are in line with the evolution of the international scene and that create jobs for Canadians. A plan must be adopted to encourage our military equipment industries to turn away from that type of production and export. We commend the sub-committee of the House of Commons on arms exports which adopted our view in its report of September 1992 and made useful recommendations that were in good part inspired by liberal ideas".

Being consistent, the Liberal Party underlines this fact in its red book, which led many Canadians to support them especially in Ontario and in the Maritimes. The red book, on page 55, reads as follows:

The defence industries today employ directly and indirectly over 100,000 Canadians. The end of the Cold War puts at risks tens of thousands of high-tech jobs. A Liberal government will introduce a defence conversion program to help industries in transition from high-tech military production to high-tech civilian production.

Specifically, a Liberal government will expand the mandate of the Defence Industry Productivity Program (DIPP) to assist in a conversion and diversification.

(1200)

That is what the Liberal Party says.

DIPP is the primary grant and loan program designed to influence the development of a defence industrial base in Canada. Administered by Industry, Science and Technology, it aims at developing defence technology and strengthening Canadian and North American defence industries.

So, the Liberal Party was already agreeing to fund the defence conversion using the DIPP budget.

Oddly enough, we have not heard a single word about that since the red book has been released, neither in the Speech from the Throne nor in the Budget Speech.

The Bloc position is more or less the same. I will explain it briefly. It aims at creating, in three steps, a conversion fund flowing from the industrial diversification fund. The fund would mainly consolidate and complement the assistance coming from existing programs in order to provide military facilities and businesses with adequate and long term support in their conversion and diversification process. It would also bring about consultative committees on conversion at local and regional levels, when the scope of conversion and diversification activities would warrant them. It would help in establishing an independent committee that would review the various existing programs that could be helpful and to put forward amendments and other improvements that could be required. That committee will propose a framework to ensure coordination between the different levels of government in order to avoid overlappings.

Besides, Mr. Speaker, I can remind you of the position taken by the Bloc that was largely inspired by the position taken during the campaign in the debate on the cancellation of the helicopters contract. The Bloc Québécois supported the position of the Liberals, who sensed that power was within their grasp, and said that the contract should be cancelled provided that, let us not forget that, the money earmarked for this contract and the know-how needed to build the helicopters was transferred to a civilian project which would benefit a lot of people. The Bloc had clearly indicated that a high speed train linking Quebec City, Trois-Rivières and Windsor met both criteria.

Unfortunately, the government acted upon only one of those two recommendations, and cancelled the helicopter deal. Since then, Canadians and Quebecers have been left hanging, without any compensation whatsoever.

Therefore, DIPP should be modified so that, instead of promoting defence production as it does now, it helps military industries to convert to civilian production.

One must realize that, in Quebec, there is a solid consensus among all the stakeholders in this vast project, including the Quebec government which has expressed its impatience several times already through its Minister of Industry, Trade and Technology, Mr. Gérald Tremblay. No matter how federalist and Liberal he is, he did not mince his words and said, on April 11 last:

In its red book, the federal government promised to make available to DIPP, significant sums of money for converting defence industries to commercial production. We are presently negotiating with the federal government. We want to know how much money will be made available, when and for which company.

These are the very words spoken by the Quebec Minister of Industry, Trade and Technology.

The Conseil du patronat du Québec, which—you will admit, Mr. Speaker—is not necessarily a natural ally of the Bloc Québécois, is another stakeholder. A few months ago, precisely in September 1993, it held a symposium entitled "Rendez-vous économique 1993", and came up with two main recommendations pertinent to our present debate. Recommendation 31 said that the federal government should provide adequate financial support for the conversion of industries dependent on military contracts.

(1205)

This financial help would last as long as it takes to adapt, convert and diversify defence industries.

The implementation of conversion and diversification activities would be planned by conversion committees, made up of representatives from industry and labour in the affected communities and representatives from the Government of Quebec. This is the position of the Conseil du patronat which, in its first

recommendation—and this is very relevant to the concerns of the Official Opposition—said that the federal government should give MIL Davie a contract for about \$6.5 million to design, and then another contract for \$200 million over three years, according to the figures of the Conseil, to build a prototype of the “smart ship” we hear so much about.

This ship would fill urgent and recognized needs of some federal departments, but it would also be the prototype of a series of similar ships for the international market, a promising and expanding market. This is the position of the Conseil du patronat, but it is supported by the CNTV and the FTQ. So, the Government of Quebec, the Conseil du patronat and the two largest unions in Quebec all agree on that point. The CNTV said in a press release dated October 31, 1993:

Between 1987 and 1992, Quebec lost 11,000 of its 57,000 jobs in the military sector. Jobs are still disappearing. Since more than 60 per cent of contracts are awarded to companies in the Montreal area, it is essential that forces stick together to obtain a realignment of government industrial policies, especially in the military sector which comes under federal jurisdiction.

Two days earlier, on October 29, Mr. Fernand Daoust, then president of the FTQ, had said:

Considering that the future government wants to cancel the helicopter contract, we want to know the projects which will be put in place to provide the 8,000 jobs for 12 years that the Prime Minister is going to abolish without serious analysis of the issue.

As we were told a moment ago, the decision to cancel the helicopter contract, without any compensation, demonstrated a total lack of vision.

To show you how serious the situation really is in Quebec, I will quickly give you the level of dependency of companies. Let me name a few just to show how serious the situation is: Bendix Avelex Inc. depends on military contracts for 70 per cent of its production; Canadian Marconi, 55 per cent; Héroux, 80 per cent; MIL Davie, 91 per cent; Oerlikon and Paramax, 100 per cent in both cases and SNC Technologies, 95 per cent.

As far as job losses are concerned, Bendix lost 350 jobs, Anachemia Canada Inc. 68, Marconi 1,480, MIL Davie 2,740, Oerlikon 410, Expro Chemical Products Inc. 300, Héroux 131, Paramax 1,000, Pratt and Whitney, 200 and I could go on and on; Vickers lost 350 jobs.

This goes to show how much we hope the government will abide by the promises it made to the public; when governments shamelessly treat commitments that way, I think we have a right to be worried about democracy. It could mean they can say anything to the constituents but after election day, fight shy of their commitments and I think this is very serious. When we speak like this, the figures do not seem like much but we must remember that when we talk about unemployed people, we are also talking about human lives, families, careers, educated

### *Supply*

people leaving the country, brain drain or the outflow of know-how.

Somebody told me this morning we can even use the term hemorrhage. In my view neither the economy of Quebec nor that of Canada can afford such a hemorrhage.

In conclusion, if, as we wish, the government takes action to help the DIPP and point it in a new direction, I hope it will do so according to generally accepted practices and will respect conventions. The minister mentioned it before, it is not enough to talk about manpower adjustment committees; I know these committees, I worked with them for eleven years; they give good results in traditional circumstances.

The money given must be administered by committees where the employer and the union concerned will be duly represented, along with representatives of the region. The context must be considered and the government of Quebec has to be consulted, since it is very sensitive to that issue and very interested. These committees must study the situation on a case by case basis, according to the type of activities carried out until now. Indeed we must realize that manufacturing ammunition and making satellite telecommunication devices are two operations that are very different.

These committees should examine the situation, ensure that a dialogue is initiated and reach a consensus about the new orientations and the changes that need to be made to everyday management practices. This is a proven formula that should work. I really hope the government will act upon the positive proposal put forth by the opposition today, which is to see that the situation improves. It particularly makes sense if we recall the government's pretensions, with its slogan “jobs, jobs, jobs”, and the 11,000 jobs lost in the high technology sector. We have to demand a minimum of consistency on the part of this government.

(1210)

[*English*]

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry):** Mr. Speaker, I begin by saying to the member that the unemployed people of the member's community are as important to us as people in any other community in this country. Whether it is someone unemployed in the defence industry or any other sector of the economy, we feel that it is our responsibility as a government to do our very best to put everyone back to work. That was our campaign, putting people back to work, and we are looking at this in a comprehensive way.

I want to pick up on something that the Minister of Industry said earlier in his speech. It had to do with the responsibility of management of defence industries to develop a strategic approach and to look at new markets for new opportunities for

*Supply*

their highly skilled and highly trained staff. I think that he hit on something that is very important for all of us to dwell on.

I go back to an experience I had when I was in the private sector for a while after I left here in 1984. I worked for a multinational organization called Magna International. There are many unique qualities of the Magna Corporation. One of the unique qualities of the management team that I noticed at that time was it began a conversion from defence production in 1982. In 1980 it was an organization with about \$400 million to \$500 million in sales. About one-third of its sales were in defence related products, radar systems and machine guns.

I think most people would recognize that in terms of the quality of its products it is probably ranked with anyone in the world. In 1982 the directors of Magna said: "We are going to do a full conversion into the automotive parts manufacturing sector". It was a very tough transition period. It was tough for management, tough for the toolmakers and tough for everyone on the shop floor. They were entering, even though there was some foundation experience because the company had been in the automotive parts business for about 25 years at that time, into a whole new field because the technology in the automotive parts business was becoming very sophisticated with computer aided design and computer aided manufacturing. The management team at Magna decided that it would move into the new economy, become highly specialized, get the latest equipment, develop systems and components, and be the most competitive in the world.

(1215)

This story is not based on theory. Over the next 10 or 12 years we saw a company grow from about 3,000 employees doing about \$600 million in sales to today where it is employing approximately 20,000 people and doing over \$4 billion in sales. The relevance of this example is that the leadership of the corporation took the leap into the new economy, searched for new markets and searched for new products.

I had the pleasure of working there for two years from 1984 to 1986. What impressed me aside from the conversion and the commitment to the conversion of the highly skilled staff was the management shift. Management moved out of the traditional markets of North America in terms of the auto industry because prior to the conversion from defence most of their orders were going to General Motors, Chrysler and Ford. When they decided to do the full conversion they knew they could not just rely on those three manufacturers of automobiles.

The leadership of that company went to Japan, went to Toyota, and said that it had a company that could make a quality product at a price as competitive as Toyota. It asked for an opportunity. It said that it had the highly skilled staff and the technology. Lo

and behold it was successful. It brought back orders from Japan and Germany.

That is a principle or an approach many companies in the defence industry have to look at. That was the point the minister was trying to make today in part of his speech.

It is not a question of the government saying that it would not help or that it would leave them alone. The minister said in his speech that DIPP would be redesigned and would be more on a loan basis. We are also using other instruments of government for support like the Export Development Corporation. That is the kind of message members of Parliament have to communicate to industries that are having a difficult time making the conversion.

It was interesting that as I was sitting here a couple of other examples were brought to my attention. The story of Securiplex Technologies of Montreal is about the successful conversion of a company that was well established in the defence industry. Recently it obtained a \$26 million order for a control system from Bombardier in Belgium.

(1220)

There is another example. ATS was founded on Montreal's south shore in 1979. It originated as a small company specializing in the testing of ammunition. Recognizing the fact that it had limited business opportunity, the company sought to take its considerable expertise in developing software systems to new markets.

Today the original business is history. The future of the firm is in an entirely new market that it could claim to have invented: the simulation of air traffic control towers and control rooms. There is an incredible market all over the world for this company that reinvented itself.

We inherited a very difficult fiscal framework. The minister said in his remarks that during the campaign we talked of some \$30 billion in deficit and now we are hitting over \$40 billion. This is a shock to the budgetary system of the country very few of us expected.

When I say leadership I do not just mean the chief executive officer. I mean the production manager, the lead tool maker and the people on the shop floor. Securiplex, Magna and ATS had to take on a leadership thought process. Companies going through conversion should do this, along with having a redesigned DIPP and the banks beginning to look at the new economy and knowledge based industries. We have heard time and time in the last two to three weeks in the industry committee that the banks were beginning to look at small and medium sized organizations, not at the strength of their balance sheets but at the strength of the mind and the character of the persons involved.

When we are dealing with companies going through this very difficult period we have to help them along the path to new hope by showing other examples. I say to the member for Trois-Rivières, as a former employee, as a former senior officer of Magna, that I know the former chairman went many times to help companies in Quebec with conversion. Today there would be leaders in Magna who would be happy to share their experiences with companies in the member's riding that might be having difficulty in making the conversion.

Companies that basically were successful making the conversion remember the pain. They remember the experience. By and large most of them are willing to share it. That is the type of direction we have to take.

I hope the member realizes that we cannot write grant-type cheques for any industry in trouble. We do not have the room to do so because of our tight fiscal framework, but the minister said that DIPP was being redesigned to become more of a loan situation. We will help them through it in that way, combined with other resources. I believe that is the approach we must work on over the next conversion period.

(1225)

[*Translation*]

**The Acting Speaker (Mr. Kilger):** Questions and comments. I recognize the hon. member for Trois-Rivières.

**Some hon. members:** No, no.

**Some hon. members:** Yes, go ahead.

**The Acting Speaker (Mr. Kilger):** Order, please. The hon. parliamentary secretary may have directed questions to other hon. members in his remarks, but having concluded his remarks, if the hon. member for Trois-Rivières wishes to ask a question or make a comment on the hon. parliamentary secretary's remarks at this time, he has the floor.

**Mr. Yves Rocheleau (Trois-Rivières):** Mr. Speaker, I cannot help but disagree with what my distinguished colleague just said because it contradicts the Liberal Party's own platform.

In view of the disastrous economic situation we are facing, with 11,000 high-tech jobs lost in Quebec alone over the past five years, we are being told that it concerns only the private sector. Personally, and it was also the Liberal Party's position last fall, I consider the public interest is at stake and that the state—and I could quote again from the document I read earlier—should play a leading role in promoting recovery.

What we are saying is not to spend without thinking, but rather—that is at least how I see things personally—that the minister should ask companies where jobs are continually lost because they are no longer able to obtain contracts: “Where is your conversion plan? Show us a decent plan, a plan that is well

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thought out, well structured and pragmatic, a plan with a vision and we will help you.”

The government's present position however is more along the lines of washing its hands of the matter, leaving it up to free market and free competition and relying on companies that have proven more innovative than others such as Magna International Inc., a Montreal business mentioned earlier. Perhaps these companies have had a keener eye, more business acumen and more vision. Perhaps not all companies are to blame, but I think that this government has the duty to question these people in the public interest, because we cannot let this go on, with engineers and skilled technicians finding themselves out of work and possibly getting ready to put their skills to the service of foreign economies. Our economy may never recover from that.

I think it is the role of government, not only that of the private sector, to manage the economy sensibly, like a reasonable man as we used to say. The Liberal Party said, and I agree: “The government obviously has a social responsibility in this matter.”

[*English*]

**Mr. Mills (Broadview—Greenwood):** Mr. Speaker, I guess I have not put enough emphasis on government participation for the hon. member. I was not saying that the government should walk away and not assist businesses in the process of conversion. We never have. I was suggesting that the balance should be one where we do not ignore other success stories in the conversion process.

In other words, as a government we should not think we are the only ones who have the solution. We will aid. We will support. We must bring into the discussion people who have already had success in the conversion exercise.

The member is not opposed to that. My point is that we have to start. We have to make sure that we do not create a sense of false hope. In other words we are not running away. However it must be much more of a joint venture with government giving advice, government giving some form of assistance where possible, maybe not in grants but through some loan guarantees and bringing in other experts who have achieved success. That is the point I was trying to make to the hon. member.

(1230)

[*Translation*]

**Mr. Yves Rocheleau (Trois-Rivières):** Mr. Speaker, I agree with the hon. member that this is a complex issue. That is why, as I mentioned in my statement, we must approach it as tactfully as possible, and abide by the rules. We must call upon all existing resources of businesses that have already had the foresight to proceed with conversion. These resources should be used by businesses planning to convert. As I said, when a business intends to convert with the help of the state, all

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stakeholders must be genuinely and completely involved, that is the employer, labour unions and regional players because this process can sometimes have a tremendous impact on a region. The Quebec government must also be involved because of its thorough knowledge of this question within the Quebec context.

Of course, this does not preclude—and this is the way the issue is set out—seeking out all those who have some expertise in this field to help speed matters along and ensure that case by case, the situation improves and production is geared to new markets. I think this is one point on which we all agree.

[*English*]

**Mr. Mills (Broadview—Greenwood):** Mr. Speaker, we are beginning to agree. The approach that the member for Trois-Rivières just suggested is essentially what I was trying to communicate in my remarks.

As the minister said, we need to develop a strategic approach and that is what we are attempting to do. We cannot just look at these difficulties in isolation from the work that the minister of human resources is doing. It cannot be looked at in isolation from what the industry committee is doing or what the Minister of the Environment is doing.

In my view we have not spent enough time today talking about the potential in environmental technologies. We must become a nation that measures its strength not by its armaments but by our environmental technologies. That is an area where I think most people would agree there is terrific potential.

There is another thing, a final point I want to make. This is actually a plug. On May 17 a group of members of Parliament from both sides of the house, 10 of us, are going to Beijing with people from over 100 small and medium sized businesses, not the big businesses that tend to go on these missions. We will be looking for new markets, new opportunities.

We all know that the Asia-Pacific region is just exploding with opportunity especially for small and medium sized business. There might be all kinds of opportunity for people who are currently in the conversion process and looking to that region of the world for new markets and new potential.

As the Minister of Industry said earlier this morning, it has to be a comprehensive approach. We have to get the financial institutions on side. The Export Development Corporation has to be working. The human resource component is helping people get retrained for the new economy. We have to beef up our ability to go out and sell abroad. We are not very good hustlers in this country. We tend to be staid. We are not as aggressive as some of our American friends to the south or the Germans or the French. One of the things that we as parliamentarians have to do is encourage our small and medium size business community to hustle a little more beyond the boundaries of Canada.

(1235)

I realize I only have a minute, but that is something that we as members of Parliament can do to support the small and medium size business sector. We go with them.

The only problem that I have is that members of the Reform Party do not want to come with us when we take these small and medium size business people on these trips to try and forge new markets because they do not think these trips are that productive. However, I hope eventually they will see that they are very important to the small business community and they are not junkets.

[*Translation*]

**Mr. Laurent Lavigne (Beauharnois—Salaberry):** Mr. Speaker, I am pleased to speak today on the motion before us. First of all, I would like to say that last week, on an opposition day, we had a motion with which I showed the Liberal government's inaction on agriculture. I spoke last week to show, with supporting figures, that this government was really not doing enough about agriculture in Canada, especially in Quebec.

This week, we are speaking up to denounce again this government's inertia on the whole issue of the conversion of military industries to the manufacture of useful civilian items. I care about this issue and that is why I chose to participate in the proceedings of the defence committee, to look at the whole issue of defence more closely. What interested me on the defence committee was the whole issue of the conversion of military factories to civilian uses.

To my great dismay, this famous committee has met at least fifteen times, if not more. First, I must say that there was a standing committee, which I joined, and then the government called for the addition of a joint committee, made up of MPs and senators, besides the standing committee on defence.

At every meeting I attended of either committee, I always added the whole question of industrial conversion to the agenda because it was never there. Every time I asked the question on one committee or the other, they wondered whether the defence committee was the one to deal with conversion and today they again raise the question as to whether the defence committee will discuss conversion or will pass it on to the industry committee.

It is total confusion now. In the end, we do not know which committee will have to deal with defence. The government has already been in office for six months. Many military factories, especially in Quebec, have to work with their employees every day to try to keep those jobs, and we are still discussing which committee, the standing committee on defence or the joint committee on defence or the committee on industry, is to deal with industrial conversion.

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I noticed that the joint committee was much more concerned with preparing trips to Oslo, Brussels and eastern and western Canada. Take a good look at the schedule of the joint committee for the coming weeks and months, Mr. Speaker, and you can see for yourself. I think that five, six or seven trips have been planned to see how other countries in the world go about defining a new defence policy. I have nothing against that but, in the meantime, there are men and women working in our defence factories and we should talk about conversion for their sake. Meanwhile, we are discussing the trips we will have to make to see how other countries deal with the end of the cold war, how they will redesign their defence. This may have to be done but not at the expense of conversion.

(1240)

Certainly, since the end of the cold war, people throughout the world are calling for a disarmament and peacekeeping policy rather than an armament policy. And this makes me the happiest man in the world. If every country in the world could pursue a disarmament and peacekeeping policy, I think that, as the evidence shows, disarmament and not war makes people happier. Except that it has major economic repercussions.

We know that for many years the richest countries in particular built defence factories to arm themselves. They armed themselves to the teeth. Until the east bloc collapsed, we lived with the stress of the cold war between east and west. In the meantime, of course, our defence factories were kept busy. People were hired to make ammunition, guns and shells. They were working but not, in my opinion, for a good cause. I prefer disarmament to armament and so much the better if we are already there. Except that, as I was saying earlier, one of the economic repercussions of disarmament may be unemployment. It has already started.

But, at that time, the government was proud of the factories making its guns, ammunition and shells. And it was making them work at what was called "cost plus". They were told, "Make the equipment and we will pay you whatever it costs". Since these plants could take the time they wanted or just about, the workers were not very efficient because they were not competing against other countries.

The country that had built these plants bought the equipment at cost. So if workers took one and a half instead of one month to make a gun, they were paid for a month and a half. Consequently, defence industries now wanting to switch to civilian production have to improve the profitability of those new products which will compete on the market.

I listened to the Parliamentary Secretary to the Minister of Industry and he seemed to evade his responsibility by saying that the issue concerns the private sector and not the government. Yet, the government was quite pleased to have these

industries when it needed them. Now that it does not have the same need for these companies, it lets them down. The government has a duty to ensure that these defence industries are able to switch to civilian production.

As you know, arms production has been experiencing difficult times since the late eighties. This is an enormous market estimated at over \$450 billion worldwide. Indeed, it is a market which involved billions of dollars. There has been a drop since 1987, and especially in 1994. It is expected that this \$450 billion figure will drop by 25 per cent in the next few years. As a consequence of that pattern, 600,000 jobs have disappeared in European defence industries since 1987.

(1245)

In the United States, the figure is 700,000, while in Quebec the drop is proportionally the same. This sector is in a state of collapse. It is being abandoned but the government cannot let down all these plants, employers and employees, chemists, engineers and qualified workers after using them for its needs and the needs of its military forces.

Now that we no longer place orders, we do not have the right to abandon these industries. That is why I urge the government to take money out of the defence budget, or the environment budget, or any other budget for that matter, since it all comes out of our pockets anyway, and to use that money to provide these plants not with hand-outs, but with assistance in areas like research, development, expertise, or capabilities. I urge the government not to let these plants down, because in the next few days, weeks and months, these plants will need to turn around their whole production.

The jobs in those sectors were mostly in Quebec, and especially in the Montreal area. The impact on its economy is significant. The cancellation of the famous helicopter deal did hurt for sure, but we, in the Bloc Quebecois, were all for it, except that the government forgot one thing. After cancelling the deal, which saved Canadians \$5 billion to \$6 billion, the government should have used parts of the savings to set up an Industrial Conversion Assistance Fund, which it chose not to do.

The government let the defence industries down and pocketed the \$5 billion to \$6 billion it saved by cancelling the helicopter contract. Yesterday, I was watching television and I saw the prime minister who was taking stock of his first six months in office, and bragging. He said "one of our first achievements" is the cancellation of the helicopter deal, which he had promised to do during the election campaign.

And at one point, reporters asked the Prime Minister who had just enumerated his good deeds if he did not make mistakes. The Prime Minister scratched his head and said: "I cannot think of any."

*Supply*

If I had been next to the Prime Minister, I would have whispered this to him: "Mr. Prime Minister, during the election and even before that, when you were in the opposition, you gave us a lot of hope and made a lot of great promises concerning industrial conversion programs and when you cancelled the helicopter contract, you should have proposed that program, but you did not." That is a mistake the Prime Minister should have mentioned to the reporters, yesterday, when he was taking stock of his first six months in office.

The Prime Minister and the Liberal government on the other side have so—I am tempted to say—lied to us, if I may, although it may be too strong a term in this House, but this is almost the case. I could quote government members when they were in the opposition, as well as provincial members. When it was in the opposition, the Liberal Party was a keen advocate of conversion. They wanted an assistance program that would help businesses to take over other markets than the defence market.

So, they promised to develop a program to help businesses move away from military production. The Liberals reiterated their promise in the red book. Almost every day in Question Period, the Prime Minister continuously refers to his red book and the need to create jobs, jobs and more jobs.

And yet, once in office, all these good intentions went unheeded, so much so that even the Martin budget said nothing about a conversion program for defence businesses.

On the other hand, the Prime Minister speaks a lot of his famous infrastructure program. If it creates jobs, that is great.

(1250)

The infrastructure program will create about 45,000 jobs. But what good will it do to create 45,000 jobs, temporary jobs that will last six months or a year, if the government allows 60,000 existing jobs to be lost in our military industries and allows plants to close permanently? I think that the government could have kept a portion of the one billion dollars it will invest in its infrastructure program and used it to help the 60,000 workers in the defence industries keep their jobs. What good will it do to create one job if two are lost elsewhere? We are not moving forward by doing that, we are going backwards.

On March 26 1993, some MPs, namely Mr. Axworthy, Mr. Rompkey and Mr. Peterson, said—

**The Acting Speaker (Mr. Kilger):** Order. I simply want to repeat once again that, in this House, people must be referred to by their title, such as parliamentary secretary or hon. member for such-and-such a riding, and not by their name.

**Mr. Lavigne (Beauharnois—Salaberry):** Mr. Speaker, I was not sure if I should name them, but I am reading a text dated March 1993, when these people were not in government. Anyway, it is these three Liberal members, who were in opposition at the time, who said that the military businesses assistance program had to be reformed for the conversion of these businesses to civilian production.

They said jointly: "It is necessary to expand the mandate of Industry, Science and Technology Canada's \$200 million Defence Industry Productivity Program (DIPP) which is aimed at developing defence technology". There already is a \$200 million assistance program for military businesses, but as the members said at the time, it was necessary "to add to that program a new component that will help the industry convert and diversify into areas such as environmental technologies and high-tech peacekeeping technologies". The Liberals said that. They were encouraging our defence industries to penetrate the environmental sector.

Let us take as an example a business in the riding of Beauharnois, Expro, which manufactures gunpowder and shells and which, for the past few years, has been taking part in a soil decontamination program. Those people are now struggling to survive, since 70 per cent of their orders were government defence production orders. Now that they hardly get any such orders, they have to redirect their operations. They are now working on a soil decontamination program, which is related to the whole question of environment.

However, they need support, they need studies and research, and the government could and should get involved in that area. Otherwise, what will happen to those people who worked for many years at making gunpowder and shells and who are hardly making any today? We know also that the company had major sales on the United States market; they had many orders from the United States. But the Americans too are tightening their arms program and have significantly reduced their orders, and therefore the orders for Expro are going down.

Going further than what the Liberals were saying when they formed the Opposition, the present Prime Minister did not hesitate to say that defence industries were industries of the past. Liberals were saying that Canadians deserved a government that could show the way, a government that could bring forth new ideas and new strategies, a government that could help them adapt to change.

(1255)

The defence conversion policy is an example of how a Liberal government intends to meet the needs of Canadians in the 1990s. That is what the present Prime Minister constantly repeated during the campaign and when he was Leader of the Opposition.

*Supply*

After having said such things, it is unacceptable to abandon the defence industries that cry out for government assistance. The government is turning a deaf ear to their pleas.

Finally, the then opposition critic for Industry, Trade and Commerce admitted realistically that unless we develop a defence conversion policy for the 1990s, we could lose tens of thousands of jobs. If the present Liberal government is aware of all that, why does it not take action? They said so, they seem to have all the relevant information, they are aware that we will lose jobs, that we are already losing some—11,000 have been lost already—and it is escalating, but they take no action. During the last campaign, the key words for the Liberal Party to get elected were jobs, jobs, jobs. The government should make an effort in that area, they should give more assistance by making funds available to help defence industries make a conversion they are only too willing to make.

[*English*]

**Mrs. Jan Brown (Calgary Southeast):** Mr. Speaker, these are comments of a general nature. The hon. member may wish to comment and he may not.

It seems to me when we stand in this House and challenge the government, there is also an obligation upon us to provide some constructive alternatives as to how government approaches the matters of the day, the problems and issues facing all of us.

In the hon. member's statements for example he mentioned that the military industry is an industry of the past. That may be true but an alternative, and one perhaps the government should look at soon, is to redefine the role of the military in Canada.

Rather than challenging and saying the government is not doing anything, it would be far better to say it is time that government looked at some alternatives for using our military personnel. It should look at how our defence industry can be changed to meet the new environment in the global considerations facing us today. There was not a single constructive alternative for Canada that I heard in the hon. member's presentation, not a single one.

The hon. member is asking questions about conversion, but what about the root problems that face Canada today: high taxation, a huge debt, an unstable dollar, an insecure economic community, high unemployment. There was not a single thing I heard that was a constructive alternative to addressing those issues and those are the root problems facing Canada today.

We can talk about committees in this House that dither around in deciding that maybe they will do this today, maybe they will do that. Maybe it will be the defence committee that will look at the issue today or maybe it will be trade and industry. However it is our obligation and responsibility as members of this House to start looking at some of those root problems. We must start

providing the government with some constructive alternatives rather than standing and complaining about a particular position Quebec is dealing with. Unemployment in Quebec is every bit as much an issue for all of Canada.

I would like the hon. member to respond to those comments if he so wishes. I would be interested to hear what the hon. member has to say.

[*Translation*]

**Mr. Lavigne (Beauharnois—Salaberry):** Mr. Speaker, the hon. member who asked this question could read everything the Liberal Party said when it was in the opposition.

(1300)

All the alternatives are there. In my remarks, I blamed the government for its inaction. I did not criticize it for not doing the impossible. There are indeed ways to ease the conversion of our defence industries. The Bloc Québécois suggested the establishment of an assistance fund. Incidentally, the Liberal Party agreed that such a fund should be set up to help the conversion of defence industries. Labour unions, the CNTU and the FTQ, and the Quebec Liberal government are waiting for some action on the part of the federal government, but I am sorry to say that nothing is forthcoming.

In my riding, there is a plant that manufactures shells and gunpowder. Purchases by the Canadian army represented 70 per cent of its order book, but the Canadian army is buying less and less. That firm decided to convert its operations to cleaning up contaminated soil. It has professional engineers, architects, and chemists. A whole group of qualified employees work on that project, but they need government support. They do not necessarily need money, maybe just technical help, but they do need it. Yet, the government turns a deaf ear to their requests. True enough, we have a \$500 billion debt, and we should not let it increase unduly. But we are letting unemployment rise. In the manufacturing industry, we lost 11,000 jobs in the last four years.

The government spends \$1 billion without flinching to create 45,000 jobs, supposedly, through its infrastructure program. We are not asking the government to spend \$1 billion on restructuring defence industries, but only to offer some kind of help to the people in those plants. Waiting for the plants to close and creating more unemployment is not going to help the economy either.

We already have much too much unemployment, so this government should make it its duty to help the workers whose job is at risk before they lose it. As I was saying earlier, what good is it for the government, with its infrastructure program, to create jobs, on the one hand, if it does not help the defence



*Supply*

industry workers and loses twice as many jobs, on the other? That is not progress, it is a setback.

**Mr. Patrick Gagnon (Parliamentary Secretary to Solicitor General):** Mr. Speaker, it is a pleasure to be given this opportunity to rise on this issue which is extremely important for many Quebecers.

I would like to thank the hon. member opposite for drawing attention to the future of defence industries. Over the years, these industries have been creating many jobs in our province and will continue to do so.

The future prosperity of defence industries is essential to Quebec's future prosperity as a part of Canada and North America. Quebec and its industries can adapt to technological changes and developments that are occurring in the world.

Once again, I congratulate the hon. member for the interest that he is showing in asking this question, and I would like to speak on that major issue for a few minutes.

In defence industries in Quebec, there are many small businesses and less than 20 medium or large businesses. These industries are very concentrated and the majority of sales are made by medium and large businesses.

All these businesses, regardless of their size, have seen their defence product sales progressively decreased over the last years. And, in view of the shrinking of international military markets that is projected, we can assume that this trend will continue.

Sales of defence products on European markets have radically decreased, causing the loss of 150,000 jobs in the last three years. This represents 10 per cent of the labour force in the aerospace and defence sector.

In America, the experience is similar with large reductions in military procurement matched by significant job losses, more than 3,000 in the last three years. Both European and American industries have been faced with a serious industrial adjustment problem. In various countries, the government has responded in various ways. It is tempting to look to solutions such as those proposed in the United States for the problems facing Quebec's aerospace and defence industry.

(1305)

I believe we can learn from others. I am confident that some of the lessons we might learn from others in defence industry conversion are universally acceptable. For example, there are a number of internal and external obstacles to defence industry diversification and conversion. These include a narrow client base, lack of experience in export or commercial markets, over-engineered products and small product runs. External obstacles include shrinking global defence markets, difficulty in attracting capital and market protectionism among others.

The various approaches adopted worldwide by governments to deal with their defence industry conversion problem all address these common elements but the approaches are often tailored to the particular circumstances unique to their defence industries.

As a general rule, none of these programs envisage getting out of military markets. Instead the first goal of diversification is normally to retain a viably industrial base. Many governments have dealt with this issue in a regional or community perspective and have given their support accordingly.

Many of them have set up committees where all parties concerned are represented, including governments, unions and the industry. The so-called dual use technologies—that have both civilian and military applications—are often a criterion on which governmental assistance for research and development is based.

One of the key objectives of all those programs consists in maintaining knowledge-based industries and quality jobs related to the high technology which is part of those industries. The efforts we are making to help in the conversion of the defence industry in Quebec are within the spirit of that objective.

Even though several of the approaches that I have just described could apply to the Quebec defence industrial base, I think that it would be wrong to use, for example, an American-style solution in Quebec. There are some noteworthy differences in the conversion of the defence industrial base in Quebec, in the United States and in other parts of the world like Europe.

Basically, the conversion of the Canadian defence industrial base in Quebec is different and unique. Many Canadian defence industries in Quebec could be described more appropriately as aerospace and defence industries because, unlike many other countries, Quebec has diversified a lot of its production. It produces a great variety of commercial products and, of course, defence materiel.

The Quebec industry is different, too, in another important area. The aerospace and the defence industries sell many of their products and services to world markets. Therefore, in order to succeed, it must produce first quality materiel at competitive prices. Like other Canadian industries in the aerospace and defence area, Quebec industries are looking for a ready market for high-tech products. They export sub-systems and components that are sold mainly to principal contractors in the aerospace and defence materiel area all over the world.

This is remarkable. A country as small as Canada is sixth in the world for the sales of the aerospace and defence materiel sector, which exports between 70 and 80 per cent of its total production. We should be proud of those dynamic firms and their workers who bring a high contribution to the economy of the province of Quebec and of Canada.

*Supply*

As my remarks show, Quebec industries in the area of aerospace and defence materiel are different in several regards from similar industries in other countries. I realize that several aerospace and defence materiel industries are facing an uncertain future in the years to come. Nevertheless I have reasons to believe that because of their achievements, the aerospace and defence materiel industries in Quebec are able and willing to meet that challenge.

(1310)

I hope I have clearly explained today the significance of recognizing the unique character of Quebec industries in the aerospace and defense materiel area. By building upon their relative force compared to the majority of the industries in the rest of the world, Quebec industries are well on the way to the diversification of their production and the conversion of their technology.

As was announced recently in the budget, the federal government intends to change the Defence Industry Productivity Program in order to support the changes that the Quebec industry of aerospace and defense materiel is carrying out. I am confident that support from the federal and provincial governments for Quebec's aerospace and defence industry will help create the proper environment for the changes to continue.

As I said before, given the very unique situation existing in Quebec, it is probably not appropriate to think about implementing solutions adopted in Europe and the United States. We all recognize that production diversification in the defence equipment industry presents many challenges. As we said earlier today, the task is not an easy one and there are no miracle cures. But it certainly does not mean problems are unsolvable. There is a solution and there will always be one.

Some major efforts are being made in the private sector in Quebec and they benefit the aerospace and defence equipment industry. The government will continue to fully support those efforts to make sure this industry can continue to face the challenges and seize the opportunities which will arise in Quebec, in Canada and all over the world.

**The Acting Speaker (Mr. Kilger):** I would like to know if the Parliamentary Secretary to the Solicitor General still intends to share his time with the Parliamentary Secretary to the Minister of Transport.

**Mr. Patrick Gagnon (Bonaventure—Îles-de-la-Madeleine):** Yes, Mr. Speaker.

**The Acting Speaker (Mr. Kilger):** Very well. There will be a five minute period for questions and comments to the member who just spoke.

**Mr. Jean H. Leroux (Shefford):** Mr. Speaker, I listened carefully to the speech of my colleague, a member from Quebec.

I think he drew a good picture of the situation. He presented the facts globally, discussing the problem that could ensue.

I have a question for him. Is it not the role of a responsible government to stimulate, encourage and assist the implementation of policies that could facilitate the conversion of defence industries? In this perspective, as a member of his caucus, is he committed to promoting such action so that ultimately, in Quebec and elsewhere in Canada, we really get a conversion policy that will allow regions to survive?

As you know, 11,000 jobs have been lost in Quebec since 1988. It is most important for us that the government, of which my colleague is a member, come up with solutions. It is about time they stop telling the House they are aware of the problem, that they know all about it. Everybody knows the problem but we are waiting for the government to take a firm stand. We expect this government that was elected to govern to present us with policies that would bring about a fast recovery in this sector and the conversion of the defence industry. I would like to hear his comments in this regard.

**Mr. Gagnon (Bonaventure—Îles-de-la-Madeleine):** Mr. Speaker, this government has presented its job creation program in its Budget and, these last few weeks, through the Minister of Human Resources Development. New technologies are the order of the day, of course. The government would like Canadians and Quebecers to get more involved in sciences.

I believe that diversification is in the cards for the near future. We know all about the defence industry, or rather its sorry state brought about by the end of the cold war. Since 1989-90, we have been living in a new world, a different world, and I believe that the government is committed to bringing about a greater diversification of Canadian industries to increase our competitiveness. I think that what we have achieved in the past six months—we have been in office six months already—for instance, the infrastructure program, the job creation program, the youth programs, the budget cuts, shows a certain maturity and exemplary fiscal responsibility. I believe that we are going to stay the course with regard not only to the military sector, but also to the Canadian industrial sector as a whole.

(1315)

*[English]*

**Mr. Joe Fontana (Parliamentary Secretary to Minister of Transport):** Mr. Speaker, I appreciate this opportunity to speak on this topic which is so important to a large number of Canadians.

I thank the hon. member opposite for focusing attention on the future of the defence industry. It is an industry which over the years has provided much employment across Canada and will do so in the future.

*Supply*

The future prosperity of the defence industry is vital to the future prosperity of Canada. As a vibrant part of Canada and North America, its industries can keep pace with global change and technological advancements.

I applaud the interest of members in raising this question and I would like to speak for a few moments on this matter.

European markets for defence sales have dropped remarkably leading to a loss of 150,000 jobs over the last three years. That is 10 per cent of the workforce in the aerospace and defence sector.

In America the experience is similar with large reductions in military procurement matched by significant job losses, more than 300,000 jobs in the last three years.

Both European and American industries have been faced with a serious industrial adjustment program. In various countries governments have responded in various ways. It is tempting to look at solutions such as those proposed in the United States for the problems facing our industries.

I believe we can learn from others. I am confident that some of the lessons which we might learn from others in defence/industrial conversions are universally applicable.

The term defence/industrial base defies easy definition. Companies that make military products are obviously included but it is important to consider the broader picture. These are many firms that market commercial and dual-use products in addition to the military sales. Of course the military itself uses many of these products. For example when our peacekeeping troops needed a soft desert boot, not a normal item in the Canadian forces supply system, we bought commercial products.

Another reason the defence industrial base is hard to define is that like all products military ones are composed of many components. When you get down to basics these components are pretty small, things like screws, nuts, bolts, washers, and rubber gaskets. One would not normally think of these as defence products but in fact we could not build military products without them.

Having made these cautions I would like to provide a brief overview of Canada's defence industries. Canada's defence industrial base is quite small by world standards. Depending on how widely it is defined it contributes about 1 per cent to 1.5 per cent of Canada's GDP and about 70,000 jobs. That is about 1 per cent of the Canadian labour force.

A large majority of the firms are small or medium in size, having sales below \$100 million per year.

The defence industry is largely foreign-owned, about 60 per cent, especially the larger firms.

This is not to say that the defence industry is not important. While small it nevertheless contributes to Canada's economy in

important ways. The products it produces generally fall within the realm of high technology, many of these at the leading edge.

As a consequence it generates highly skilled, highly paid jobs which are not only nationally important but which also make a substantial contribution to both regional and local economies.

Another main benefit derives from the fact that these companies are highly export oriented. These revenues help our balance of payments. The defence industry is highly specialized in niche markets such as subcomponents in aerospace, electronics and communications sectors.

Our companies are well respected in specialized fields such as major aircraft components, flight simulators, satellite subsystems, unmanned air vehicles, armoured vehicle fire control systems and magnetic anomaly detection systems. Their successes in both the civilian and military markets improve the overall competitiveness of the Canadian economy.

Along with the aerospace industry defence firms perform more R and D than the rest of the Canadian industry although somewhat less than their competitors in other major western nations. One finds defence industries throughout the country and the regional distribution has been slowly changing over time.

The munitions sector is a small sector which produces excellent ammunition and small arms. Companies involved in this sector include SNC and Expro, Bristol Aerospace, and Diemaco in Ontario. This sector is naturally highly dependent on DND purchasing. Exports and export potential are modest. Reduced spending in this sector by both Canada and the U.S. presents a special challenge in this sector.

(1320)

In conclusion, Canada's defence and defence related industries are small but a vital sector of our economy. While the defence industry could never be considered to drive the economy it does make an important contribution in crucial high tech sectors.

While Canadian shipyards have historically focused on the domestic market, St. John's Shipyards is currently exploring other marketing opportunities. In addition to its expertise in the commercial sector St. John's Shipyards has acquired valuable expertise in constructing naval vessels as a result of its contract for the Canadian patrol frigate. This expertise will assist the company in its search for offshore sales.

The military vehicle sector is a very small, highly specialized, subset of the Canadian automotive sector. Two companies are currently producing vehicles for DND. Western Star located in Kelowna, B.C. produces DND's fleet of light trucks. In the great city of London, Ontario the diesel division of General Motors

produces light armoured vehicles, the best in the world, with huge export markets.

Efforts to market these vehicles internationally have been very successful. They are being sold in the United States and Saudi Arabia and further exports are likely.

On the aerospace side it is estimated that the top four companies, Bombardier, Pratt and Whitney, Bell Helicopter and Spar, account for some 45 per cent of production. Defence sales represent about 25 per cent of their revenues. On the defence electronic side it is estimated that 80 per cent of the output is exported. There is significantly greater reliance on defence sales for revenue.

This sector, particularly the aerospace side, is well positioned to survive reductions in defence spending. The defence electronic side is less well positioned and smaller companies with limited product lines and a high dependence on defence sales face greater challenges.

The shipbuilding repair and marine equipment sector relies mainly on government procurement. There are few commercial opportunities. Despite the rationalization of shipyards in Ontario and Quebec and rationalization currently under way in B.C. excess capacity still exists in Canada.

Historically, due to population density and patterns and the need for concentration of manufacturing for the war effort Canada's defence industries were highly concentrated in Ontario and Quebec. The defence industrial base is generally conceived as consisting of four main sectors. The largest sector is the aerospace and defence electronic sector which produces complete aircraft, various aircraft components and parts, navigation and space equipment and other defence electronic equipment. This is the most diversified sector by producing a mix of commercial, dual use and military products.

I think it is important to note that this government's commitment is to ensure that the high skilled, high tech jobs that we have in the defence industry are maintained, that in fact we work toward transition of those industries where possible. But we must not forget that Canada needs a strong defence industry. Where applicable and where appropriate we will continue to do what we can to maintain that, but at the same time look at opportunities to be able to move into transition for those defence related industries which may find lesser and lesser markets in the future. We must make sure that we have adjustment programs for the workers, adjustment programs for the industries and take advantage of the great high skills that the workers have, as well as the high technology that the defence industries now have.

We welcome this opportunity to debate this very important issue.

*Supply*

[*Translation*]

**Mr. Jean H. Leroux (Shefford):** Mr. Speaker, I listened very carefully to my colleague opposite and I noticed that parliamentary secretaries speaking on this motion are fond of talking from an historic perspective. They paint a clear picture of the situation, which shows that they are well informed. However, as I said earlier, the government was elected to make decisions. Unfortunately, they are well aware of the problems. They know what is going on. Perhaps they should be sitting on this side of the House.

(1325)

However, since Canadians chose them to form the government, I think it is high time for them to stop reviewing the situation. While this government seems to have a very clear picture of all that is wrong, Canadians and Quebecers expect it to make decisions and to move forward.

This morning, the minister spoke to us about the deficit. He said that he could not make any decisions at this time because of the deficit. During the election campaign, it was the Conservatives who focused on the deficit. The Liberals, on the other hand, talked about the jobs, jobs, jobs that they were going to create. But that does not seem to be happening now. The feeling in Canada is that we have simply traded in one government for another identical one. As far as this debate is concerned, nothing substantive has been put on the table.

In conclusion, I have a question for my hon. colleague. Does he not feel that it is important for a government to stimulate, encourage and help private enterprise? In this particular area, 11,000 jobs have been lost in Quebec and I think the government should be doing something. I would appreciate his comments on this point.

[*English*]

**Mr. Fontana:** Mr. Speaker, I appreciate the question of the hon. member. He should realize that we have only been in government six months. We understand and our commitment to jobs has not wavered at all. In fact, some of the announcements that we have already made as a government with respect to the infrastructure program or support for small business or support for research and development will pay big dividends in terms of job creation.

Our commitment to jobs is not any less today than it was before the election. Our red book talked extensively about a change in the economy. One of the changes in the economy is with respect to the defence sector. I think historically we should realize, and I tried to point this out in my speech, that in terms of what is happening in Europe and in the United States, Canada in fact is facing some of the same challenges.

I hope the member is not suggesting that we close down the whole defence industry in this country because that is thousands

*Supply*

and thousands of jobs. We realize there is a need for defence industries and we have some of the best in the world right here in Canada, including in London, Ontario where we have many.

In Quebec and B.C. we have great industries. They are serving a useful purpose. Whether or not that purpose is still justified 10 or 15 years down the road no one knows. I think our red book says, and I would point this out to the member, that defence conversion consists really of three points: (1) redefining Canada's defence policy and the role of the military. As he knows there is consultation now on what that defence policy should be; (2) the rationalization of defence infrastructure, and that means looking at how we can assist these industries, communities and workers. As I said, these workers are very highly skilled, in high paying jobs. We need to look at how we can have adjustments for these workers; (3) the conversion of the defence industrial base to reduce the dependency on defence sales. I think that is important. We cannot cast out those industries and those workers just like that. We need to work with those companies, utilize their highly skilled workers, utilize their high technologies and be able to look for commercial applications of those things.

The member should realize, as I tried to define in my speech, that certain materials and certain parts produced by certain companies are not only defence related industries. They, in fact, serve a dual purpose. We ought to take advantage of making sure that this country faces the new economy by relying on the high skilled jobs that the defence industries have and also their technology.

We are prepared to work with those members and all members to ensure that we provide employment in this country.

**Mr. Jack Frazer (Saanich—Gulf Islands):** Mr. Speaker, on behalf of the whip of the Reform Party I would like to advise the House that pursuant to Standing Order 43(2) our speakers on this motion will be dividing their time.

(1330)

Before I speak to the motion, I would like to address some remarks made earlier by the member for Beauharnois—Salaberry who evidenced some concern with the aspect that the standing joint committee on defence was not addressing the problem that we are dealing with in this motion today.

I would like to go on record as saying that my concept of the standing joint committee on defence policy is to establish what it is that Canadians want from their defence department. He mentioned that we are travelling across the country and this is true. We are travelling from coast to coast. We are visiting every capital with the view of seeing informed Canadians on the aspect of defence and also to talk to people off the street who want to come in and make their views known.

We are also going to Europe and to the United States to establish with the appropriate agencies the importance of the Canadian defence contribution to their plans and our plans for mutual defence and obviously now in security.

The main thing I think that we want to do is establish a criteria whereby the security of the world is enhanced and thereby Canada's ability to operate in the world both industrially and tradewise will be better.

As I see it, the motion submitted by the member for Hochelaga—Maisonneuve is basically a demand for more funds to support industrial conversion. There is in my mind a defence aspect to this, but a very minor one. This is basically a matter of industry.

The defence aspect of it I will discuss a little later, but right now I would like to speak to the industrial aspect of it. The defence industry productivity program, a program whereby the federal government gives some \$200 million—plus to various defence industries to support research and development and defence aspects, has been in place for some time.

In point of fact during our election campaign, the Reform Party was against this program. The rationale for that was that if private industry and private citizens do not see the value of investing in such programs, why should the Canadian taxpayer.

Since my election I have been approached by a number of people in these industries and they have pointed out that there is a very valid reason for this. In fact there is a good repayment program. I accept this and am willing to look at it again, but I also know that in some cases this money has been granted to very dubious projects and that there has been a tremendous amount of this money that has just disappeared never to be returned to the Canadian government.

The defence industry covers many sectors. Among them I would mention aerospace, electronics, ship construction, aircraft construction including many components, avionics and communications mainly involved in the defence area in command and control but very, very adaptable to civil industries as well.

Many of these companies have international links which provides them access to merging technologies and global markets. A great deal of Canada's high tech industry in fact has evolved from defence research and development or procurement projects. There are some 800 companies employing over 60,000 people who are active in the defence related industries in Canada.

The Canadian Defence Preparedness Association provided a briefing to the standing joint committee the day before yesterday. They represent some 60 companies and said categorically that they have had great success at conversion.

The Aerospace Industries Association of Canada, which represents a large number of companies in this field, is evidence again of a very successful conversion program from defence to civil industries. In the past their ratio of output went from 70 per cent defence and 30 per cent civil to today, where it is exactly reversed. Their output now is about 30 per cent defence and 70 per cent civil.

*Supply*

This is where I am getting back to the impact of how industry impacts on defence. Obviously there are certain industries where Canada must retain a defence production capability and it is in those areas that I think the government should be involved. They may not be completely economical but they are of overriding importance to our ability to maintain a defence posture and government may have a place in there. It is not only prudent but necessary that government may do this.

(1335)

However I think basically it should be left to the managers of industry to decide how they run their businesses, what products they get into and which avenues they should follow.

It brings a question to mind that if government directs the conversion of industries from defence to civil, does the government also then have to assume some responsibility for the success of those companies? If they move them from an area where there has only been a defence relationship into a civil one and the company fails, does that mean the government has to pick up the tab for that? I do not think that is the way it should be. I think that is an industry situation which should be covered by the industrial manager.

Indeed if the conversion is into an area where there is already a surfeit, too much capability, it could in fact result not only in the company that converted into that area failing but also other companies that were in there. There is a rollover effect there.

I think it is without any question the responsibility of the managers of industry to find and occupy the appropriate niches. If I may use the analogy, there is not much call for chariots any more, so a chariot manufacturer would not be a very viable occupation or a business. But that company might very well develop into bicycles or cars. On the other hand they have to accept the fact that there are many other competitors and they would have to be prepared to meet that competition.

It is the responsibility of the industry concerned to say this is no longer viable and where are we going to go to maintain our industry.

I think there is a place for government in industry in providing support. That support should be in the areas of perhaps providing a strategic analysis, to say to industry: "This is where we see Canada emerging, this is where we see the marketplace going, this is an area that you might look at to exploit in future".

I think government, as the minister said earlier, should be in the business of, wherever possible, removing barriers to trade. We should enhance the ability of our industries to compete on the world market. We should not subsidize them; we should enhance their ability to do it on their own.

I think probably the most tremendous impact the government could have on our industry, whether it be defence, whether it be civil or whether it be the conversion thing, is to bring the spending habits of the government back into line to balance the budget, to lower taxes. This in itself, in and of itself, would create a far more vibrant industry, it would result in far greater employment and to a large extent it would solve the problem that we are dealing with.

In conclusion I would just like to say that I do not believe that the government has too much place in the conversion from defence to civil industries. Certainly as I have mentioned, there is a road clearing process that it could do to remove the barriers, to enhance the trade, to indulge or enter into trade agreements, reciprocal agreements with other countries and other areas. Other than that I think the industrial base of a country should be run by the industrial managers who are concerned with it.

**Mr. Ian McClelland (Edmonton Southwest):** Mr. Speaker, if I may have the indulgence of my hon. colleagues in the House, I would like to read the opposition motion. For those watching on TV who might have just joined us, it might be interesting for them to know exactly what we are discussing.

In the affairs of this House the opposition parties from time to time have the opportunity to bring forth subjects of debate. We get relatively short notice. I think it is quite interesting that we get relatively short notice, perhaps as much as a day in some instances, and we then debate the issue brought forward by the opposition.

Today the Bloc has brought forward this opposition motion which is being debated in the House:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of defence industries to civilian production, which would save and create new jobs in high technology sectors.

(1340)

I do not know if I want to condemn the government for not doing this. There are many, many things we could condemn the government for, but I do not think this is one of them.

It is my opinion the government should keep its fingers out of business and out of the marketplace. It should let the marketplace decide who will be the winners, who will be the losers, who will be successful and who will not. It is survival of the fittest.

Why was it such a big shock to the defence industries that they were going to have to change? Was it because it happened overnight? Did we have this incredible industrial military complex that drove the economy and the country? No, it did not; and no, we have not.

*Supply*

Canada has never had a particularly large military industrial complex. Most of our sophisticated military equipment was purchased offshore. Many members would know, as would those watching, that one of the blackest days in the history of our country, at least in my opinion, was the cancellation of the Avro Arrow. By and large that put Canada right out of the high tech aerospace industry. Ever since that time we have been trying to force feed industry into areas of the country that may or may not need it, that may or may not get the industry because of political connections, political power, or power of the voter.

I submit that our country can no longer afford to artificially pick winners and losers. The fact of the matter is that if our world has changed and our country's defence posture has changed to the extent that the defence industries in a particular part of Canada, whether it is in Ontario or Quebec, are harmed because things change, then so be it.

It is up to those industries to convert or to find another use for their capital, for their people, for their industries. If they do not, they have every right to go out of business just like anybody else. Were this not the defence industry, if this were an industry of garment makers in Winnipeg, would we be having a debate in this House today that this House would condemn the government for not supporting garment workers in Winnipeg? I think we would not.

I want to acknowledge the help given by the Canadian Defence Preparedness Association in preparing the background paper I am using in my debate. It is interesting to note that Canada's defence industry, like most industry in Canada, is concentrated in Ontario and Quebec. For example, western Canada and Atlantic Canada each contain about 15 per cent of the total defence industry, whereas 70 per cent is in Ontario and Quebec, with 40 per cent in Ontario and 30 per cent in Quebec.

It is generally a high tech industry which is research and development intensive. That is particularly and precisely the kind of industry we want. However research and development in high tech industry is industry that depends upon the people who are part of that industry to stay alive. It is a fast moving industry. What is unique and innovative today could be tomorrow's hash browns.

We cannot have the government deciding where the high tech industry is going to be. The marketplace has to decide where the high tech industry will be and who will be the winners and losers.

It is also very interesting to note that according to this paper 70 per cent of the output of the manufacturing of the so-called defence industry in Canada is for the commercial or the civil market. At the same time, 70 per cent of this defence market we have in Canada supplies 70 per cent of the requirements for the Canadian defence department. That tells me that our defence industries in Canada by and large are already fairly diverse.

They are not, as they are for example in many places in the United States, entirely dependent on the manufacture of one item, such as an aircraft. For instance, in Canada we have seen nothing like the decimation of the aircraft industry in San Diego. It was highly dependent on military contracts for all of the research and development. The defence budget in the United States as compared to ours is just absolutely enormous.

(1345)

We do not have the same critical mass in the defence industry to start with and our defence industry, although concentrated primarily in Ontario and Quebec, is fairly balanced between these two provinces. It is not totally 100 per cent dependent on military manufacturing to stay in business according to this paper. That seems to me to be a fairly solid and a fairly good way to run a business.

Historically as a nation there are some areas where we have decided we were going to pay a premium in order to maintain an industry of our own. One is ammunition manufacturing. I think there is a place in Toronto that manufactures ammunition. Ammunition could be purchased offshore but we buy our ammunition at home.

I wonder whether free trade and the relationship we have under the GATT, but particularly under NAFTA, would allow for this kind of protectionism anyway.

I would also point out to my hon. friends that one of the reasons that people in other parts of Canada who do not directly benefit from the manufacturing heartland of central Canada, being Ontario and Quebec, just go crazy is the fact that it always seems to be necessary to protect the manufacturing base in central Canada. We have this insane situation even as I speak that we have to negotiate to break down interprovincial trade barriers.

We have 11 governments at the table trying to negotiate the decimation of these insane trade barriers. Think about it. That is more people at the table negotiating the removal of trade barriers within Canada than were sitting at the table to negotiate the removal of the trade barriers between the United States, Mexico and Canada. There were only three parties at that table and we have 11 in Canada.

We are debating a motion on whether our government, our taxpayers, people earning 10 bucks an hour, paying two or three bucks an hour taxes, should come to the federal government so it can decide who will be the winners and who will be the losers and we find ourselves subsidizing an industry for which there is no need.

We have to break down the trade barriers within Canada so we can be competitive within Canada. If we cannot be competitive within our own borders how on earth can we presume to be competitive in the world environment?

*Supply*

Let us put the horse before the cart. Let us get rid of internal trade barriers. Let us get our construction, our manufacturing, our capital resources, our people working together, and let us let the marketplace pick the winners and then compete world-wide. I submit that if we take that kind of approach we will be winners the world over because we can compete without government help, without government subsidy in any market in the world.

[*Translation*]

**Mr. Benoît Tremblay (Rosemont):** Mr. Speaker, I hope one day people like the hon. member for Calgary Centre will give up their ideological vision and understand the real economic situation in Canada and other countries.

The hon. member said that the military sector is fundamentally a high-tech industry, and we know full well that it will become less and less important in the years to come in North America, and even more so in the United States than here, in Canada. We should not forget that the American companies are our main competitors.

For many, many years, most of the federal research and development subsidies went to defence industries, in areas like telecommunications, development of new products or aeronautics. Governments used a good deal of their research and development subsidies for military purposes, because they wanted the armed forces to be in the vanguard of progress in aviation and telecommunications. Also, the development of new products was always crucial to the other two sectors. That is why the United States have a competitive edge in these sectors, where research and development is concerned. Now, of course, we must seek new ways of doing things. We are indeed in favour of the reduction in military production, but at the same time we must ensure that all of the research and the discoveries that can serve civilian purposes are not abandoned simply because some of these businesses go bankrupt tomorrow morning, after the government decides all of a sudden to cancel major contracts, like it just did with the helicopter deal.

(1350)

For our country to be competitive at the international level, we need more than rhetoric; we cannot only tell the government never to interfere. We have to take into account the source of our competitiveness. Obviously, for years, the defence industry has been one of the main sources of our competitiveness in the non-military sector. The Americans set up a program for the conversion of defence industries to civilian production. They also developed alternative national strategies in areas like R and D, telecommunications, development of new products and aeronautics. They now have alternative strategies to replace the defence industry as instrument of R and D.

The Bloc Québécois is only suggesting today that the government give us precisely what our competitors are getting. We can talk about being competitive at the international level and revel in rhetoric, but 80 per cent of our business, especially in the industrial sector, is with the United States. Thus, we need the tools, we need a transition process to maintain our competitiveness.

As you said it yourself, these businesses have already decided to go for the civilian market. We just have to get things moving toward conversion from defence to civilian production, since we must cut substantially our military spendings to reduce the government's budget and deficit. And this must be achieved without ever losing our competitiveness in the high tech sector. That sums up the precise and straightforward position of the Bloc Québécois.

[*English*]

**Mr. McClelland:** Mr. Speaker, I respect my hon. colleague's opinion and I share some of the opinions he just put forward.

However there is a contradiction. I recall in my presentation saying that if there was an epiphenomenal moment in Canada where we said goodbye to high tech it was when we said goodbye to the Avro Arrow 35 years or so ago. We were world leaders and we said goodbye to it. Ever since that time we have relied on offshore industries for our high tech aircraft or high tech defence materiel. The nucleus, the germ of it comes from offshore. I agree 100 per cent.

Therefore, if I agree with that and the contention that my hon. colleague brought forward, he must also agree that if we are getting that high tech initiative offshore we cannot also be getting it onshore. We cannot depend on both. The defence industry has been a high tech driver in Canada. Of that there is no question.

We look at the satellites and Canadarm and those kinds of things. They could be considered defence and defence oriented, but those things are not going to come to an end. We are still going to have satellites going up. We should all say a prayer for Anik E2 up there somewhere. God knows what it is doing. However, the whole high tech industry is not going to dry up and go away.

We need the vision of the people who are the shareholders of those companies that were in that business. That is what their job is. The job of the directors of those companies is to anticipate, to see where they should be putting their energies in the future. Perhaps it is in the environment. Perhaps it is in extracting minerals from difficult places.

(1355)

My point is that it is not the role of government to decide what that initiative should be. It should be the role of industry and the owners of industry. They will do a far better job than we will. When we went through our orientation, no one said all of a



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sudden when we passed through these doors that we would become venture capitalists with the ability to pick winners and losers in the marketplace. It did not happen.

**Mrs. Georgette Sheridan (Saskatoon—Humboldt):** Mr. Speaker, I appreciate the opportunity to speak on this topic which is so important to a large number of Quebecers. I would like to thank the hon. member opposite for focusing attention on the future of the defence industry. It is an industry which over the years has provided much employment in the province of Quebec and will continue to do so.

The future prosperity of the defence industry is vital to the future prosperity of Quebec. As a vibrant part of Canada and North America, Quebec and its industry can keep pace with global change and technological advancement.

I applaud the interest of the member in raising this question and I would like to speak for a few minutes on this important matter.

[*Translation*]

The Quebec defence industry is made up of many small companies and fewer than 20 medium to large ones, the vast majority of sales being made by the latter.

All these companies, small and large alike, have seen their defence sales dwindle over the past few years. In light of the falling business activity on the defence markets, it is reasonable to assume that this trend could well persist.

[*English*]

European markets for defence sales have dropped remarkably, leading to a loss of 150,000 jobs over the last three years. That is 10 per cent of the workforce in the aerospace and defence sector.

In America, the experience is similar, with large reductions in military procurement matched by significant job losses, more than 3,000 in the last three years. Both European and American industries have been faced with a serious industrial adjustment problem.

In various countries, government has responded in various ways. It is tempting to look to solutions such as those proposed in the United States for the problems facing Quebec's aerospace and defence industry.

I believe we can learn from others. I am confident that some of the lessons we might learn from others in defence industrial conversion are universally acceptable. For example, there are a number of internal and external obstacles to diversification and defence conversion.

These include a narrow client base, lack of experience in export and commercial markets, over-engineered products and small product runs. External obstacles include shrinking global

defence markets, difficulty in attracting capital and market protectionism among others.

The various approaches adopted world-wide by governments to deal with their defence industrial conversion problem all address these common elements but the approaches are often tailored to the particular circumstances unique to their particular defence industries.

As a general rule, none of these programs envisage getting out of military markets. Instead the first goal of diversification is normally to retain a viable industrial base. Many governments have approached this question as a regional or community issue focusing their support accordingly.

Many have formed committees involving all of the stakeholders concerned including government, trade unions and industry. The so-called dual use technologies, commercial and military, are often a criterion for government R and D support.

One key objective of all these programs is to maintain knowledge, intensive industries and the high quality, high technology employment which is part of it.

**The Speaker:** The hon. member has just begun her statement and she will have priority when we resume debate.

It being 2 p.m., pursuant to Standing Order 30(5), the House will now proceed to Statements by Members pursuant to Standing Order 31.

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## STATEMENTS BY MEMBERS

[*English*]

### SPINAL HEALTH WEEK

**Mr. Ted McWhinney (Vancouver Quadra):** Mr. Speaker, the week of May 1 to May 7, 1994 is Spinal Health Week. The program was established in 1985 to initiate and maintain good spinal health habits in children.

It is sponsored annually by the Ontario Chiropractic Association, a voluntary membership organization that represents more than 1,350 Ontario chiropractors. Its objective is to provide public education and promote research to improve the quality of health care for the citizens of Ontario.

Eight out of ten Canadians suffer from back pain during their lifetime. The incidence is increasing. A healthy lifestyle including proper posture, exercise and good nutrition is the key to prevention.

Please join me in wishing the Ontario Chiropractic Association a very successful Spinal Health Week.

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**ORAL QUESTION PERIOD**

**Mr. Chuck Strahl (Fraser Valley East):** Mr. Speaker, one of the promises contained in the infamous red book pertains to accountability. However, when key questions of importance are asked in question period relating to federal overspending, health care, native self-government and criminal justice, the government consistently demonstrates an unwillingness or inability to answer.

The only time the government answers any questions is when one of its own members asks the Liberal question of the day.

We on this side of the House are asking legitimate questions affecting the lives of Canadians. Where is the accountability and when will question period become answer period? Canadians want and deserve straight, hard answers to these questions. Reformers will keep demanding the government fulfils its promise to be more open and accountable.

\* \* \*

[Translation]

**PALESTINIAN SELF-GOVERNMENT**

**Mr. Philippe Paré (Louis-Hébert):** Mr. Speaker, yesterday, Israel and the PLO signed in Cairo an historical agreement regarding Palestinian self-government.

Following several decades of political and military conflict, Yitzhak Rabin and Yasser Arafat have agreed on an action plan for the creation of a Palestinian territory in the Gaza Strip and in Jericho.

This agreement marks the beginning of the end of a long and difficult armed occupation of Palestinian territories. Certainly apprehensions persist on both sides, but it is now up to the parties to show their good will and lay the foundations for co-operation between the Israeli and Palestinian people.

We congratulate negotiators on both sides on this truly remarkable achievement. This agreement goes a long way toward bringing lasting peace to the Middle East, and we hope it will be received favourably by all those who live in the region.

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[English]

**NATIONAL FOREST WEEK**

**Mr. John Loney (Edmonton North):** Mr. Speaker, the week of May 1 to May 7 marks this year's National Forest Week. Each year the Canadian Forestry Association bestows on a municipality the title of forestry capital of Canada.

I am proud to inform the House that the city of Edmonton was chosen as the 1994 forest capital. I am delighted that the people

of Edmonton have been recognized for their commitment to promoting the contribution of urban and rural forests to the city's environment, economy and social development.

Edmonton is a green city, noted for having one of the largest urban parkland areas per capita in all North America. These forested areas are enjoyed by local residents and by numerous visitors. Edmonton is also the gateway to the huge northern forest lands of Alberta which are becoming increasingly important to the diversification of Alberta's economy and to Canada's forest sector as a whole.

Allow me to congratulate the people of Edmonton and all the forestry workers in my region whose contribution has made 1994 a memorable year for my city.

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**BOSNIA**

**Mr. Reg Alcock (Winnipeg South):** Mr. Speaker, last week I had an opportunity to attend an international meeting of parliamentarians concerned about the situation in Bosnia-Herzegovina.

I was proud as a Canadian of the work that Canada is doing there. I wish to commend the Minister of Foreign Affairs, the Minister of National Defence and the men and women who are on the ground in Bosnia-Herzegovina doing important work. I cannot help but wonder whether or not we can do more.

During World War II Canadians opened their hearts and their homes to the children who were caught in war zones. I would urge us to think about doing the same again to provide some relief for those people who are in such terrific danger and to get the children out of the way of the bullets.

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**TRANSPORT**

**Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton):** Mr. Speaker, high licensing fees for taxis and limos at Pearson airport are forcing operators on to the unemployment lines.

Each year rising insurance rates, gas prices, vehicle maintenance and licence fees along with poor business have made it impossible for operators and their families to survive.

It is like the tobacco smuggling problem. High licensing fees are driving legal operators out of business and have opened a window of opportunity for non-licensed operators to illegally scoop fares.

I call upon the Minister of Transport to direct the airport authority to lower its licence fees. Lower fees would ease the financial pressures on the operators and put an end to illegal fare scooping.

*S. O. 31*

(1405)

[*Translation*]

### BOSNIA

**Mrs. Madeleine Dalphond-Guiral (Laval-Centre):** Mr. Speaker, I would like to call the attention of the House to an intolerable reality that we have the power to alleviate. I am talking about the plight of children in Bosnia. More than anybody else, these children are innocent victims of an unbearable conflict.

A great many European countries are welcoming Bosnian children with open arms, but Canada's welcome remains discreet, too discreet, Mr. Speaker. Canada has a reputation of being a generous nation. Our involvement in peacekeeping activities is ample proof of that. But we can and must do more. We must welcome in our country these children held captive of a blind war which turns their lives into hell on earth. We cannot remain insensitive to their plight because by failing to act, we would in fact be condoning this war and its inhumane consequences.

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[*English*]

### GAZA-JERICHO ACCORD

**Mr. Ed Harper (Simcoe Centre):** Mr. Speaker, for the second time in a week the world has witnessed the peaceful conclusion of long and sometimes frustrating negotiations toward true democracy.

Like the South African election, the historic signing in Cairo yesterday of an agreement to end 27 years of Israeli occupation will bring to an end the senseless killing of so many innocent people.

In any successful negotiation there must be flexibility and an understanding on the part of both sides. The winners here are not those who sat at the bargaining table. The real winners are those millions whose lives and futures will be greatly improved.

Let us hope the actions taken here by these leaders will be an inspiration to those involved in conflicts in other parts of the world that there is a better way.

The world today is indeed a better and safer one as a result of the dedication and hard work of negotiators on both sides. I ask all members to join with me in an expression of gratitude to those whose efforts brought this difficult situation to a peaceful conclusion.

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[*Translation*]

### PALESTINIANSELF-GOVERNMENT

**Mr. David Berger (Saint-Henri—Westmount):** Mr. Speaker, all Canadians were no doubt moved by the scenes from Cairo

where representatives of Israel and the PLO finally signed an agreement on self-government for the Palestinians. It is important to mention the courage and vision of the architects of this peace, Yitzhak Rabin and Yasser Arafat.

We know that change will not come overnight. Much bitterness remains, but this first step is very significant. The parties have decided to settle their disputes through negotiation. We must continue to help the partners build mutual trust, which we hope will lead to a broader lasting peace that will extend to the whole region.

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[*English*]

### CITIZENSHIP

**Mr. Gar Knutson (Elgin—Norfolk):** Mr. Speaker, I rise to comment on the recent announcement concerning citizen court judges.

On behalf of my riding I would like to express sincere thanks to the minister of immigration for this step. Not only does the minister's plan promise to save the government money and end a cycle of patronage, but it puts more meaning into the proceedings surrounding becoming a Canadian citizen.

Those who are concerned with the deficit or patronage should be well pleased with the minister of immigration for a job well done.

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### GAZA-JERICHO ACCORD

**Mr. Sarkis Assadourian (Don Valley North):** Mr. Speaker, historical and joyous are two words which best describe the Gaza-Jericho accord, signed on Wednesday, May 4, between the PLO and Israel.

This unprecedented agreement offers new hope for a region which for many years was torn apart by bloodshed and religious differences. I wish to extend my warmest congratulations and best wishes for a lasting and progressive peace to all Palestinians and Israelis affected by the accord.

The true impact of the agreement can only be realized through honest and mutual co-operation from both sides.

It is my hope that the Government of Canada will continue to offer its support for lasting and constructive peace throughout the entire region of the Middle East.

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[*Translation*]

### MULTIPLE SCLEROSIS

**Mrs. Pauline Picard (Drummond):** Mr. Speaker, it is an honour for me to announce in this House the official launching of the carnation campaign for multiple sclerosis, which will take place next weekend.

Multiple sclerosis is the most common neurological disease among young adults in Canada; it is estimated that over 50,000 Canadians and Quebecers have this disease, for which there is no treatment so far. We must also mention that Canada has one of the highest rates of multiple sclerosis of any country in the world. Given the seriousness of the situation, the Multiple Sclerosis Society of Canada hopes to raise \$2 million in its national carnation campaign.

(1410)

I am therefore pleased to join the Multiple Sclerosis Society of Canada in asking hon. members and all Quebecers and Canadians to support this worthy cause.

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[*English*]

### BOSNIA

**Mr. Art Hanger (Calgary Northeast):** Mr. Speaker, I rise today to bring to the attention of all Canadians the tragic plight of children in Bosnia.

None of us has been unaffected by the misery in Bosnia that we witness nightly. The children deserve a special degree of compassion. Untold thousands are homeless. Thousands have lost their parents. We do not know how many are languishing as refugees.

I urge Canadians to remember these innocent victims. I especially urge Canadians to support the work of Bosnian Children's Relief. I do not need to tell you, Mr. Speaker, that in your riding five Bosnian children are now safe and secure, having been granted a safe haven by Bosnian Children's Relief, but there are many more.

I call on the minister of immigration to review the guidelines relating to the granting of temporary safe haven visas for children.

With the help of the government, Bosnian Children's Relief could do much more in helping to preserve the innocence of children caught in an adult nightmare.

\* \* \*

### BOSNIA

**Mr. Simon de Jong (Regina—Qu'Appelle):** Mr. Speaker, the children of Bosnia are the greatest victims of the daily carnage occurring in that part of the world. Thousands of children have been deprived of their childhood. They have seen their fathers murdered and their mothers raped. They have had their homes burned and all too often been uprooted as their village has been "ethnically cleansed".

The deliberate shelling of schools, hospitals and other non-military targets has killed and permanently disabled many children of Bosnia. All the children of Bosnia will carry the psychological scars for many years to come.

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Do those who have unleashed this madness in the name of some twisted notion of a greater nation not realize that the welfare and happiness of children is the future of their nation? Do they not realize that inflicting the suffering they have on children will only produce a sick nation whose citizens will have to live with the shame and guilt for generations to come?

I join my voice with all humanity in imploring, hoping and praying that the carnage will stop.

\* \* \*

### BOSNIA

**Mr. Julian Reed (Halton—Peel):** Mr. Speaker, as a member of the Canada-Croatia parliamentary friendship group and as a member of the parliamentary committee on human rights, I rise in the House today with so many of my colleagues in a joint effort to honour the victims of the present war in Bosnia-Herzegovina.

From the selfish pursuit of territory and the inhuman drive known as ethnic cleansing, over 200,000 souls have lost their lives in what is today not the only but one of the bloodiest parts of the world.

Countless more have been physically injured, psychologically tormented and driven from their homes as refugees. Thousands of these deaths as well as refugees have been children on whose shoulders lie the only hope for a more tolerant world.

As parliamentarians, citizens and humanists, let us welcome refugees to Canada from this area of conflict in the world as from such other areas and let us celebrate their courage.

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### OFFICIAL OPPOSITION

**Mr. Bob Ringma (Nanaimo—Cowichan):** Mr. Speaker, earlier this week I watched as the Leader of the Opposition explained on the CBC his reasons for separation. He said: "All we want to do is manage our own money; that's all". Not once did I hear the words language or culture.

If all Canada represents to the Official Opposition is dollars and cents then I urge the government to take the same tough stand it has taken with my own province, British Columbia, over medicare. All provinces would like more control of their own affairs but not at the expense of destroying our country.

If the true agenda of members of the official opposition is simply economic sovereignty let them say so and quit confusing the issue and their supporters with the pretence of a francophone homeland.

On behalf of all Canadians who love this country more than just the income they derive from it, I urge the government to fully explain the costs and ramifications of economic freedom to Her Majesty's Loyal Opposition.

*Oral Questions*

(1415)

**MULTIPLE SCLEROSIS DAY**

**Mrs. Jean Payne (St. John's West):** Mr. Speaker, all members know that today is Multiple Sclerosis Day and that is why we are all wearing carnations.

It is estimated that 50,000 Canadians have MS but the number of people affected goes far beyond those who actually have the disease. Family and friends deal with the associated health problems each and every day. I have seen up close the impact MS can have on people.

Medical research is needed to find the causes of MS, effective treatments and ultimately a cure for the disease. However research is expensive and requires a lot of money.

I urge the people of St. John's West to support the National Carnation Campaign for the MS Society of Canada in its efforts to raise \$2 million for medical research. This Mother's Day please buy a carnation to help find a cure.

Quebecers and Canadians expect the government to indicate clearly what it intends to do, especially with regard to a very specific proposal from the UN Secretary General himself.

So what is Canada's position on this request: is it yes or no? In particular, I would ask the Deputy Prime Minister whether she admits that, without a UN intervention force, it is totally impossible to set up any medical or humanitarian operation that Rwandans so urgently need.

*[English]*

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, it is unfair of the Leader of the Opposition to characterize Canada's response as mere concern.

We have been on the ground. We are on the ground. We continue to be on the ground both with a physical presence and financial assistance. We are working very closely with the United Nations and the Security Council to ensure that the solution we find will meet with regional support, but more important, will reach out to those hundreds of thousands of people who have been left homeless as a result of this massacre.

*[Translation]*

**Hon. Lucien Bouchard (Leader of the Opposition):** Mr. Speaker, while we are making speeches, while we are speaking and expressing our feelings, hundreds of thousands of people are being killed in that country, a country that is very close to Canada because of our international policies and aid programs. We have had a presence in that country for close to 100 years. What are we doing to prevent this slaughter? Some rivers are now jammed with the bodies of the people killed. We must go beyond words.

I ask the government whether the presence of an intervention force would prompt the rebels and the Rwandan army to negotiate a ceasefire that would end these barbarous events which require our intervention.

*[English]*

**Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs):** Mr. Speaker, the Leader of the Opposition should understand that the commander of the UN forces in Rwanda is a Canadian and he is continuing to work under very difficult circumstances.

(1420)

We have detailed an additional 10 personnel to take the place of the Belgians, who had to leave the country, for logistic and other support to keep the airport open. We have been putting in humanitarian aid on a daily basis. It has been Canada with its Hercules flights that has ferried out nearly 1,500 people and ferried in thousands of pounds of relief supplies.

**ORAL QUESTION PERIOD***[Translation]***RWANDA**

**Hon. Lucien Bouchard (Leader of the Opposition):** Mr. Speaker, my question is for the Deputy Prime Minister.

Violent fighting continues between the Rwandan army and the rebels. This massacre which has already killed at least 200,000 people must stop. However, the UN assistance mission to Rwanda, now reduced to some 449 soldiers, is completely overwhelmed. Faced with his humanitarian responsibilities, the UN Secretary General has asked the Security Council to send peacekeeping reinforcements to Rwanda.

Can the Deputy Prime Minister tell us whether Canada intends to support the request of the UN Secretary General and make a direct contribution to the reinforcements requested by Mr. Boutros Boutros-Ghali?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, the Minister of Foreign Affairs clearly stated yesterday that Canada intended to call on the UN Secretary General to help find a solution to Rwanda's problems.

We are very, very concerned about the thousands of people now in refugee camps and also very, very disappointed with the continuing massacre. We are currently talking about the possibility of broader intervention.

**Hon. Lucien Bouchard (Leader of the Opposition):** Mr. Speaker, beyond concern and disappointment, I think that

*Oral Questions*

This morning one of our planes was hit by three shots but no damage was done. The plane is being repaired in Nairobi. It had a BBC reporter on board.

I want to underline the fact that this is a very dangerous theatre of conflict. Whatever we decide to do in terms of incremental action has to be thought through very considerably.

\* \* \*

[*Translation*]

**TAXATION SYSTEM**

**Mr. Pierre Brien (Témiscamingue):** Mr. Speaker, the ruling by the Federal Court of Appeal on the taxation of child-support payments has reopened the debate on the inequities of the taxation system for families. The ruling said that the Income Tax Act was discriminatory, because it treated differently divorced parents and other individuals in similar circumstances.

My question is for the Deputy Prime Minister. Does she agree that we should review all the fiscal measures dealing with child support and custody?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, clearly we recognize the inequities of the present taxation system. This is why, in a large part at the request of the women's caucus of the Liberal Party, the Minister of Finance started a discussion of this in his budget.

It is equally obvious that this court ruling will have a very direct impact on the income of many families. We are studying the direct implications, and the Minister of Justice as well as the Minister of Finance indicated yesterday that we can expect a decision on this in the very near future.

**Mr. Pierre Brien (Témiscamingue):** Mr. Speaker, a supplementary to the Deputy Prime Minister. Does she not agree that this ruling and its consequences show the need to proceed without further delay to an in-depth reform of the whole taxation system, a system which should be based on equity, fairness and the absence of loopholes?

[*English*]

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, I repeat that the Minister of Finance recognized and understood the inequities in the tax system when in the budget he launched a process to review this very provision. In fact, he was encouraged to do so not only by the private member's bill launched by the member for Nepean, but also by the strong presentations he received from the membership of the women's caucus of the Liberal Party.

I can assure the hon. member that the Minister of Finance, the Minister of Justice and all members of the government are going to be working very hard to make sure that present inequities in the tax system are eliminated.

**ABORIGINAL SELF-GOVERNMENT**

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, my question is for the Minister of Indian Affairs and Northern Development.

I am sure that the minister will agree that the establishment of any genuine democratic government must rest on the consent of the governed. The minister has told the House that he is proceeding with the establishment of aboriginal self-government in Manitoba and that he has obtained the consent of the chiefs.

Would the minister tell the House clearly and explicitly whether he also intends to seek the consent of the aboriginal people of Manitoba for this new form of government?

**Hon. Ron Irwin (Minister of Indian Affairs and Northern Development):** Mr. Speaker, I am not sure if my friend is suggesting another referendum but I think he is.

Probably in the long run this is going to depend a lot on how the aboriginal people govern themselves. The way they govern themselves now is to always go back to the people. They go back to the people much more than we do. They have more self-government now. I see some of the hon. members nodding. Anybody who has done aboriginal work realizes that they are consulting all the time.

A short answer to the question is that there probably will be referendums at the band level if they go along on the same basis they are now.

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, I thank the minister for his reply. He knows that sometimes leaders will agree to constitutional arrangements which the people will not approve if they get a chance to vote, as in the case of the Charlottetown accord.

(1425)

Will the minister tell the House what would be wrong with seeking the democratic consent of all the aboriginal people of Manitoba to this new form of government through a formal referendum mechanism?

**Hon. Ron Irwin (Minister of Indian Affairs and Northern Development):** Mr. Speaker, in answer to the leader of the Reform Party, the way it looks like it is playing out now is that the leadership after consultation with the membership has decided on dismantling, to take it subject matter by subject matter starting with capital, forestry and so on.

At some point they will take back what they think is an appropriate self-government arrangement to their people. I am hopeful that if the leadership is wise and does the job wisely, as perhaps we have not done on our side in the past, that the people will ratify the agreements.

*Oral Questions*

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, I think the minister is saying that there may be a referendum on this issue in Manitoba. We would like more clarification.

The chances of securing the consent of the aboriginal people of Manitoba to self-government would be enhanced if it were made crystal clear that any such government would be legally required to respect the rights and freedoms guaranteed by the Canadian Charter of Rights and Freedoms.

Can the minister give the House an iron clad guarantee that any aboriginal self-government arrangement established in Manitoba will give aboriginal people full protection of their personal rights and freedoms under the charter?

**Hon. Ron Irwin (Minister of Indian Affairs and Northern Development):** Mr. Speaker, that is a good question. The rights and freedoms under the charter as they are now expressed apply to provincial and federal governments. I think we have to be cognizant that when we make these transfers that the Charter of Rights and Freedoms, about which I feel very strongly, should be transposed into the negotiations.

The Leader of the Opposition will be happy—not the opposition leader but the leader of the Reform Party, hopefully the opposition—

**Some hon. members:** Soon, soon.

**Mr. Irwin:** Perhaps some day the government. The leader of the Reform Party makes a valid point. The next legislation that will be before the House dealing with aboriginal people he will see clearly that the Charter of Rights and Freedoms will apply. That will be some time this month.

\* \* \*

[Translation]

**SOCIAL PROGRAM REFORM**

**Mrs. Francine Lalonde (Mercier):** Mr. Speaker, my question is for the Deputy Prime Minister. Yesterday, in his press conference, the Prime Minister, far from being more sympathetic to the provinces' reluctance regarding the social program reform, said that he would go ahead with it.

Will the Deputy Prime Minister confirm that her government intends to proceed with the social program reform one way or another, as the Prime Minister said, and even without the provinces' support?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, what the Prime Minister said yesterday is exactly what he has been saying since the beginning of our mandate. We are negotiating in good faith to

find a solution. Obviously, if we cannot come to a solution, we will proceed only in those fields which are under federal jurisdiction. This is exactly the position adopted by the Opposition leader when he disagreed with his government during certain negotiations, in 1989.

**Mrs. Francine Lalonde (Mercier):** Mr. Speaker, how can the Deputy Prime Minister reconcile her comments with the fact that, except for unemployment insurance, all the other areas which would be included in the reform are under provincial jurisdiction?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, the Prime Minister said and keeps saying that he wants to find good solutions. What is most important to him, and what should be most important to all politicians, is to have jobs for workers. Unemployed people in Montreal, Shawinigan or Dolbeau are very interested in government projects but less interested in federal-provincial bickering. We are trying to use a fair and equitable approach and we are negotiating in good faith.

\* \* \*

(1430)

[English]

**SELF-GOVERNMENT**

**Mr. Jake E. Hooppner (Lisgar—Marquette):** Mr. Speaker, my question is for the minister of aboriginal affairs. We seek the assistance of the minister in responding to written communications sent to us by our original peoples other than chiefs.

Will the minister tell us how he has responded to the fears and concerns expressed in these written letters about native self-government because his answers to these letters will help us in answering ours.

**Hon. Ron Irwin (Minister of Indian Affairs and Northern Development):** Mr. Speaker, that is not a question.

**Mr. Jake E. Hooppner (Lisgar—Marquette):** Mr. Speaker, I am very surprised.

Does the minister tell me that he has had no letters from these native people? I would ask him how he will respond to this. The members on the opposite side support self-government. We want the minister to realize that we as Reformers support the same self-government for native people. We have had genuine fears of concern addressed to us about this.

Would the minister explain why he refuses to open up the process to all Canadians to alleviate the concerns of those people not directly involved in the negotiations?

*Oral Questions*

**Hon. Ron Irwin (Minister of Indian Affairs and Northern Development):** Mr. Speaker, in the words of Allan MacEachen, that's better, it's a question.

(1435)

*[English]*

\* \* \*

*[Translation]***THE ECONOMY**

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, my question is for the Deputy Prime Minister.

Yesterday, the Prime Minister took stock of his government's first six months. The unemployment rate remains unacceptable, the economy is stagnant and no real government expenditure control or economic recovery measures have been implemented.

Can the Deputy Prime Minister confirm that the turnaround announced yesterday by the Prime Minister on the subject of his participation in the Quebec election can be explained by the fact he has nothing to show Quebecers except for the climate of confrontation his government has created on various issues?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, the only confrontation climate created in this House is the one the member from the other side is generating by not striving to find real economic solutions; he just keeps ranting because he does not want Canada to succeed.

**The Speaker:** Order! I would appreciate it if members would refrain from using certain words they have been uttering during questions and answers and also if questions were not so loaded.

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, how can the Deputy Prime Minister speak of government achievements when, since January 19 this year, the government has presented almost nothing to us and no important and significant bill on economic recovery and job creation has been tabled to date?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, as far as I know, a budget is an important document for job creation in this country. It just so happens we did present a budget. We have already approved millions and millions in Canadian investments for projects in Quebec which will give jobs to real workers and not to those who refuse to work and just keep bitching.

**The Speaker:** Order. The members should please consider their words before using them. As I said, some terms are slightly loaded. I will ponder upon terms like bitching and will come back to you on this.

**CONTRACTING**

**Mr. Randy White (Fraser Valley West):** Mr. Speaker, my question is for the President of the Treasury Board. I certainly expect an answer, not like that last outrage that my colleague got.

A recently released Treasury Board report indicated that the federal government spent \$5.2 billion last year contracting out services. Talk about a place to cut in this budget. That report did not indicate who received the contracts, on what basis the contracts were issued, and how values for these contracts were established.

To clarify this situation I would like to ask the President of the Treasury Board to immediately table all information that his department has currently. Also, will he indicate from 1990 on what those contracts were?

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure):** Mr. Speaker, the information that the member refers to is part of the review of efficiency of programs that we are undertaking with the public sector employee representatives, the unions, in an effort to find savings in government spending so, as we said in the budget, we can help to shorten the period of the wage freeze. Information was provided to that extent.

We are still undergoing our review of contracting and contracting out. I might add that that \$5 billion does not just include the kind of contracting out that the unions are concerned about but includes all contracting; everything from doctors for aboriginal communities in the north, for example, to the repairing of planes and ships for the Department of National Defence.

Certainly whatever information we can provide for the member and for other hon. members of the House we are quite willing to provide as part of the review of contracting out which will be dealt with not only by the Treasury Board but also by the government operations standing committee.

**Mr. Randy White (Fraser Valley West):** I thank the hon. minister for a decent answer, Mr. Speaker.

More than 36,000 of these contracts were issued in 1992-93 alone. Some suspect that the contracts were given to friends of government rather than being issued on the basis of merit. This report also indicates that contracts were granted without public scrutiny and almost half were issued without a tender process.

Will the President of the Treasury Board agree that all future government contracts must be subject to public tender process?

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure):** Mr. Speaker, the period of time we are referring to in the statistics is of the last government, not this current government.



*Oral Questions*

This Liberal government is dedicated to cost efficiency, to spending the taxpayers' money wisely, doing so in a fair and open fashion, a transparent fashion, so that people can see how their money is being spent. We intend to bring about reforms and changes from what the last government did in terms of contracting.

\* \* \*

[Translation]

**CANADIAN MUSEUM OF NATURE**

**Mrs. Suzanne Tremblay (Rimouski—Témiscouata):** Mr. Speaker, my question is for the Minister of Canadian Heritage.

There has been more troubling revelations regarding the Canadian Museum of Nature. This morning, at a press conference, representatives of the science community asked that the questionable lay-off of several scientists be investigated in view of the fact that it has far-reaching consequences. It gives a bad name to the museum and jeopardizes its research activities as a whole.

Given these new facts, is the Minister of Canadian Heritage willing to reconsider and, without delay, ask for a public inquiry with a view to hearing the testimony of all the people involved in this matter?

**Hon. Michel Dupuy (Minister of Canadian Heritage):** Mr. Speaker, I have already had the opportunity to speak several times on the problems that have been brought to light regarding this museum.

The person I rely on in this matter is the Auditor General of Canada who has the trust not only of the government but also of this House. He said he would perform a special in-depth audit of the museum's operations and finances. I understand that the museum board of directors has requested that this audit be conducted without delay. Once we have all the facts and the Auditor General's conclusion, we will be able to pass judgement.

(1440)

**Mrs. Suzanne Tremblay (Rimouski—Témiscouata):** Mr. Speaker, does the minister realize that this museum has a unique responsibility in Canada to perform basic, theoretical and applied research, and that any delay, given the time it will take the Auditor General to conduct an audit and elected representatives to hold a public inquiry, seriously jeopardizes the mission of the museum and its reputation in the scientific community?

**Hon. Michel Dupuy (Minister of Canadian Heritage):** Mr. Speaker, the hon. member's remarks, which are more a comment than a question, start from the premise that the museum is guilty as charged, even before we have the facts and know what is really going on. I am aware of the criticisms that have been levelled and I take them seriously. Soon we will know the facts.

[English]

**SEA KING HELICOPTERS**

**Mr. Ron MacDonald (Dartmouth):** Mr. Speaker, my question is for the Minister of National Defence.

The future of the Canadian military Sea King fleet is once again before the public with the recent crash of a Sea King at the cost of two lives with two other airmen seriously injured.

Although meticulously maintained many of these aircraft are older than the pilots that fly them and there is a need for the government to make a decision soon to replace this fleet.

I ask the Minister of National Defence if he can assure this House of the airworthiness of the remaining Sea King fleet and indeed will he give a commitment that this government does intend to replace these aircraft?

**Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs):** Mr. Speaker, first I would like to acknowledge that we extend our sympathy to the families of the two airmen killed and the other two that were seriously injured in this particular crash.

I know it is of great concern to the hon. member because these helicopters are based at CFB Shearwater in the hon. member's constituency. These helicopters are well maintained, otherwise we would not fly them.

This party in the election campaigned against the EH-101 helicopter because we felt it was too expensive a solution for the helicopter needs of the government. We never denied that there would have to be some replacement at some point in time for the Sea Kings. The Sea Kings are airworthy until the year 2000.

I want to assure the hon. member and other colleagues in the House that we intend to fly them. They will do the search and rescue work and other naval reconnaissance and anti-submarine patrols. They will keep flying until the year 2000 because they will be well maintained.

I believe once the defence review is over later this year, we will have some answers as to the kind of equipment that we will need to discharge our future obligations.

\* \* \*

**EMPLOYMENT**

**Mr. Jim Silye (Calgary Centre):** Mr. Speaker, my question is for the Deputy Prime Minister.

Ridiculous statements from senior cabinet ministers continue to plague the government, not only today but yesterday when the Minister of Human Resources Development said that if people with jobs would not work overtime there would be more jobs for unemployed Canadians.

*Oral Questions*

Can the Deputy Prime Minister tell Canadians if legislation to limit the work week is currently under consideration by this government?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, in the month of February the Minister for Human Resources Development launched an analysis of the whole issue of how we work.

In fact not only limitations on overtime, but job sharing, flexible work hours and different ways of working are challenges that we have to face to meet the needs of the real workforce.

I happen to know in my own constituency at the steel company there are many people who would like to be called back to work, but unfortunately overtime sometimes prevents that. That is one of the things that the minister's panel is looking at but there is certainly no legislation proposed at this time.

**Mr. Jim Silye (Calgary Centre):** Mr. Speaker, the minister's statement of yesterday implies that hard working people are the cause of unemployment.

Using the minister's logic, if the Deputy Prime Minister herself worked overtime she would be contributing to unemployment.

Will the Deputy Prime Minister not agree that her minister's logic and her own logic are flawed and do not address the real problem in this country, that high taxes are forcing people to work longer hours and high deficits and debt are causing unemployment?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, I think what the Minister of Human Resources Development is recognizing is what many Canadians are recognizing and that is the workforce is changing drastically.

(1445)

In the old days we could expect to work specific hours of the week but that does not always work in every particular occupation. What he is suggesting is something we should all be looking at. Is there a possibility for us to be examining flex time? Is it possible for us to look at job sharing so that for example women who may have home responsibilities could comfortably combine those with paid work outside the home?

These are all creative ideas that the minister is examining. I wish the member would open his heart and examine some of those positive solutions with us.

[*Translation*]

**CANADIAN MUSEUM OF NATURE**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie):** Mr. Speaker, my question is for the Minister of Canadian Heritage. Despite the fact that we tried everything possible and imaginable to bring the minister to shed some light on the management of the Canadian Museum of Nature, he still refuses to hold a public inquiry. Yet, some troubling points remain and since the minister wants to know the facts, does he not think that the internal inquiry report should be made public and will he put pressure on the museum's board to make it release the conclusions of the report?

**Hon. Michel Dupuy (Minister of Canadian Heritage):** Mr. Speaker, this is an internal report commissioned by the management of the museum which has an arms-length relationship with the government. This does not mean that I do not care about what goes on there, and I will see how we could provide more information to our colleagues opposite.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie):** Mr. Speaker, should I remind this House that the present director of financial services, who started at the beginning of 1994, was previously employed by the company hired by the board to prepare a report on the museum. Does the minister not think that this is a rather strange coincidence? Why does he not suspend immediately and without pay the director of the Canadian Museum of Nature until we know the conclusions of the inquiry presently conducted by the Auditor General's Office?

**Hon. Michel Dupuy (Minister of Canadian Heritage):** Mr. Speaker, the doubts raised by the hon. member regarding the management of this museum and its inquiry are precisely the reason why I will be relying on the job being done by the Auditor General's Office.

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[*English*]

**NATIONAL PAROLE BOARD**

**Ms. Val Meredith (Surrey—White Rock—South Langley):** Mr. Speaker, my question is for the Solicitor General.

In 1972 Valmond Lebouthillier received a life sentence for second degree murder. During 19 years of incarceration he had a history of violence and unco-operative behaviour but he was still given full parole in September 1991. In June 1992 he exposed himself to women, but a suspension warrant was cancelled. Two months later he stabbed and sexually assaulted a woman.

Despite a number of internal inquiries critical of the board's decision, one of the board members involved in this decision

*Oral Questions*

was given a job at the parole board's Ottawa headquarters evaluating the work of other board members.

Will the minister acknowledge to this House that problems with the National Parole Board go beyond just one or two isolated incidents and that the entire parole system must be re-examined?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, the hon. member has indicated a number of concerns that arose before this government took office.

We are committed to working to improve and strengthen the parole and correction system. I have already said that I, on behalf of the government, intend to bring down legislation before too long to achieve this purpose. I look forward to the support and encouragement of the hon. member to achieve these objectives.

**Ms. Val Meredith (Surrey—White Rock—South Langley):** Mr. Speaker, I am encouraged by the words, but this government has frequently congratulated itself for having the courage to cancel multi-billion dollar helicopter deals and Pearson airport deals to save taxpayers money.

Why does the Prime Minister find it so difficult to cancel some \$100,000 governor in council appointments that may save taxpayers' lives?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, this Parliament has created the National Parole Board as an independent semi-judicial body, akin to a court.

(1450)

I think it is a very serious matter and has to be proceeded with due care and attention if one is considering revoking an appointment. I do not think the hon. member would want to create a set up where there is political interference or the possibility of accusations of political interference in the decisions of the parole board.

As a result, I take the hon. member's point very seriously. We are looking into the concerns underlying her question. Certainly we will not shrink back from taking action that is justified by a serious consideration of all the facts.

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**TRADE**

**Mr. David Iftody (Provencher):** Mr. Speaker, my question is for the minister of agriculture.

The Americans are falsely accusing Canadian wheat farmers of dumping their product into U.S. markets and the U.S. has mounted trade sanction attacks against us.

Can the minister advise this House where Canada stands? Will the minister defend the legitimate rights of our Canadian grain producers?

**Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food):** Mr. Speaker, the short answer to the hon. member's question is an unequivocal yes.

As I have said on many occasions, we will not roll over and play dead. Canada will defend this country's vital interests, including those of Canadian grain producers. I have made that point on a number of occasions, as has the Prime Minister, the Deputy Prime Minister, the Minister of Finance, the Minister for International Trade, and the Minister of Foreign Affairs.

We want a negotiated settlement with the United States. We are prepared to negotiate fairly and in good faith for as long as it takes to get such an agreement. In the meantime we have made it absolutely clear that unilateral trade action by the United States against Canada will be met with vigorous and determined response by Canada.

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[Translation]

**CUSTOMS TARIFFS**

**Mr. Stéphane Bergeron (Verchères):** Mr. Speaker, after the question asked by my hon. colleague, this one will probably be a little tougher.

In announcing its intention to raise its tariffs on Canadian durum wheat and barley, the United States apparently wants to import less Canadian grain and, in turn, to challenge under the NAFTA provisions the maintenance of the GATT-defined tariffs that Canada intends to impose on products subject to quotas such as poultry, eggs and milk, where Quebec accounts for over 40 per cent of Canadian production.

My question is for the Minister for International Trade. Can the minister state in this House that the government does not intend to cave in to American pressure on tariffs and that it will not strike any kind of bargain with the various agricultural sectors in order to facilitate negotiations with the U.S. on exports of durum wheat and barley?

[English]

**Hon. Roy MacLaren (Minister for International Trade):** Mr. Speaker, we are not linking products in our discussions with the United States. We are not linking questions pertaining to the tariffication of dairy and poultry quotas with those of grain. We are not linking the rights of Canadian grain farmers to other issues. We are dealing with both issues quite separately.

[Translation]

**Mr. Stéphane Bergeron (Verchères):** Mr. Speaker, can the minister tell this House which provisions will prevail in trade disputes between Canada and the U.S., that is whether or not

GATT will take precedence over NAFTA, and could he table in this House the legal opinions on which his answers are based? [English]

**Hon. Roy MacLaren (Minister for International Trade):** Mr. Speaker, I can assure the hon. member that Canada's position has been clearly conveyed to the United States on numerous occasions. That is that our belief, our conviction and our best legal advice without question is that the GATT rules take precedence over the NAFTA.

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#### NATIONAL DEFENCE

**Mr. Charlie Penson (Peace River):** Mr. Speaker, my question today is for the Minister of National Defence.

On two previous occasions, January 26 and February 15, I have asked the minister about the excessively high rates his department pays for the household moves of military personnel. I have never received a satisfactory answer.

I am well aware that the minister has managed to get a 10 per cent reduction in the last tender due to adverse publicity, but this has only scratched the surface of waste and mismanagement.

I ask the minister again today, what is he doing to bring more open and fair competition to defence department household moves?

(1455)

**Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs):** Mr. Speaker, I think it depends on one's perspective. There are a number of moving companies in Canada, a couple of hundred I think, that are involved in the whole movement of household effects for national defence. We have to move a lot of employees around the country.

We are assured at the moment that we are getting the best deal and we are always trying to seek improvements. I know there are some members in the House, and the hon. member is one of them, who believes that we are not getting the best deal, but I have yet to see the proof. If he has the proof, I will certainly study it.

**Mr. Charlie Penson (Peace River):** Mr. Speaker, that seems to be a little bit more smoke and mirrors. The Prime Minister has stood in this House and repeatedly asked for ways to save money. It has been suggested that in this department there could be a \$25 million saving.

The *Ottawa Citizen* and the member for Waterloo have both called for an inquiry into the wasteful way in which household moves are conducted. Will the minister come clean with taxpayers and order such an inquiry?

**Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs):** Mr. Speaker, we are not going to order an inquiry. We are looking into every aspect of spending in the department, as my colleagues are in their

#### Oral Questions

departments. If we think we can get a better deal for the taxpayers, we are not wedded to one particular solution.

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[Translation]

#### COLLÈGE MILITAIRE ROYAL DE SAINT-JEAN

**Mr. Claude Bachand (Saint-Jean):** Mr. Speaker, my question is for the minister responsible for federal-provincial relations.

Next week, the Quebec Minister of Education will meet with the minister responsible for federal-provincial relations in an effort to convince Ottawa to preserve the military vocation of the Collège militaire royal de Saint-Jean.

Can the minister tell us how the federal government intends to respond to the Quebec government's request to preserve the military vocation of the college in Saint-Jean, an essential condition for maintaining university level courses at this campus?

**Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal):** Mr. Speaker, I have already had the opportunity this week to discuss the future of the Collège militaire royal de Saint-Jean with Minister Chagnon. Obviously we are going to proceed with the measures announced in the budget and reduce the number of military colleges to one. However, negotiations are continuing and I think they could prove to be productive and satisfactory to both parties.

\* \* \*

[English]

#### YOUNG OFFENDERS

**Mr. Myron Thompson (Wild Rose):** Mr. Speaker, my question is for the justice minister.

Today, if Scott Farion from Edmonton were alive, he would be celebrating his 18th birthday. Instead, his life was cut short when he became Edmonton's first murder victim of 1994. So today his parents are grieving their loss rather than enjoying his birthday.

The tragedy of this case is that Scott's murder could have been prevented. Scott's alleged killer is a 16-year old repeat offender who was out on probation for another crime at the time of the murder.

What can the minister tell Scott's parents today to assure them that this government plans to get tough with young offenders?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada):** Mr. Speaker, I believe that case may still be before the courts. Therefore I do not want to comment on the facts of the case apart from expressing my sorrow at the description of the tragedy that has been given by the hon. member.

*Oral Questions*

The hon. member knows, and I have told the House, that I will be bringing forward legislation in June to change the Young Offenders Act to reflect longer maximum sentences for serious violent crimes among other things. I have made that clear.

Let me go on to say that in the face of such tragedies, it is important in my respectful view to bear in mind that the simple change of a statute or enacting another law is not going to change much unless at the same time we come to grips with the conditions that lead to this kind of offence.

This government is committed not only to the kind of effective legislation we need, and the member will see it soon, but also to an attack on the underlying causes of crime. That is what we intend to do.

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**GOVERNMENT INFRASTRUCTURE**

**Mrs. Brenda Chamberlain (Guelph—Wellington):** Mr. Speaker, my question is for the Parliamentary Secretary to the Minister of Public Works and Government Services.

It is widely accepted that a sound electronic infrastructure will greatly improve the efficiency of government. How is public works and government services taking advantage of tomorrow's technology to increase efficiency, improve services and reduce costs for the Canadian taxpayer today?

(1500)

**Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services):** Mr. Speaker, this department, government services and public works, now provides 70 per cent of the telecommunications services for the government.

It is profiting from the new electronic infrastructure programs that are available. Let me give examples very quickly. We have a program, the Electronic Mail Network, which connects 120,000 public servants across the country. It saves Canadians \$55 million per year. We have introduced an automated public service compensation system that saves Canadian taxpayers \$44 million a year.

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**INFORMATION HIGHWAY**

**Mr. Simon de Jong (Regina—Qu'Appelle):** Mr. Speaker, my question is directed to the Minister of Industry.

There is a growing concern that the information highway will be controlled by a few monopoly companies. I would like to ask the minister has the government defined what is in the public interest as it concerns the information highway? How should that public interest be implemented, protected and enforced?

**Hon. John Manley (Minister of Industry):** Mr. Speaker, the question is a very good one.

I am sure the member is aware that the advisory council on the information highway has its first meeting today. In the booklet we produced on Canada's information highway with the announcement of the advisory council, we set out our objectives, including competition, jobs, accessibility and affordability for all Canadians.

Those fundamental principles and objectives are the ones that we are seeking to define. The means by which we achieve them over the course of the deliberations of the council during the next few weeks and months will define our view of the policies that should be pursued. We will be seeking the input of members of the House as well as the broader Canadian community about the impact of the regulatory environment in which we are going to operate.

It is a very important file, one on which the government will act with great care and with great interest in what the hon. member has to say to us about it.

[Translation]

**The Speaker:** Order! The hon. member for Laurentides has the floor on a point of order and I believe, also has the unanimous consent of the House.

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**POINT OF ORDER**

LEAVE TO WITHDRAW MOTION M-280

**Mrs. Monique Guay (Laurentides):** Mr. Speaker, I believe you will find that there is unanimous consent to move the following motion:

That motion M-280, in the name of Mrs. Guay (Laurentides) in the Order of Precedence of Private Members' Business, be withdrawn and replaced by Motion M-294 in the name of Mrs. Guay (Laurentides), which is listed in today's *Notice Paper*.

**The Speaker:** Is there unanimous consent?

**Some hon. members:** Agreed.

(Motion withdrawn.)

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**BUSINESS OF THE HOUSE**

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, could the Government House Leader please tell us what is on the agenda for the next few days?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, I would be happy to make my statement, which is quite straightforward. I think the Deputy Prime Minister will agree with me on this.

*Supply*

**Ms. Copps:** Yes. Absolutely.

[*English*]

**Mr. Gray:** Anyway, tomorrow the House will resume consideration of Bill C-22 respecting Pearson airport. If this is completed at second reading, we will turn to Bill C-25 to amend the Canada Petroleum Resources Act. If there is time, we will have Bill C-26 regarding the National Library.

Monday the House will resume business where it left off on Friday. When this is completed, we will proceed to Bill C-27, the income tax technical bill. On Tuesday, the House will consider the motion in the name of the Minister of Agriculture and Agri-Food in order to debate matters of importance to Canadian farmers.

I understand that discussions are going on aimed at having the House sit into the evening to accommodate all those who wish to participate in this important debate.

In any event, the House will resume business from where it left off on Monday and Thursday will be an allotted day.

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## GOVERNMENT ORDERS

(1505)

[*English*]

### SUPPLY

#### ALLOTTED DAY—CONVERSION OF DEFENCE INDUSTRIES

The House resumed consideration of the motion.

**Mrs. Georgette Sheridan (Saskatoon—Humboldt):** Madam Speaker, one key objective of the government in introducing these programs is to maintain knowledge in intensive industries and the high technology employment which is part of it. This, of course, is also an objective of our efforts to assist in the conversion of the Quebec defence industry.

While many of the approaches which I have just outlined would be applicable to the Quebec defence industry, I believe it would be a mistake to try to impose, for example, a U.S. style solution to the Quebec situation.

[*Translation*]

A number of quite marked differences exist in terms of defence industry conversion between Quebec and the United States and even other parts of the world, like Europe.

Basically, the Quebec defence industry conversion is unique and different from any other. A fair number of defence industries in Quebec would be more appropriately referred to as aerospace and defence industries. I say this because, unlike many of its international competitors, the Quebec defence industry has already diversified its production considerably. It is producing a wide range of commercial and defence products.

[*English*]

Quebec's industry is unique in another important respect, one in which we should all take pride. Quebec's aerospace and defence sector sells a large proportion of its products and services in world markets. To do this successfully it must, and in fact do, produce world class products at competitive prices.

Like the rest of the Canadian aerospace and defence industry, Quebec firms focus on high technology market niches. They export subsystems and components sold primarily to aerospace and defence prime contractors in countries around the world.

This is a remarkable achievement. A country as small as Canada ranks sixth in the world in total aerospace and defence sales, with between 70 and 80 per cent of all production exported to other countries.

We should be proud of these companies and of the workers in these dynamic industries who make this significant contribution to the economies of Quebec and Canada.

As my comments indicate, Quebec's aerospace and defence industries are in many ways different from their counterparts in other areas of the world. I realize that many aerospace and defence firms face uncertain prospects in the years that lie ahead. But I am also confident that based on their past track record Quebec's aerospace and defence industries can and will rise to this challenge.

[*Translation*]

I hope I have demonstrated today the importance of recognizing how unique the Quebec aerospace and defence industries are. By building on their relative strength in relation with the majority of industries in the rest of the world, Quebec industries are well on the way to diversifying their production and converting their technologies.

As mentioned recently in the budget, the federal government intends to change the Defence Industry Productivity Program (DIPP) in support of changes in the Quebec aerospace and defence industry. I have good hope that all the support provided by both the federal and the provincial governments to the Quebec aerospace and defence industry will foster conditions favourable to the pursuit of changes.

As I said earlier, given the unique circumstances of Quebec, it may not be appropriate to consider applying in that case

*Supply*

solutions used in the United States or in Europe. We all recognize that product diversification in the defence industry presents multiple difficulties. As indicated earlier today, this is no small task and there is no quick fix.

But this does not mean that problems cannot be resolved. They can and will continue to be resolved. Major efforts are already being made by the private sector, efforts which are proving successful in the Quebec aerospace and defence industry.

(1510)

[English]

The government will continue to be a full partner in these efforts to ensure that this industry continues to deal successfully with the challenges and the opportunities which will come to Quebec in the future.

**Ms. Jean Augustine (Parliamentary Secretary to Prime Minister):** Madam Speaker, we have had much discussion on the commitment of the government to defence conversion. Indeed we have indicated in both the Liberal plan for Canada "Creating Opportunity" and the budget the important role that the defence industry productivity program will play in this commitment.

I would like to mention some of the principal aspects of the role which the defence industry productivity program, or DIPP, can play in defence conversion. We believe that the effective use of this tool can contribute to the continuing reduction of the industry's dependence on defence sales.

DIPP, created in 1959 under the auspices of the Canada-U.S.A. defence production sharing agreement, supports the federal policy of participating in international co-operative production sharing agreements. It also plays a major role in supporting Canadian high technology defence related industries like aerospace.

Today Canada's defence industries are characterized by the international scope, high risk and intense competition both in Canada and abroad from subsidized foreign firms.

Under the current program DIPP makes repayable investments to qualified firms for research and development, source establishment, buying against production machinery and for conducting market feasibility studies. The program is market driven and industry led.

The government considered these as essential and desirable features which will continue in any new conversion program. These features can ensure that Canada remains internationally competitive.

The defence industry productivity program has been instrumental in the success in building high technology industries and generating substantive exports and creating jobs across Canada.

Since its inception 35 years ago the program has brought extraordinary benefits to Canada. I would like to mention a few.

Seventeen hundred projects have been completed. The Government of Canada has contributed \$3.4 billion to those projects. The program has leveraged \$280 million from other governments, primarily the U.S.A.

Canadian industry itself has invested \$6.8 billion. These projects have generated sales for Canada of between \$25 to \$40 per DIPP dollar invested primarily to the export markets.

In total around 60,000 person years of employment, most of it high tech, have been maintained in Canada's aerospace and defence industry sectors.

The program has been reviewed by the industry and considers it extremely successful as well as essential for their future growth and development.

The introduction of a viable defence conversion diversification component under DIPP must take into account the global context within which the program is situated: the substantial reductions of defence expenditures by major industrialized countries; the worldwide restructuring of the aerospace and defence sectors; Canada's obligations toward the GATT and other agreements; Canada's fiscal constraints in industrial infrastructure.

The challenge therefore is to introduce a defence conversion and diversification component that will best help firms wishing to diversify while at the same time ensuring that the projects being supported will have a reasonable chance of success.

(1515)

Although the program was not specifically designed for defence conversion, it has nevertheless reinforced the conversion of Canada's defence industry through its flexibility and responsiveness to market conditions.

For example, sales of the aerospace and defence sector are now 70 per cent commercial versus 30 per cent military. This is the reverse of the mix that we had in the 1960s. However, in view of the new global realities, we must intensify and focus our conversion efforts so that we can attain the new objectives.

Consultations so far have raised a number of important issues that we will have to resolve before we finalize the new component. We will have to recognize that some firms in successful niche markets may not wish to convert and that some may be inconvertible. We may have to modify standard existing DIPP performance criteria to accommodate defence conversions. Repayment options are also to be considered.

From the analysis to date the government is considering the following five activities as candidates eligible for support: defence conversion market feasibility studies, research and development assistance for new technologies, limited capital assistance for tooling and retooling on an exceptions basis, a

training component through Human Resources Canada, and change of corporate culture perhaps for such activities as total quality management.

At the moment low on the list of potentially eligible activities are such items as software development, joint ventures, acquisitions, strategic partnerships, and shutdown of a production line or facility.

Although the new components of contribution programs such as DIPP will continue to assist companies in identifying new opportunities and in developing dual use technologies and commercial products to meet new opportunities, we will have to be careful. As members on all sides of the House are very much aware, Canadians want governments to spend carefully and look for high value for money spent to ensure maximum benefits at least cost. They also want us to put our best efforts into long term job creation.

The defence industry productivity program has indeed been one of the most productive programs which the government provided to benefit companies, employees and communities across the country.

As we heard earlier in the debate, since DIPP came on stream 35 years ago the success stories have been many, varied and extraordinary. The program can be a most effective tool for reducing the dependence of our industries on defence sales and for expediting the conversion of companies from defence production into commercial success in the new global marketplace. We can look forward to the defence industry productivity program serving as a catalyst to help ensure our economic future.

In Etobicoke—Lakeshore we look forward to those programs in our midst. As Canadians we will share in the challenge, fulfilment and prosperity which await those who respond to the needs of our training partners around the world in the 21st century.

[*Translation*]

**Mr. Claude Bachand (Saint-Jean):** Madam Speaker, I listened carefully to the hon. member's speech. Now, in this debate on conversion, I could not help making a little aside on Oerlikon, of course, which is a major company in my riding, and I will have a question for the hon. member.

Oerlikon is a pathetic situation. I admit, I also have a confession to make. At the time, I was in the peace movement and when Oerlikon came to Saint-Jean, even if it provided 700 jobs, what we foresaw as a long-term scenario is happening.

(1520)

When a company stops making military equipment, very often it just closes down and moves elsewhere. Even if attempts at diversification have been made, and I will come back to that,

### *Supply*

the apocalyptic scenario which we feared is taking place in Saint-Jean. Perhaps parts will continue to be made for another year, to be stored in warehouses for future supply needs, but once that is over, I think that Oerlikon is likely to close.

At one time, it maintained a certain level of employment. In the riding, 735 jobs depended on Oerlikon, and now it is down to 325. When the contract ends, none will be left.

I remind you that Oerlikon produces low-altitude air defence systems, that is guns which can hit planes invading a territory. With the changed international situation, of course, these contracts are worthless. Although Oerlikon has made a big effort to sell a lot elsewhere in the world, I think that this equipment is no longer needed today. Only \$90 million is left for the final year of operation of a \$1-billion contract. Then nothing will be left.

I want to point out that unfortunately the federal government did not do its share when Oerlikon wanted to diversify. I thought that there was an attractive opening at the time. They wanted to diversify 25 per cent of their production to laser treatment for environmental protection. That was an interesting approach to diversification. Unfortunately, the federal government did not support it.

I agree with my hon. colleague on DIPP, but would the solution not be an industrial conversion fund instead? Would the hon. member promise to defend within her party the idea of a military industrial conversion fund? That industry has tremendous brain power and human resources and also money invested in infrastructure, so there is surely a way to capitalize on this immense human potential and on that infrastructure.

Can she at least tell us if she can make her caucus realize that the way to diversify is really to have a military industrial conversion fund?

[*English*]

**Ms. Augustine:** Madam Speaker, I say to the member that maybe he has given us a bit of history and maybe that history predates the present government.

The company is currently pursuing export markets. There is support from the present minister to ensure that Oerlikon can diversify and look at all the options before it.

The government is providing full support for all marketing efforts. It will review all the proposals. It is working with everyone in terms of coming forward with as many proposals as possible to work toward diversification.

[*Translation*]

**Mr. Antoine Dubé (Lévis):** Madam Speaker, as the member for Lévis, I am pleased to participate in this special debate, which results from an Official Opposition motion, on the conversion of defence industries to civilian production.



*Supply*

In my riding, there is an extremely important company which is in jeopardy because of the existing situation. I am referring to the MIL Davie shipyard. In fact, until just a few years ago, this company was the largest shipyard in Canada.

The conversion of defence industries is undoubtedly an important issue for Quebec. As you know, military equipment industries have been experiencing difficulties since the end of the Cold War. It is estimated that, since 1987, the demand on the international market has dropped by close to ten per cent. According to international experts, this drop may very soon reach 25 per cent. In Quebec, since that same year, 11,000 of the 57,000 jobs in that sector have already disappeared.

(1525)

If there is a company which illustrates the urgent need to convert military industries, it is the MIL Davie shipyard. One year ago, the company developed a business plan to switch from military to civilian production. This plan is not only designed to give back to MIL Davie its status of best shipyard in Canada, but also to make it a leader at the international level. The plan includes two transitional contracts. One concerns the construction of a ferry for the Magdalen Islands, for which there is a demonstrated need, while the other provides for the construction of a multi-purpose strategic ship for peacekeeping missions and environmental interventions, called "smart ship".

Unfortunately, the shipyard and the thousands of related jobs are in jeopardy because of this government's apathy. MIL Davie urgently needs to convert to civilian production, since this shipyard is among those Quebec industries which rely the most on military contracts.

Let me give you some interesting data compiled by the Groupe de recherche de l'industrie militaire et de reconversion, which is affiliated to the Université du Québec à Montréal. Until now, 91 per cent of MIL Davie's production has been related to military equipment contracts. MIL Davie is also in fourth place among the 16 companies identified by the UQAM group, after Oerlikon, which has so far been dependent on the military market for 100 per cent of its production, as well as Paramax and SNC Technologies, which depend on that market for 95 per cent of their production. Yet, the Liberal government only offers lame excuses to justify the delaying of its decision on the transitional contracts for the Magdalen Islands ferry and the "smart ship".

The latest of these excuses is the one provided by the Minister of Transport who, in early March, demanded a copy of MIL Davie's business plan before making a decision concerning the two contracts. But, as I said earlier, this business plan has been available for a year already.

Obviously, before making such a decision, the government must ensure that there is a real need for these ships. However, that need has been demonstrated in both cases.

Let us first look at the Magdalen Islands ferry. The useful life of the ferry which has been in use for over 28 years, the *Lucy Maud Montgomery*, will end in less than two years. After that, the ship will not be safe enough to get its certificate of seaworthiness, which is required by the federal government.

The Magdalen Islanders also consider that the *Lucy Maud Montgomery* is bad for business in their area, because the ship no longer meets the needs of the people. For example, the tweendeck is not high enough to accommodate some types of trailers and trucks.

On February 11, the mayors of the Magdalen Islands communities toured MIL Davie main dockyard, the only world-class dockyard in Quebec for now. All of them unanimously recognized the need to replace the *Lucy Maud Montgomery*. On February 22, these same mayors and representatives of the Coopérative de transport maritime et aérien, the company operating the ferry service, reached a consensus and all agreed that a new ferry was needed.

I am going over all of this because there seems to be some confusion created by the hon. member for Bonaventure, among others, about the possibility of replacing the ferry by a used ship. In January, and more specifically on January 18, the day after the opening of this session, the minister of Transport stated, in answer to questions put by our colleague, the hon. member for Beauport—Montmorency—Orléans and myself, that, where the Magdalen Islands ferry was concerned, an announcement would be made soon. Following pressures made by stakeholders, we were told that when the minister said soon, he really meant a couple of months. That was on January 18.

(1530)

The only other time I heard the hon. member for Bonaventure—Îles-de-la-Madeleine comment on this very important issue for his constituents was in an article run by the local newspaper, *Le Radar*. The hon. member had nothing else to say but complain that the whole issue of the ferry service was his responsibility, not the responsibility of the Bloc Québécois.

To tell the truth, he must have been outraged by one of the headlines in a previous issue of *Le Radar*, where it was said that never before had the Magdalen Islands been talked about so much since the arrival of the Bloc Québécois in Ottawa. If I had been the hon. member for Bonaventure—Îles-de-la-Madeleine I would have felt piqued as well.

Nevertheless, March and April have come and gone. We are still waiting for an answer while the workers are being laid off by the hundreds and while Magdalen Islanders are wondering what their member and their government are doing.

*Supply*

If a decision is made shortly, the new ferry could be delivered in time, that is when the *Lucy Maud Montgomery* has to be replaced. I will take 9 to 10 months to prepare the final drawings. Then, construction will take 12 months and sea trials another month. The Liberal government has dragged its feet long enough, it must act now.

Let us now talk about the smart ship, a multi-purpose supply and general transport ship. The Canadian Armed Forces and the Department of Environment need that type of ship, the former for peacekeeping or humanitarian aid operations, the latter to intervene in case of a major spill. This project is by far the most important for the future of MIL Davie, because it would allow the development of a new organizational culture and new modes of production.

The concept was developed by the MIL Davie shipyards of Lévis. Plans, modelling and prototype development are done under the direction of an associated company, MIL Engineering System.

The construction of this type of ship would fit into the review of the Canadian defence policy, a review made necessary by the end of the cold war and the increase in the number of peacekeeping or humanitarian operations because of local conflicts.

The new international environment, a result of the end of the cold war, might very well increase the risk of such conflicts and Canadian Armed Forces have developed a sought after know-how in the area of peacekeeping. As matter of fact, the Canada 21 Council gave another boost to the smart ship project on March 16. This private council has been commissioned to review the Canadian defence policy in the new context of international relations. Its membership includes former politicians of various affiliations, some fairly well known like Donald MacDonald and Gérard Pelletier, both former Liberal ministers; former military officers like Admiral Robert H. Falls; and business people and economists of renown.

The Canada 21 Council recommends that the Canadian government cancel the planned purchase of three submarines and acquire instead three multi-purpose supply ships, or smart ships, to provide operational support to peacekeeping missions. These three ships proposed by the council would replace the AOR combat support ships, such as the *Protecteur*, which are nearing the end of their operational lives, and which are not multi-purpose and cannot transport vehicles nor launch small landing crafts or amphibious vehicles in great numbers. As a matter of fact, they are only used to supply navy ships at sea.

Moreover, the smart ship can be used for a whole range of logistic operations. It can be used as an aircraft-carrier and hold up to 24 transport helicopters and 600 troops for airborne operations. Such a capacity could be a real asset if, for example,

Canadians or citizens of allied countries had to be evacuated on a moment's notice, as in Rwanda, for example.

(1535)

At the present time, to transport the equipment of Canadian troops, we have to charter private ships, mainly foreign. And then it takes several weeks before our soldiers receive their heavy equipment and their combat vehicles. One smart ship could transport one battalion group with its equipment, armoured vehicles, tanks and artillery. It would have been very useful for our mission in the former Yugoslavia.

In the event of a natural disaster, the smart ship can be quickly transformed to carry a whole range of vehicles such as trucks and ambulances, building materials and equipment, water tanks, fuel tanks and bridgelayers.

Close to 200 containers holding food, clothing, tents and other supplies can be stored on the main deck. This feature would have been appreciated especially in Somalia and in Florida, after hurricane Andrew.

Moreover this ship can carry chemical dispersants, and devices to contain and absorb spills. It can accommodate a clean-up team of 600 and be used as a command, control and communications ship.

Recently, a director of MIL Davie told me that the Department of National Defence has enough information available to it this spring to convey its decision right away to government officials. A favourable decision would allow MIL Engineering System to proceed to build a model of the ship at a cost of only \$6.5 million.

Time is of the essence here. It is highly probable that most of MIL Davie's competitors are now familiar with the smart ship concept. Rumours are swirling that other shipyards have taken up the idea and intend to have their own engineers take a look at the concept.

If we delay too long, someone will steal our idea, possibly foreign competitors who already possess the necessary technology to apply the concept developed by MIL Davie.

The smart ship project is the most important transitional contract, one which would allow MIL Davie to proceed with conversion. By building the smart ship, MIL Davie hopes to develop new production modes and to change the way shipyards in Canada operate.

The challenge ahead is a formidable one. The company hopes to be able to build this ship in 390,000 hours, instead of the normal 800,000 hours. The Danes have accomplished this feat and if a strategic agreement can be reached with them, MIL Davie could rely on help from a shipyard in Denmark, which currently ranks third in the world in this field.

*Supply*

MIL Davie would need new, more powerful cranes and its staff would have to be trained in computer-assisted design and production techniques and in the use of new procedures such as plasma welding.

The Quebec Minister of Industry and Trade has expressed his concern about the federal government's commitment to defence industry conversion and with good reason. However, the Quebec government is not alone in supporting conversion. The *Conseil du patronat du Québec*, not known as an advocate of sovereignty, also supports this process.

I would like to call to mind the resolution passed by *Rendez-vous économique 1993*, an economic summit meeting organized by the *Conseil du patronat* in Montreal. This resolution called on the federal government to extend adequate financial support for conversion to all industries that depend on military contracts. This financial support would continue for however long it took to complete the adaptation, conversion and diversification process.

In recommendation 1B, the *Conseil du patronat du Québec* also called on the federal government to award a \$6.5 million design contract and three-year \$200 million construction contract for the smart ship prototype. This would also be the prototype for a series of similar ships for the international market, a highly promising and expanding market.

(1540)

With the expertise acquired in building the smart ship, MIL Davie wants to enter the international market for commercial ships between 40,000 and 70,000 tons. It is estimated that half the current fleet of oil tankers and bulk carriers should be scrapped and replaced in the next few years. Moreover, the rise in global demand due to the increase in international trade is estimated at 2.5 per cent until 2005.

Under these conditions, average demand should grow by 30 per cent from an average of 780 ships per year in the last ten years to an annual average of 1,025 ships until 2005, with peaks of 1,500 ships weighing over 2,000 tons. Since the average ship lasts 23 years and almost half the fleet is 15 years old or more, large orders are to be expected.

When they were in opposition, some influential members of this government's Cabinet, like the current Minister of Human Resources Development who was the critic on External Affairs, clearly stated that the Defence Industry Productivity Program had to be redesigned for the conversion of defence industries.

In a March 26, 1993 press release from the Office of the Leader of the Opposition, the current Minister of Human Resources Development noted: "Canada has a golden opportunity to stake out new market niches for the Canadian defence industry in peacekeeping and environmental technologies". We

can only conclude that the Liberal government is suffering from amnesia today.

On April 19, I asked the Parliamentary Secretary to Minister of Defence whether the contract for building the smart ship would soon be awarded to MIL Davie. He told me it would not happen before 1995. This answer shows this government's lack of concern for the tens of thousands of defence workers whose jobs are threatened. At MIL Davie alone, excluding companies like CAE, Canadian Marconi, Oerlikon, Paramax and many others, nearly 2,800 jobs would be lost. The shipyard would probably have to close for an indeterminate period of time or even permanently. Another 8,000 indirect jobs would vanish in the Quebec City region. So it is very important.

While I have a few minutes left, so you will not feel that MIL Davie and Quebec complain or demand too much, I will quote some figures concerning contracts awarded since 1986 to various shipyards in Canada. The ferry *Smallwood*, \$130 million to MIL Davie; destroyer modernization, \$286 million to MIL Davie but \$1.2 billion to Toronto-based Linton; frigate construction, \$400 million to MIL Davie but \$6.2 billion to Saint John Shipbuilding; defence contract adjustments, only \$263 million to MIL Davie; the Pictou ferry, \$50 million to the Pictou shipyard; minesweepers, \$450 million to Fenco Halifax.

In conclusion, I would like to come back to the press release of March 26. Just before, I would like to say that I did not complete the list, but in all, \$13 billion was invested in the marine sector, of which the MIL Davie shipyard got only \$1.094 billion, or about one thirteenth.

I come back to the press release in which the Leader of the Opposition, who is now the Prime Minister, said this: "Canadians deserve a government that can lead the way, a government that brings new ideas and new strategies, a government that helps them adjust to change. Our defence conversion policy is an example of how a Liberal government would meet the needs of Canadians in years to come".

I have only this to say to this government in conclusion: "Prove to the workers of MIL Davie and the employees of the 649 other defence companies in Quebec that what you said, Mr. Prime Minister, when you were in opposition was not just empty words".

(1545)

**Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso):** Madam Speaker, I would like to address a brief comment to my colleague from Lévis. I know that he is familiar with the employer, MIL Davie, which is located in his riding. As the Minister of Industry and the Minister of Transport have already indicated in this House, the government is perfectly aware of the important role this company plays in the economy of the Quebec City region. The government has also received MIL Davie's

*Supply*

business plan, which has first to be approved by the government of Quebec as principal stockholder.

Why does his party insist on raising this issue today, when the hon. member and his colleagues know the government has the matter well in hand, is working on it, advancing it? The hon. member and his colleagues know full well that we are looking into the problem of industrial technology transfer for the benefit of employers in Quebec and elsewhere in Canada.

**Mr. Dubé:** Mr. Speaker, I thank the hon. member, whom I know well given that he chairs the parliamentary committee on Human Resources, of which I am a member myself, for his question. What is the cause of my concern? Simply the facts. We heard that a business plan was tabled recently. I was not only concerned, I was also disappointed to hear the Minister of Transport mention just recently that he was waiting for a business plan. He even said so in a letter to the City of Lévis, the City Council of Lévis.

Last August, a few weeks before the election was called, MIL Davie officials presented this famous business plan to the present chief of staff of the present Prime Minister, who was a candidate in Quebec City, and to all the Liberal candidates in the Quebec City region. Considering that the Prime Minister's chief of staff already knew about this business plan then, one cannot come and claim eight or ten months later never having heard of this plan.

Like many other people of Lévis who took part in the election campaign and all the workers, I can remember the Prime Minister visiting Lévis days before the election and saying he agreed with the business plan. The fact of the matter is that this plan he had been shown minutes earlier provided for two transition contracts, that is to say the Magdalen Islands ferry and the smart ship, as well as for some infrastructure assistance. All this has been known since last August.

Now, the government was elected a few months ago. It is understandable that it would take until January to settle in, but I will remind the hon. member that, when I rose in my place on January 18 to inquire about the ferry to the minister, his answer was: "Soon". Later we learned that for him, "soon" means two months. If I am not mistaken, two months from January 18, that would bring us to March 18. We are now in May. Two months may not seem like a very long time, but for workers losing their jobs a hundred at a time every week—there were 3,000 of them this time last year, but at this rate there may soon be only 400 or 500 of them remaining; that is 2,500 jobs lost, and it will be 2,800 by the time December comes around—to hear the government answer it is looking into the matter is becoming unacceptable. Hundreds of workers are waiting for an answer.

(1550)

That kind of situation worries me. That is the reason why I wanted, as the member for Lévis, to take part in this debate on the conversion of military industries to civilian production. I rise not only for my own riding, but also because for the whole Quebec City region the MIL Davie shipyard accounts for a total payroll of \$150 million. If you count all indirect jobs created by sub-contracting, it represents for the 10 ridings of the Quebec City region an economic activity of \$600 million.

As you know, that type of venture yields secondary benefits. Therefore it is extremely important. Besides, that issue has been recognized by the Conseil du patronat and by all economic organizations of Quebec as a top priority. The present Liberal government knew that when they were in opposition and during the election campaign. And they still know it today. We are now in the month of May 1994 and no answer has come yet.

Meanwhile, the rumour has it that the contract might be given by tender and that there would be other shipyards, in the region of the hon. member by the way. And there is the smart ship—a concept that belongs to and was developed by the MIL Davie. At the beginning, that original idea was presented in a business plan in private but today it is becoming more and more public. But as months go by nothing happens.

I am not the only one to be worried. The Minister of Industry and Commerce of Quebec, Mr. Tremblay—I guess I can call him by his title since he is not here—is also getting impatient. A few weeks ago, a coalition of all federal and provincial political parties, including the Quebec City members of the federal Liberal Party, supported the position of the MIL Davie. Despite that, there was no answer. This situation is indecent.

I am once more urging the government—and it may be the last time—to respond at last and to stop penalizing the region of Quebec City because it has not voted for the Liberal Party. If that is the reason, it is dangerous. I have warned the government that there will soon be, in a few weeks, in a few months, a provincial election that could have major consequences for the future of this country.

[*English*]

**Mr. Barry Campbell (St. Paul's):** Madam Speaker, I am pleased to participate in this debate. Let me reinforce the comments made earlier today by the Minister of Industry with reference to defence conversion.

The plan recognized that the time had come to help defence industries make the transition from high tech military production to high tech civilian production.

*Supply**[Translation]*

We are determined to reach that objective and we have already accomplished significant progress towards the development of an effective strategy.

*[English]*

Our defence conversion program has three major components: First, defining Canada's defence policy; second, rationalizing the military infrastructure; third, rationalizing the defence industrial base.

Later today in this debate my colleagues will describe the government's policy and program for expediting the first two components of our overall strategy. We will also discuss the nature and direction for defence conversion of the industrial base.

Conversion of defence production can be described as industrial adjustment with an added element of national security. To understand the scale and scope of the challenge which Canada faces one must appreciate the evolution of Canada's aerospace and defence industry.

We have followed a path quite different from that of almost every other nation in the western world. We have long maintained a relatively small domestic military procurement budget. In order to sustain themselves and indeed to grow Canadian defence firms pursue two avenues. The first has been to focus on export markets. The second has been diversification.

As I said the Canadian aerospace and defence industry pursued export markets as suppliers of components for the manufacturers of major military systems such as radar systems to detect low flying aircraft and military flight simulators. Their clients were generally not governments but defence companies world wide. Canadian manufacturers have designed, developed and sold world-class high tech products aimed at buyers of sophisticated, specialized equipment and our industries have produced these special components at competitive prices.

(1555)

By contrast most of the western world's defence firms have relied on large domestic military sales. They have produced entire systems for a closed and essentially less competitive market. They have had little export focus and have sold almost exclusively to their national governments.

In many countries domestic military budgets were cut back severely at the end of the cold war. The shifts in geopolitical power required nations to re-evaluate their defence role.

Suppliers in other countries which focused on a domestic market for major weapon systems found themselves suddenly without a traditional market. Add to this equation the fiscal and

budgetary problems facing all western governments and the result has been what might be described as a double whammy of radically different requirements and a rapidly shrinking market.

The inevitable results: Significant downsizing, rationalization and large layoffs, what we all too readily identify with defence conversion.

*[Translation]*

But here in Canada, defence industries are faced with a very different reality. Most have concentrated on export sales. The size of world markets, as well as the number of world suppliers, are diminishing.

The reduction of military spending at the international level could put out of business some competitors of Canadian companies and thereby create new market opportunities.

*[English]*

Canadian industry reliance on Canadian government procurement is already small by world standards and it is declining. In aerospace for example, 30 years ago defence products comprised 65 per cent of total sales. Today defence sales are less than 30 per cent of sales and projections indicate that by 1997 the percentage will fall to 25 per cent.

These figures indicate that in Canada defence conversion has been going on as a gradual process for almost 30 years.

The sudden and precipitous changes taking place in the United States and Europe in the defence industries will not occur in Canada to the same degree. For example, between 1991 and 1993 in the United States the aerospace and defence sectors lost almost 300,000 jobs. That is 10 per cent of their workforce. In Europe the experience has been similar. Over the same period, 150,000 people have lost their jobs in defence and in aerospace.

In Canada, in marked contrast, we have lost 5,000 jobs in this sector and forecasts indicate they will be regained by 1998.

Our successful Canadian manufacturers aim at small niche markets around the world. The export focus of Canadian manufacturers of subsystems and components has cushioned our industry from the worst of the fallout occurring in the United States and in Europe.

As I stated earlier, the other major factor in our success in avoiding severe contractions has been diversification.

*[Translation]*

A large number of defence industries have developed technology which can be sold for both military and commercial purposes. These companies have gained the necessary skills to successfully manage operations producing both military and commercial products.

*Supply*

The Canadian defence industry is in a good position to make the necessary transition from a high tech military production to a high tech civilian production, as illustrated by the changes which have occurred in recent years.

[*English*]

Canada's defence industry comprises more than 500 firms. The majority of them have already begun the diversification process both in commercial and military production and in domestic and export sales. On average 60 per cent of sales by Canadian defence firms are for the commercial market and only 40 per cent for the defence market. Many of these firms also have strong export sales. More than 80 per cent of all commercial sales are to export markets and 35 per cent of defence sales are abroad.

(1600)

The only notable exceptions are the large shipbuilders in the Atlantic provinces and in Quebec and the munitions manufacturers in Quebec. In recent years they have depended almost entirely on defence production.

In United States, defence conversion has been quite different. The U.S. defence industry has been a domestic market nearly 40 times that of Canada. It produces large scale, fully integrated systems. These include, for example, military aircraft, submarines and sophisticated weapons systems.

[*Translation*]

Until now, a large number of American defence industries have been almost totally dependent on domestic military sales. These industries do not follow the Canadian tradition of either diversifying, being geared to operations, or relying on an important volume of commercial sales.

An American solution to a typically Canadian situation is a highly unlikely solution.

[*English*]

As I mentioned earlier, Canada's solution is threefold: first, a defence policy review which will of necessity take time to complete; second, the rationalization of bases and defence infrastructure, both of which elements will be addressed by the minister of defence; third, the rationalization of Canada's defence industry base, a complex question but one on which progress is being made.

In the Liberal plan for Canada "Creating Opportunity" the government made a commitment to expand the mandate of the defence industry productivity program to assist in the conversion and diversification of the industry.

I am pleased to say that earlier this year the government followed through with a provision in the budget to redesign,

DIPP for 1996-97. This will help industry convert from defence to high technology civilian production. This is the first step in redirecting existing government programs and initiatives. We are also proceeding on other fronts and will be announcing further initiatives soon.

Some elements of the government's support program, however, must await the report of the defence policy review and therefore will not be fully developed for some time.

[*Translation*]

This type of measured response will be problematic if the Canadian context for the conversion of military industries is similar to that of Europe or the United States. As I pointed out, the situation is very different in Canada. Generally speaking, Canadian companies are in the unique position of being much less vulnerable to military world market slowdowns than their foreign competitors.

[*English*]

This is not to say that Canada does not face challenges in expediting a smooth transition. Rather the defence industry and therefore some Canadian workers face a unique situation.

Canadian companies are generally well positioned in international markets. They have strong order books. They have good employment prospects. They have solid, diversified international export markets for both their commercial and defence product lines.

There are some exception to the quite strong positions enjoyed by many companies in Canada. These exceptions include munitions and shipbuilding where a number of specific problems generally beyond the scope of a defence conversion program continue to cause concern. We will address these problems through a combination of defence conversion programs and other programs that can help provide solutions.

I have outlined the unique challenge facing us in the matter of conversion of defence industries. In some, while the defence conversion problem in Canada is similar in scope to that in other parts of the western world, it is not by any means of the same scale.

Sales and employment prospects vary by company: some positive, some neutral, sadly some negative. Specific problems affecting a particular firm require specific solutions. We do not need to embark on sweeping programs offering sweeping and expensive solutions. Programs that are carefully targeted require careful preparation.

Targeted programs take time to develop but in my view are the most effective in the medium term. It would be naive to assume that the defence conversion problem in Canada can be solved overnight.

*Supply**[Translation]*

The solution which the government is in the process of developing will be responsive to market forces, fiscally responsible, properly directed and effective.

(1605)

*[English]*

As specific elements of the program take shape in the near future, the government will be providing information on the scope of its provisions.

The member who brought forth the motion also brought to the attention of the House a most important question. As I pointed out, companies in the Canadian defence industry have long diversified their products and their markets. They have been carrying out, some of them for as long as 30 years, what the defence industry in other countries is just beginning to try, that is to produce other products and to market in other markets.

*[Translation]*

The government is determined to continue on the path to success with policies and programs which meet the needs of all the Canadians who are part of the industry.

*[English]*

Those companies in sectors where the challenges have been more demanding and more difficult are to receive the attention and assistance of this government which understands the problems and intends to contribute to the solutions.

**Mr. Darrel Stinson (Okanagan—Shuswap):** Madam Speaker, I rise today to oppose the motion put forward by the Bloc. However I want to say at the start that I am personally concerned for the jobs of some 137,915 persons who the 1986 census showed were employed by the defence services sector. Their employment is threatened by the Liberal strategy of slashing defence spending before it has completed a full study of Canada's defence needs.

The Reform Party caucus believes that announced cuts of \$7 billion to the Department of National Defence over the next five years prejudged and pre-empted the outcome of the defence review and should not have been made until Parliament, together with the Canadian people, had determined the mission of the Canadian Armed Forces for the 21st century.

Once the mission is determined we can make careful and well planned decisions on the military's main functions and organizational structure and on Canada's long term needs for hardware, bases and personnel.

The cuts announced by the government are already having impact on the defence industry. As I have said I strongly object to the government's action of cutting defence first and asking questions later.

I strongly oppose any suggestion that the government should fund the changeover of defence companies to civilian production. I oppose using Canadian tax dollars for this purpose for several reasons, not least of which is that half these firms are foreign owned.

I would also oppose using Canadian tax dollars for this purpose because as a Reformer I do not think on general principle we achieve anything good by providing grants to private industry. On the contrary, it goes against the grain that taxpayers should on the one hand be trying to operate their own companies while on the other hand competing with a company their own tax dollars may be propping up.

For instance, over recent years it has been a tactic of the old line political parties to spend some \$160 million per year through the defence industry productivity program, which is almost like a regional development program, to dole out tax dollars to the military industry concentrated mainly in southern Ontario and southern Quebec. Such grants should be quickly phased out.

To understand this particular motion we must first define what we are talking about when we discuss Canada's defence industry. I note that figures being quoted in the House today have varied greatly so it is hard to know whose figures are correct.

Despite the discrepancy in figures we need to try to get to a general understanding of what the defence industry produces and how it compares on the world scale. In analysing world-wide arms production, nations are generally divided into three tiers or levels of production. The first includes nations like the U.S., which basically produces and sells anything it or its allies need. The first tier accounts for some 60 per cent of the arms transferred in the past decade.

Canada is in tier two with such countries as France, Italy and Spain, which together account for some 25 per cent of annual global arms exports. These countries do not have a big enough home market to benefit from economies of scale and must depend on exports to be competitive. Canada exports in large measure to the United States with which we jointly produce many weapons.

(1610)

There is a third tier of wild card arms producers like China, India and Israel that can produce large amounts of less sophisticated, functional but cheap weapons on short notice. Among global arms producers Canada ranks about eighth, producing some \$3 billion worth of military goods per year or about one per cent of the world total. Regarding more conventional weapons, according to the Stockholm International Peace Research Institute and for the period 1986 to 1990, Canada was the 14th largest exporter of major conventional weapons in the world.

Concentrated in southern Ontario and Quebec, the Canadian defence industry involves about 1,000 companies with special experience in what is called the new knowledge based industry, specifically aerospace electronics and communications.

Robert Gillespie, former assistant deputy minister in the Department of National Defence, gave the following description of the defence industry:

Our industry is composed of only a few large companies with sales in excess of \$100 million per year. The vast majority of firms are in fact quite small and very few of those produce purely military products. The industry is over 50 per cent foreign owned with U.S. companies dominating the group and is very heavily dependent on the export market.

There has been great fluctuation in Canadian military exports over the period 1959 to 1991. For example, 1974 and 1975 were low years, each at \$280 million. In 1985 the industry hit its recent peak at \$1.9 billion in exports, with a similar amount in 1991 during the gulf war build-up and actual combat.

Research was based on three factors: first, public domain listings of unclassified prime military contracts awarded by the Department of National Defence; second, military export contracts arranged by the Canadian Commercial Corporation on behalf of foreign governments, primarily the United States; third, Pentagon contracts placed directly with Canadian companies, together totalling about 80 per cent of all Canadian military production.

According to research covering those three factors the top six Canadian military prime contractors are: SNC Industrial Technologies Incorporated and Bombardier, both of Montreal; Computing Devices Company of Ottawa; Standard Aero Limited of Winnipeg; Allied Signal Aerospace of Rexdale, Ontario; and Bristol Aerospace of Winnipeg. All six companies had total value reported prime contracts during fiscal year 1990-91 in excess of \$100 million. For three of the six, their estimated or reported military sales were less than half of total sales.

Of the top 20 Canadian military prime contractors, accounting for some 60 per cent of reported military prime contracts in Canada, according to the same three factors which I listed earlier, 11 companies of the top 20 had estimated or reported military sales of less than half of total sales. Incidentally eight of those top 20 companies are located in Quebec. I believe we can see the source of the Bloc's concern with this issue.

What kinds of things do these companies produce? Although Canada does rank 14th in world-wide production of conventional weapons, the Library of Parliament has provided me with a list of some 180 companies engaged in producing defence electronics and avionics. These folks produce a whole lot of things that most people cannot even pronounce, let alone manufacture. Many of them are part of the new knowledge

### *Supply*

based economy, their employers being well educated, not to say out and out brilliant.

Because of the brilliance of these people and the highly specialized nature of what they produce, I seriously doubt that a notoriously inefficient federal government could do anything really helpful for these industries and would only end up throwing tax dollars at them, an approach which I strongly oppose.

(1615)

Moreover, as I have shown, a large number of defence industry companies have less than 50 per cent of their production going into military purposes. Hopefully they can convert a greater percentage of their operations to non-military purposes. Because of the talents of the employees of these particular high tech companies, it would be a great loss to Canada if the employers were to shut down and the employees moved to the United States. Remember, we are talking about an industry that is already half foreign owned.

However, I am certain the sales and marketing offices of the bigger companies and probably the presidents of the smaller companies have long since smelled the coffee in so far as the end of the cold war is concerned. Certainly they have been hard at work tracing and developing new markets which could increase their non-military sales.

Even the average man or woman on the street is well aware of the remarkable growth in the knowledge based industry for such things as fax machines, personal computers and the transportation industry. Given the great land mass of Canada, we truly have become a world leader in communications, a technology needed all over the world for everything from moving information, people and goods to distributing TV signals or predicting the weather. I have great faith that Canada's technological leadership in this sector of the world economy cannot only be maintained but will grow steadily.

In conclusion it is high time for the government to smarten up its own overall defence planning. I also believe one of the worst things any of us could do to a given industry would be to encourage the government to increase its involvement and further upset the functioning of a free market economy.

**Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso):** Madam Speaker, I listened with some interest to the remarks on this motion by the hon. member for Okanagan—Shuswap.

I found it somewhat strange that he would mention a concern on behalf of his party for the defence cuts which the government introduced in the budget. At the same time as saying that these cuts were premature he argued that we should not support the conversion of our defence industry to civilian purposes and to help in the redirection of that technology into areas of greater demand.



*Supply*

Perhaps the member could elaborate on what seems to be a paradoxical position from his party's perspective. Why is he opposing cuts? Is that not what his party has been calling for? Why is he opposing economies which have been made with great difficulty and after much soul searching by this government? What other cuts is he proposing in order to keep the defence budget higher than this government has recommended?

**Mr. Stinson:** Madam Speaker, we have always stated that there have to be cuts in military spending, but we have also stated that the studies should be done before and not after the cuts. It is rather foolish to make the cuts and then say they have to put them back in place again. The studies should be done before the cuts are made. That is what we are saying on that level.

As far as subsidizing an industry that was subsidized coming in is concerned, remember this industry was subsidized coming in and now government wants to subsidize it going out.

If the government is looking at subsidization levels what becomes more important here? Private enterprise tries to compete. It pays taxes but those tax dollars are being used in many cases to form a company that it has to compete against. It is pretty tough when a company is not being subsidized to compete against a subsidized company. They do not have the same worries, many times not even the same responsibilities.

(1620)

I would like to raise another fact when talking about subsidization. We have to have priorities. Can anyone in this House answer this question: Why are we subsidizing companies in direct competition with companies in private enterprise when we are shutting down hospitals? This absolutely makes no sense to me, nor to anybody else in the House, but I am willing to listen.

**Mr. John Harvard (Winnipeg St. James):** Madam Speaker, I am very pleased to take part in this debate because major aerospace firms and Canadian Forces Base Winnipeg are located in my riding of Winnipeg St. James.

In the red book this government identified the world-wide restructuring of the defence industry as a major issue for maintaining high technology jobs in Canada.

In speaking to the government's commitment to defence conversion, I must first be clear that it is not a passing fancy or for that matter a platform for simplistic grandstanding. The global market for the defence industry is already in the process of restructuring. This government will encourage a sound and structured response that will hold up for the long run, that will meet the needs of industry and the highly skilled workers in that industry.

The need to change is being driven by global markets for Canada's defence industry is particularly vulnerable to change. This cannot be otherwise when 50 per cent of the Canadian defence industry is foreign owned, mostly by U.S. companies. That has already been pointed out in this debate. The majority of Canadian defence firms supply subsystems and components and carry out subcontracted manufacturing for prime U.S. contractors. Indeed, most Canadian exports go to the United States.

The global giants, the American prime contractors, have been rationalizing their organizations and just as important for Canadian suppliers, their manufacturing processes. They are starting to drive this process down their supply chain, down to the suppliers of subsystems and components where Canada has developed its edge.

Furthermore the giants are diversifying into commercially advanced technology markets, squeezing our smaller and more diversified companies. The aerospace and advanced electronics industries in Canada could be vulnerable and they must be ready to adapt. This government is preparing to assist positively and in concert with industry.

I can assure members of this House and in particular the member for Nanaimo—Cowichan who suggested this morning that the government should talk to the industry leaders in the west that this government has been doing just that.

On March 3 of this year the hon. Minister of Western Economic Diversification, the parliamentary secretary for finance and I all met with the chief executive officers of 10 leading western aerospace and defence companies. We discussed the sector's views on defence conversion in the context of science and technology policy and the new long term space plan.

This broad focus is part of the western economic diversification's new direction to work with industry and the provinces through strategic initiatives, that is to deal with structural economic issues at their root and on a co-operative basis rather than treating the symptoms as they appear in individual companies.

The March meeting was the first of what will be a series of meetings on the subject and which will include an expanded list of companies right across the west. The next meeting will be later this spring at which time the private sector will present a broad strategy along with recommendations for specific activities required to facilitate defence conversion in western Canada.

We are listening to the leaders of industry and working closely with them as part of a broad concern for the health of the aerospace and electronics industries in the west. For instance we are fully sensitive to the immediate impact that can be felt from the defence cuts. We have worked closely with industry to ensure a smooth transition to new requirements.

(1625)

This has been done with specific companies such as Bristol Aerospace which is located in my riding. We have also worked with Bristol and other companies in the west to help as they pursue opportunities in international markets.

All of this is part of the national issue of restructuring the Canadian defence industry. It is done to safeguard the positive contributions the industry has made and continues to make to Canada's economic well-being, while building something viable and sustainable for the long term future without side-swiping in the process the advanced technology companies that have already diversified and have already taken action for the future.

The blueprint for defence conversion contained in the red book sets out a program to pursue strategic and fiscally sound alternatives for high tech job creation. The program is to focus on alternative military requirements, dual use products and sustaining research and development.

Two major objectives were set, namely conversion of military bases to alternative uses, and economic conversion and diversification of the defence industry toward alternative military and civilian goods, including the development of peacekeeping technologies.

This government has already started down the defence conversion road. Those base closures that were long overdue have been announced as part of the recent budget. An example of the concrete conversion action being taken as a result of the base closures is the activity surrounding Defence Research Establishment Pacific in Victoria, sometimes referred to as DREP.

Defence Research Establishment Pacific is to close on March 31, 1995 as part of the reduction of defence infrastructure. However, there is tremendous potential here to build upon the critical mass of ocean industry and science which is resident in Victoria and centred at DREP.

For example, there are many companies both large, such as MacDonald Dettwiler and Associates, and small, such as Barrodale Computing with just 10 employees, which have transformed the science contracts they have undertaken with DREP in the past into major commercial opportunities.

To maintain this flow from research into a commercial business, western economic diversification in the next few days will commission a study of the opportunities open to the ocean industry based upon the critical mass existing in both the private and public sectors in Victoria. Science does exist at Defence Research Establishment Pacific. Highly competitive, high technology companies, world-class firms are already in place.

### *Supply*

The Department of National Defence wishes to see the technology transferred to industry and the academic community, such as the University of Victoria, and is anxious to build further momentum. What better ingredients could be found for converting a defence establishment into a sound commercial enterprise than this one which is focused upon a growing, vital ocean industry?

Our defence conversion blueprint also set out the objective of diversification toward alternative military and civilian goods. This too is already getting under way with a number of alternate use concepts being actively examined by industry itself and government. This goes beyond program and policy responses on a broad sectoral front to the specific activities of individual companies which are right now pursuing the opportunities that are presenting themselves.

An example of government support to a winning defence conversion strategy is EDO Canada Ltd. of Calgary. This company has been manufacturing fuel tanks for the CF-18 fighter jets using composite materials.

In January of this year it won its first major commercial contract by which it will supply lightweight natural gas fuel tanks for General Motors 1994 Chevrolet Caprice and Corsica models. This contract will be worth \$2.5 million to \$5 million annually. To quote company president Doug Moore from a Calgary *Herald* article of January 12, 1994: "The contract is the result of the commercialization of our aerospace technology". It is also the result of this government's application of the industrial and regional benefits policy to defence conversion.

(1630)

General Motors as part of its contractual commitment to the federal government for the sale of light armoured vehicles has agreed to undertake millions of dollars of industrial benefits in Canada.

The agreement of the government to allow IRB credit for GM or to GM for the EDO sale helped to cement for EDO a strategic alliance that it had been working on for some time. This is part of an ongoing government program with continuing discussions which could lead to a similar kind of contract for another growing western high technology manufacturer. Again IRB credits from the light armoured vehicle purchase could be an incentive to solidify the deal.

I want to conclude by saying that this government knows what defence conversion does not mean. It is not moving defence companies into mature commercial markets. It is not intended to be done in isolation from other economic activity and it cannot happen instantly. It most certainly cannot mean wiping out the existing defence industrial base.

*Supply*

I have described what defence conversion is or is not. This government has an equally clear understanding of what it should be and can be with a carefully planned program. Defence conversion can help defence dependent companies reduce their dependency on limited products and customers. It can be a co-operative effort between industry, labour and government to foster strategic alliances for pursuing international markets.

It can be an opportunity to work with our counterparts in the U.S. especially in fostering the development of dual use technologies. I assure members that it will broaden the industrial base for overall economic growth.

[*Translation*]

**Mr. Eugène Bellemare (Carleton—Gloucester):** Madam Speaker, the Bloc Québécois has introduced a motion saying:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of defence industries to civilian production, which would save and create new jobs in high-technology sectors.

I congratulate the hon. members from the Bloc Québécois for thinking about jobs. I hope they will raise, in Canada and in Quebec, concern for Canadian jobs. When I refer to Canada and Canadians, I mean all provinces, including Quebec. Their objective of separation is certainly not the ideal recipe for job creation. We need to belong to a strong community, a strong family, large and co-operative enough to develop its own industries.

We were informed today of the policies and programs which would guarantee the success of the conversion of defence equipment manufacturers into companies active on international markets. However, it is not simply a question of policies and programs. The main factors are the entrepreneurial spirit, the measures taken and the results achieved.

There are many examples of success. One of them is Securiplex Technologies of Montreal. This is the story of a successful conversion by a company which was well-known for its defence equipment. Recently, they had the good fortune of getting a \$26 million contract from Bombardier BN, in Bruges, Belgium, for the production of a control system.

This system will electronically detect and extinguish fires in the 254 shuttle-cars that will be used in the Chunnel.

It is based on the system designed by Securiplex for damage control on warships and presently installed on 12 new Canadian frigates and ships of the British Royal Navy.

This system uses microprocessors to monitor and control the sensors and fire-extinction devices, as well as other security systems. It was developed under a procurement contract negotiated with the Government of Canada through the Defence Industry Productivity Program.

(1635)

Since the completion of this project, and with the help of Industry Canada, Securiplex marketing has been targeting commercial companies. This firm is actively pursuing the industrial security market, especially in North America, Europe and the Middle East.

Among its achievements are the contracts it won to supply sophisticated fire detection and extinction systems for the headquarters of the European Economic Community in Brussels, the Alba power plant in Bahrain, in the Middle East, and the Hibernia drilling platform off Newfoundland.

ATS is a rather impressive example. It was created on the Montreal South shore in 1979. Originally, it was a small company specialised in ammunition testing. Aware of the limitations of this activity, it sought to put its considerable expertise to good use by creating software for new markets.

Today, this company has nearly entirely changed its field of activity. Its future lies now in completely new opportunities it created, namely air control tower and room simulators. Training air controllers is of the utmost importance, and yet nothing has been done to update training methods.

Presently, ATS is executing major contracts awarded by international customers. DIPP played a crucial role in the development of this firm's technological capacity. ATS was awarded its last contract in January 1992, and since then it has not asked for another loan.

The common denominator to these success stories is the fact that these manufacturers of defence equipment were able to adapt to the new reality and meet the demand of a new market. It is also our government's commitment to help these industries diversify. The pessimistic outlook of some concerning the future of our aerospace and defence industries does not reflect reality. As a whole, the news regarding defence industries is rather good.

For example, many members know that one of the leading Canadian aerospace and defence electronics firms is CAE Electronics Limited of Montreal. This company is a world-class operation in every respect. It is the main supplier of commercial aircraft flight simulators and records important sales to similar defence markets.

CAE Electronics employs more than 3,000 people, with scientists, engineers and technicians accounting for half of the workforce. Annual sales of nearly \$350 million are made by the Montreal offices and the figure is expected to increase next year. The company has been experiencing tremendous growth and expansion for the past three decades. Annual sales now in excess of one billion derive primarily from exports.

*Supply*

The company is now busy expanding its facilities in order to welcome clients from around the world who will attend courses focusing on some of the most advanced technologies in the world, from aircrafts to ships. Several years ago, CAE Electronics acquired a major U.S. competitor called Link. This company is now truly world class with a diverse client base. Nevertheless, it continues to manage the electronics side of the business from its offices in Montreal.

However, CAE Electronics still needs the support of the government. This is especially true in the case of the project which it is carrying out with the American National Aerospace Administration and which involves exploring the application of virtual reality in the cockpit. Without the support of the Defence Industry Productivity Program, projects like this which are vitally important to the future of CAE Electronics would be impossible to carry out.

(1640)

That is why the federal government has indicated in the red book it was determined to maintain this important program. CAE also takes an active part in other defence conversion projects, some of which in sectors far removed from traditional defence activities. It is currently involved in a marketing project for an artificial heart designed at the Heart Institute in Ottawa.

However, CAE still considers defence as an important part of the corporate strategy in its business plans. Defence contracts do account for the best part of its commercial activity and offer unique opportunities to explore the limits of technology applied to training and simulation.

The federal government plans on continuing its partnership with CAE as well as with a number of other innovative, creative and flourishing companies. The Canadian taxpayers' investments in companies such as this one have never been more important. CAE and the Montreal area can expect to prosper thanks to these investments. CAE has undertaken to design, develop and market new products and new services to meet the needs of the population in the 21st century.

There are many more success stories in the defence industry, stories of companies that have expanded their lines of activity and prospered by identifying a need and meeting it commercially.

Defence conversion is nothing new for many Canadian companies, and their success is envied by their competitors.

*[English]*

**The Acting Speaker (Mrs. Maheu):** It is my duty pursuant to Standing Order 38 to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Manicouagan, Labour Relations; the hon.

member for Rosedale, Rwanda; the hon. member for Laurentides, Anti-flu Vaccines; the hon. member for Lévis, the Olympic Games of 2002.

*[Translation]*

**Mr. Jean H. Leroux (Shefford):** Madam Speaker, it is always for me an honour, a pleasure and a privilege to speak in this House on behalf of the people of Shefford who elected me.

As you know, Madam Speaker, my region of Granby has been hit hard by the unemployment problem plaguing the country. In this speech, I want to express my support for the defence industry conversion program. I strongly support the motion of my colleague from Hochelaga—Maisonneuve, which condemns the government for its inaction in this vital sector with the potential to create high-tech jobs.

How can the government sit on its hands on such an important issue after making firm commitments in this regard in the last election campaign? As you know and since they talk about it all the time, these commitments can be found in the Liberal Party's red book and in a March 26, 1993 press release.

What is now left of these moral commitments? To impress upon the government the meaning of the words "active", "alert" and "enterprising", I will quote the motion of my colleague from Hochelaga—Maisonneuve:

That this House condemn the government for its unacceptable delays in developing and implementing a genuine strategy for the conversion of defence industries to civilian production, which would save and create new jobs in high-technology sectors.

(1645)

I think this motion clearly expresses the goal we want to achieve, namely to convert defence industries to civilian production and create high-tech jobs. In the light of this information, I remind the government that it must honour its commitments and quickly develop a genuine strategy for the conversion of defence industries.

The main reason underlying my position is that, with the collapse of the Soviet Union and the end of the cold war, spending on defence industries is no longer based on the initial strategic foundation. Thus, as a member of the Joint Committee on Defence, I still maintain that the amount spent on military defence is quite high and we need a moratorium to stop the waste of public funds. However, in making cuts in military spending, we must act fairly to the provinces and the various components of the defence industry.

Although the EH-101 helicopter project promised economic benefits for Quebec, we in the Bloc Québécois were opposed to this program, but we insisted on the need to ensure economic and industrial benefits for Quebec through a project like the high-speed train, and these benefits are not yet forthcoming.

*Supply*

In fact, the government is dragging its feet on several issues that are important for economic recovery. They often quote the red book but they do very, very little. Nevertheless, the companies that were penalized when this helicopter contract was cancelled urgently need government support to convert their defence activities. Since the new world order began, military industries have had a rough time, as everyone here will agree.

The arms production market, estimated at over \$450 billion worldwide, has dropped significantly since 1987, by almost 10 per cent. International experts say that it could drop another 25 per cent in the next few years. The main exporting countries, including Canada, are thus directly affected by this problem.

As you probably know, Canada exports about 70 per cent of its production to international markets, of which 80 per cent goes to the United States. Under Canada-U.S. agreements, we are thus tied to this market. Since the late 1980s, the U.S. defence budget has steadily declined. What will the impact be on our local industries?

In this specific sector, the most conservative estimates are that more than 1.6 million jobs will be lost throughout the world by the year 2000. That is a lot. This prognosis is hardly promising for Canada's military industry. In Quebec alone, more than 650 companies of all sizes work directly or indirectly in military production.

In Quebec, the most dynamic sectors are communication electronics, aerospace, shipbuilding and munitions. More than 11,000 jobs in Quebec's military industry have been lost since 1987. The impact is considerable.

(1650)

Here are some specific examples of layoffs between 1990 and 1994 in Quebec companies that produced weapons or components: Marconi, 1,480 layoffs; MIL Davie, 2,740 layoffs since 1990; Oerlikon, 410 layoffs; Paramax, 1,000 layoffs; Pratt & Whitney, 200 layoffs; Triplex, 200 layoffs; Vickers, 350 layoffs; and there are others. This is scary! It is unbelievable! Just compiling these figures is an exacting process. Between 1990 and 1994, no less than 7,391 jobs have disappeared in those Quebec companies which are formally identified as producing systems or subsystems for military use.

These figures, which merely represent the tip of the iceberg, confirm the dramatic drop in military production for Quebec alone. You can imagine what the figures are for all of Canada.

This illustrates why the need to convert military industries is so urgent and vital for the survival of our manufacturing and high tech industries.

We must act quickly to ensure the conversion of defence industries to civilian production. The elected government has a fundamental role to play in this sector of the economy. So far, federal government support to our defence industry has essen-

tially taken the form of procurement contracts and direct assistance to industries.

This support is mainly given through the Defence Industry Productivity Program, or DIPP. It seems that it is through this program that support for the conversion of defence industries will come.

The program aims at helping military industries remain competitive on international and Canadian markets. Considering the collapse of world and domestic markets for military equipment, a thorough review of the program is a logical and necessary step.

The most appropriate solution to help our defence industries is undoubtedly the implementation of a conversion program funded with DIPP's budget.

In fact, the House of Commons Sub-committee on Arms Export asked, in its recommendation 18, that the DIPP be extended so as to include assistance for conversion and diversification. The Liberal members who sat on that sub-committee signed the report, thus confirming their party's position when they formed the opposition. Is it possible that such a change could occur when you change sides in this House? This is incredible! It is unacceptable!

Considering that stand from the Liberals, and given the need to implement a conversion program to help defence industries, it is important that the DIPP plays an accessory role in this transition from military to civilian production.

While ideas seemed to have been developing for some time, and while consultations seemed to support a quick transformation of this program into a conversion program, it now seems that the Liberal Party is hesitant to launch such a support program. The Liberals are now undecided. What happened to them since they took office? It is hard to tell. What happened to those nice promises made on every platform by the Liberals during the election campaign?

Even the leader of the Liberal Party, the current Prime Minister, tried to outmatch everyone else in a press release dated March 26, 1993, where he said: "Canadians deserve a government which can show them the way, come up with new ideas and new strategies, and help them to adapt to change. Our defence conversion policy is a good example of how a Liberal government", as he put it, "would meet the needs of Canadians during the 1990s."

(1655)

Unfortunately, I must say that all these promises went unheeded, so much so that, in his budget, the Minister of Finance kept quiet about all the new programs the Liberals had promised.

If the government does not develop a defence conversion policy for the years to come, Quebec and the rest of Canada stand to lose tens of thousands of jobs in technological in-

dustries. Our capacity to create jobs will keep eroding, and the government is very much aware of the situation.

Recently, when questioned by my colleague, the hon. member for Hochelaga—Maisonneuve, the Minister of Industry was rather smug and cynical. He said that the federal government already has all the tools needed to promote conversion and that the existing programs were enough to help them fill their mandate. Is this the new tactic the Liberals are going to use?

The Minister of Industry probably confused the support provided to military production within the DIPP program with a conversion program that the government has yet to develop.

The Minister of Industry should, as soon as possible, review the existing programs. He would notice a difference between what he thinks is out there and the conversion program we are proposing.

By the way, I urge my colleagues opposite to read the statement released, on March 26, 1993, by the office of the then leader of the opposition, now the Prime Minister of Canada.

With the help of the current Minister of Human Resources Development and others, they came up with these proposals, while they were sitting in the opposition. People say life is easier when you are in the opposition, but still, if you are serious, when you are in office you try to do what you said you would do. At the time, the government promised Canadians jobs and now all it is talking about is the deficit. It was the Conservatives who talked about the deficit during the election campaign, not the Liberals. The Liberals promised us jobs. What happened?

The Liberal government has fallen into the trap. Caught without any conversion policy, the government must, once again, trust the market forces. Can you imagine? They keep telling us: "Wait and see. Wait and see." That is exactly what we are doing. We are waiting.

For its part, the Bloc Québécois firmly believes that the government must take initiatives that can provide jobs for our fellow citizens.

A plan to encourage manufacturers of military equipment to move away from this type of production and export and onto other fields. A well-defined strategy is the key to success for the conversion of high-technology defence industries to civilian production.

Defence industries are a pillar of the high-technology, research and development sector, and our competitiveness and our future depend in part on high technology. That is very important.

A strong industrial fabric is essential to economic prosperity and job creation. High technology offers high-paying jobs and,

### *Supply*

furthermore, it uses our natural resources as well as products and services from our enterprises.

I want to enunciate the three main recommendations of the strategy we advocate. First, the government should create a conversion fund as part of its comprehensive industrial conversion strategy.

(1700)

The main mission of this fund would be to improve and add to the assistance provided within existing programs, with the objective of ensuring defence facilities and businesses an adequate and long-term support in their conversion and diversification undertakings.

Second, the government will have to create conversion advisory committees at local and regional levels. Finally, the government will have to form an independent committee to examine the different existing programs that could be used.

Needless to say that this strategy must be aimed first and foremost at completely reforming the DIPP.

The federal government must assume a part of the responsibilities. When you are elected, you must assume responsibility for these businesses' dependency towards arms production.

My intervention today indicates well that we will continue our representations, and I hope that the federal government will respond as soon as possible to the legitimate expectations of businesses from Quebec and Canada.

**Mrs. Eleni Bakopanos (Saint-Denis):** Madam Speaker, I am very pleased to know that the member opposite has read our red book and is now aware of this government's priority which is job creation.

It is what we have been trying to achieve over the last six months, since we came to power. I think we have been quite successful.

Not to mention all the programs we have created, the infrastructure program has been implemented to help the small and medium-sized businesses that need our support.

I also want to stress that the Minister of National Defence has stated that the whole defence policy is now under review, including the industries that need to diversify their activities and produce other goods than nuclear equipment. We all agree that Canadians do not want any more production in that area.

The member mentioned that between 1990 and 1994 there has been a great number of layoffs. Why have we been elected? Because the previous government did not have a job creation program. Nor did it have a Canadian vision for this country. There has been a problem in the area of job creation. We have been elected on that platform. Job creation is in the red book.

*Supply*

As far as Quebec is concerned, as a member coming from that province I can say that on this side of the House we are not concerned only with Quebec but with all of Canada and the unity of this country. If members opposite want to help job creation, they have to help us first with the programs aimed at creating jobs all over Canada and stop talking only about the Constitution or splitting up this country.

We have not changed our minds even if we are not sitting on the same side of the House. We are true federalists. Job creation has always been one of our priorities.

Could the member tell me why the current program does not meet the needs of businesses in Quebec or elsewhere in Canada?

**Mr. Jean H. Leroux (Shefford):** Madam Speaker, I would like to thank my colleague for her statement which seems very honest.

Let me deal first with the infrastructure program. It is true that program was implemented by the new government and it is an excellent program. You all know that what we need now in Canada is job creation.

That program will create jobs, but there are conditions.

(1705)

First, there are small municipalities, in my riding and elsewhere, which cannot respect all of the program's requirements and have problems obtaining a program because of that.

Second, the infrastructure program will not develop high technology for the future of Canada and Quebec; let me say I am happy to mention the two together because the Bloc Québécois is a sovereigntist party, yes it does want sovereignty, but not a brutal and independent one. We wish to maintain relations with the rest of Canada. Since you are also from Quebec, my province, Madam Speaker, you know there will always be close relationships between Quebec and the rest of Canada.

However, Quebec is different. Everybody knows it. We hear it all the time. Just listen to the people sitting next to us, that is what they say. We are different. The day it will be accepted as a fact, everything will be easier. There is one important thing for the government, for the party in office. The Liberals are in office now, so they are able to consult the most intelligent and most competent persons in Canada and in Quebec and ask them what to do. If the government does not know what to do, it holds the necessary authority to at least do that.

I think the problem with our government is that it consulted a lot without presenting us with a legislative agenda equal to our expectations. As for the DIPP, all I can say is that we are experiencing delays. It is not functioning. Funds are frozen. We have the funds; now we should invest them the right way.

I think if the government is serious, it must consider the motion of the Bloc Québécois and act upon it.

**Mr. Eugène Bellemare (Carleton—Gloucester):** Madam Speaker, I find it amusing to see the hon. member for Shefford panic and think that things are going from bad to worse in Quebec. That would be true if the sovereigntist government were to go off to sulk in a corner and to do as it pleased. The hon. member did not do his homework. When he did his research, he forgot to read the budget. If he had done so, he would know that the Liberal government will broaden the DIPP criteria to include more industries.

I would like to remind him what Paul D. Manson, a former Canadian Forces Chief of Staff and now the president of Paramax, said about his company: "Nearly two years ago, we created a task force to explore business opportunities in the civilian sector. We identified four or five very promising areas. Our parent company also extended its support and increased our budget for research and development. We answered some calls for tenders and, before the end of the year, we should have good contracts."

The hon. member, who is a sovereigntist and a separatist, should be trying to create a Canadian industrial family, instead of sulking and trying to leave us. He should be doing something constructive and positive, such as creating interactive jobs throughout Canada.

**Mr. Leroux (Shefford):** Madam Speaker, I listened to the remarks of my colleague and I found them quite cynical. I think both sides of the House will agree that this hon. member's attitude was rather carefree in the past. Contrary to the hon. member, I think that the best that can happen is for Quebec to finally opt for self-determination.

(1710)

On the other hand, you can quote all the letters from all the company presidents in the world, this will not change the fact that 11,000 jobs were lost in Quebec. Each and every person who was laid off did not necessarily write a letter, but the fact remains that 11,000 jobs were lost. What we want is for the government which was elected to create jobs to roll up its sleeves and finally get things going for the benefit of our country.

**Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso):** Madam Speaker, I am pleased to take part in this debate today, for a few minutes, and particularly so as a member of the government party.

Since the election, last October, the Liberal government has taken to heart the commitments in our red book, the commitments that had been presented to Canadians after much reflection and debate within our political party.

*Supply*

For this government, jobs are the priority. Since its very first day in office, the new government began to keep its promises and implement policy initiatives designed to create jobs, to revive the economy, to spur economic growth, all things that Canadians had been deprived of during the last years of the Conservative government.

The February 24 budget we presented to the Canadian public was a continuation of the initiatives the government had begun to put implement. There was the infrastructure program that will create jobs directly, renew the infrastructure across Canada and kick-start the much needed economic growth. In the last budget, the government put the emphasis on small and medium-sized businesses as the engine of the economy, with several initiatives designed to sustain them across Canada, so that they can create jobs.

We also put the emphasis on the electronic and high tech sectors, which in our opinion are other engines of the Canadian economy. We have started to examine several areas of government policy and activity through in-depth reviews of foreign policy, defence and social security, a field I am involved in as chairman of a House committee.

We have taken measures to build up the confidence of Canadians in political and governmental institutions. Canadians have responded, as can be seen in the polls and in the decreased contempt they feel for politicians and the government. These measures have been taken under the guidance of a Prime Minister who is a man of experience, who feels a strong and sincere passion for Canada and the future of Canada, and who sees how this country can become one of the guiding lights of the 21st century.

(1715)

Quebecers have benefitted from federal programs and initiatives. The recent budget included measures to promote job creation in Quebec. That province was largely spared when severe cuts were made in Atlantic Canada, for whom defence spending is very important. It is not easy for those provinces.

The federal government took part in many joint programs with the Quebec government and Quebec firms to create jobs, particularly in the defence and high technology industries in Montreal, Quebec City and elsewhere.

It seems strange that the official opposition, which wants to take Quebec out of Canada, should always be saying, through this motion and its remarks today, that the federal government does not give enough money to Quebec and does not give enough contracts to Quebec firms. This is ironic and even inconsistent for a party dedicated to Quebec separation.

When the official opposition talks that way, it should think about the benefits for Quebecers of the presence of Quebec in

the Canadian federation, and it should try to co-operate with the government in order to create jobs that will keep the economy going. It should strive to build a better Canada instead of breaking up this great country.

**Mr. Antoine Dubé (Lévis):** Madam Speaker, the member for Cape Breton Highlands—Canso, whom I know well since he is chairman of the human resources committee, of which I am a member, today criticizes the role of the Official Opposition and links it to sovereignty. Before doing that, however, he talked about a few things, and I would like to refresh his memory on certain facts. He said that Quebec was spared by the Budget in terms of cuts.

I would like to ask him, after the many demonstrations made not only by the Official Opposition, but the Government of Quebec as well, if he really believes that the federal government spared Quebec when it closed the Collège militaire royal in Saint-Jean, the only francophone military college.

I will not restart the debate held earlier, but I am still anxiously waiting for the government to take action in the MIL Davie case. There was no response, as we said a little earlier. I do not want to restart the debate, but we had no answer whatever on this subject.

As for the helicopters, the government speedily cancelled the contracts that the Conservatives had made. However, unlike Bill C-22 on Toronto's Pearson Airport, which we are now discussing, there was no compensation.

Formerly, when the federal government withdrew from certain projects, it created a regional development fund, as in the case of Laprade. But in this case, there was nothing of the sort. Yet, the jobs on the line were very high-tech ones.

In this respect, you know, the member should share his concerns with us because his region is having problems with unemployment and fishing. He should himself be worried about the situation. I understand that this afternoon, he is on the other side, he is a member of the government, he does not dare to express his concerns. According to what I heard, I do not think a lot of progress was made in his province, Nova Scotia, since the Liberal Party's election, because unemployment is still very high. Quebecers are preoccupied because they lost 11,000 high-tech jobs. It is up to the government to respond.

(1720)

We, in the opposition, proposed this debate today because we feel that the conversion from military to civilian use is extremely important. Maybe it is not the most important issue, but it is one of the most important. Therefore, instead of accusing us of debating on the Constitution, the member should stick to today's issue, which is the problem of defence industry conversion.



*Adjournment Debate*

**Mr. LeBlanc (Cap-Breton Highlands—Canso):** Madam Speaker, first of all, I wish to thank the hon. member opposite for his question and also for his participation in the Human Resources Development Committee, where he made a very useful contribution on behalf of his party. But in responding to some points that he has raised, I said that Quebec had been considerably spared by the defence cuts in the budget. I say this because it is true and because other parts of Canada have suffered much deeper cuts in terms of funds, dollars and jobs.

If we had followed his party's guidelines, the cuts would have been much deeper in Quebec and elsewhere. But I think that what the hon. member must remember is that, for example, on the MIL Davie issue, I am not an expert on that, but from what I understand, it is under discussion by both levels of government. There is a plan and both governments are discussing it, and that is what they have to do in a country such as ours. And that is what we need in order to find solutions to our problems. With that, I think the hon. member should, as he has been doing on the committee, and his party also should participate constructively in solutions that we must all bring to the problems, not only in Quebec, but in other areas of this country as well.

[English]

**Ms. Margaret Bridgman (Surrey North):** Madam Speaker, I would like to ask the hon. member this. The motion relates to the unacceptable delays in converting the national defence industry to civilian production, but minimum reference was made to that actual approach in his presentation.

I would like him to expand on that theme a little bit, if indeed there is a program along this line and if there is some delay in this that could possibly be speeded up.

**Mr. LeBlanc (Cape Breton Highlands—Canso):** Madam Speaker, I thank the hon. member for her question. To my knowledge the process of defence conversion is well under way, as has been mentioned by previous speakers. The government is assisting this process.

I did not feel the need to go into a great deal of detail since those points have already been made by those closer to the issue than myself.

(1725)

We are well aware that parallel to a restructuring in the defence sector, which is proceeding and which will be informed by the debate and by the review on defence policy now taking place, as well as other initiatives which the government is taking to promote the high technology and information sectors of our economy, that we will assist and support the conversion of industries currently developed to focus mainly on military production, into other activities.

It is not something that takes place overnight. It is a process in which the government is assisting. We are not following the Reform Party's approach which would have been, as I under-

stood it, not to cut defence and not to support conversion, which I find rather contradictory certainly in the light of the changes that are taking place not only in Canada but around the world in this very important sector of our economy.

**The Acting Speaker (Mrs. Maheu):** Seeing no further members rising—

[Translation]

Since the debate is over, under Section 81(19) of the Standing Orders, the proceedings on the motion before the House are terminated.

SUSPENSION OF SITTING

[English]

**The Acting Speaker (Mrs. Maheu):** We will suspend temporarily to the call of the Chair when we will take the proceedings on the adjournment motion.

(The sitting of the House was suspended at 5.25 p.m.)

SITTING RESUMED

The House resumed at 5.32 p.m.

## ADJOURNMENT PROCEEDINGS

[Translation]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

LABOUR RELATIONS

**Mr. Bernard St-Laurent (Manicouagan):** Madam Speaker, my question would probably be for the Parliamentary Secretary to the Development of Human resources.

Since February 20, 400 employees of the QNS & L of Sept-Îles in my riding of Manicouagan are locked out. Federal law does not forbid the employer, the IOC mining company, to hire scabs, which naturally makes the situation extremely tense and even ready to explode.

Since nothing hinders its activities, the company refuses to negotiate with its employees even if they want to work.

(1735)

I would like to ask the Liberal government if they agree that the absence of a federal anti-scab law is the reason for the deterioration of negotiations between QNS & L and local 9344 of the steel workers' union. I would also ask the government if they intend to intervene in that labour dispute and thus help the workers?

[English]

**Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs):** Madam Speaker, I am pleased to respond on behalf of the government to the hon. member's question and I

*Adjournment Debate*

thank him for taking such an interest in the workers in his constituency.

The question of restricting the use of replacement workers during legal work stoppages raises a number of complex issues, including the need to ensure that necessary services are provided to the Canadian public. Protecting the public interest is of particular relevance in the federal jurisdiction as the Canada Labour Code governs many industries which provide necessary services.

While the code does not prohibit the use of replacement workers, it does provide protection for workers engaged in legal work stoppages. The code prohibits an employer from disciplining an employee for engaging in a legal work stoppage. As well, an employer cannot discipline an employee for refusing to perform the duties of another employee who is involved in a legal work stoppage.

Once a work stoppage is terminated, employees are entitled to return to their employment in preference to any persons hired to replace them.

Despite the complex nature of labour relations within federal jurisdiction, the existing system generally works as intended. Most collective bargaining negotiations are settled by the parties in direct negotiations. Of those that do require conciliation officer assistance, more than 90 per cent—many people do not realize this, Madam Speaker—are settled without a work stoppage.

Part I of the Canada Labour Code has been designed to balance the rights and responsibilities of labour and management. This careful balance ensures that the collective bargaining system functions effectively in the vast majority of cases. For this reason it is important to consider the issue of restricting the use of replacement workers during work stoppages only in the context of a comprehensive review of the code.

At a future date in the context of the full review, extensive consultations will be held and full consideration will be given to all representations on this subject.

I hope this answers the hon. member's concerns.

[*Translation*]

## RWANDA

**Mr. Bill Graham (Rosedale):** Madam Speaker, it is a bit reluctantly and a bit, if I may say, obscenely, that I would ask the following question to the Parliamentary Secretary to Minister of Foreign Affairs, because of the horror and the deep sadness of the intolerable events that are occurring in Rwanda. It is really hard for us, here, in this House, to imagine the situation out there. Let us just think about the 1,500 Rwanda nationals who live here, in Canada, and fear for the life of their families and friends.

[*English*]

I know the Canadian government is taking action in this very difficult situation. I asked the minister the other day if it was not possible to conceive of a surgical strike, a surgical operation whereby someone could go into Kigali and at least allow the innocent civilians who are trapped there in this incredible situation an escape route.

I asked the minister to use his best efforts to see whether through the United Nations this could be done. We have heard on the news that the United Nations is talking about this. Well, the talking is going on and the killing is going on.

We know that this situation requires a regional solution. We know that the Organization for African Unity is there. The Organization of African Unity needs some political will behind it. The Canadian government has earned a great deal of respect and goodwill in Africa. It can provide a political impetus to the process. It can also provide logistical support to the process.

(1740)

What is being done at this time to try to resolve this situation? I have spoken of a surgical operation and providing the logistical and political motivation to the Organization of African Unity so it is able to step forward. We can give it the strength, give it the ability to carry out an operation which only it can achieve.

[*Translation*]

I would like to end my question, Madam Speaker, the way I started it. Africa is far away, but I believe that what we will do in this situation will determine how that Canada will respond in similar situations that are likely to occur in this more and more unstable and troubled world.

[*English*]

**Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs):** Madam Speaker, unfortunately the civil war continues to claim numerous lives in Rwanda. We are in contact with the UN, the Organization of African Unity, friendly countries and other NGOs in order to determine how best to come to the aid of the Rwandan people.

Next week the Prime Minister will be meeting with the president of the international committee of the Red Cross to exchange views on the provision of humanitarian assistance.

CIDA has already provided \$3 million in emergency aid since April's outbreak of violence. General Dallaire I must point out again continues to play a key role in leading the United Nations assistance mission to Rwanda. As an intermediary between the warring factions and as a participant in the humanitarian operations he has done his utmost to attempt to obtain a ceasefire with the assistance of the other seven Canadian soldiers.

*Adjournment Debate*

Before deciding what action to take, the Security Council is awaiting a reply from the African countries to the Secretary-General's request for assistance. Canada's eventual contribution will be considered in light of the Security Council's decision.

The Security Council is apparently leaning toward a regional solution with OAU participation funded by the United Nations. The RPF and representatives of the government have travelled to Tanzania to negotiate a ceasefire but are not talking to one another. However, they talk separately to the Tanzanian facilitator.

The Department of Foreign Affairs received the Rwandan ambassador earlier this week to encourage his government to negotiate in good faith and end the killing once and for all. A similar message has been transmitted to the RPF via his representative in New York. Politicians of both sides were told that Canada will have a long memory toward those who exert responsibilities and do not use their power to put an end to these massacres.

The Canadian Forces Hercules operating out of Nairobi into Kigali was shot at this morning after landing in Kigali. There were no injuries and damage was superficial. Flying has temporarily ceased until the situation at the airport has stabilized.

I thank the hon. member for Rosedale for bringing this crisis to the attention of Canada's Parliament. I also want to congratulate him on the excellent work he is doing in the whole area of foreign affairs.

[*Translation*]

## FLU VACCINE

**Mrs. Monique Guay (Laurentides):** Madam Speaker, last April 26, I questioned the Minister of Public Works and Government Services about the purchase of flu vaccine. His answer reflected his decision on that issue. However, everything was not said about the purchase of that vaccine. There are still some questions left concerning the role of the minister as buy broker for 4 million units of vaccine for the benefit of the provinces and territories. I would like to state a few disturbing and somewhat troubling facts about the process which led to the federal government's decision on that issue.

In 1993, the contract for the supply of the flu vaccine was awarded entirely to Bio Vac. The call for tenders for 1994 was issued on December 8, 1993. The tender closing date was January 7, 1994 at 2 p.m.

Two bids were received; Bio Vac from Laval was offering the vaccine at \$1.70 per unit and Connaught from Toronto was offering a made in the U.S.A. vaccine at \$1.46 per unit.

(1745)

Connaught's bid being lower, the federal minister who bought the vaccine seemed to prefer its American vaccine. That is when dumping allegations were made to the effect that Connaught was selling this very vaccine for close to \$3 in the United States, but charging us \$1.46 for it. Faced with this dumping issue the minister extended the bidding period from January 7 to 18. At that time, we were well aware the government was hesitant and delaying its decision. We knew the situation was rather tricky considering that jobs were at stake, as well as a large investment in biotechnology, proposed by Bio Vac in Laval.

Another extension was announced, from January 18 to February 3. All this time, the Minister was under pressure to rapidly award the contract to BioVac. In a letter dated January 27, the Quebec Minister of Industry, Commerce and Technology asked Minister Dingwall to decide quickly in favour of BioVac.

On March 25, the minister told the House that he was looking for a Canadian solution to a serious Canadian problem. On April 20, the minister announced that he had decided to split the difference and that his Canadian solution was to buy two million American vaccines. The minister, as a Canadian broker, was responsible for the lay-off of 26 employees with his Canadian solution, jeopardising at the same time a \$32 million investment in biotechnology in Laval.

This unacceptable decision raises some questions. What explanation can the minister give for the fact that his negotiations increased the average cost of the vaccine from \$1.58 to \$1.77, causing an additional expense of more than \$750,000 to taxpayers?

Second, given that the minister will now pay \$1.77 per dose, why did he refuse, on January 7, 1994, at the close of the first call for tenders, to award the full contract to BioVac at \$1.70 per dose?

Third, can the minister tell us why, as a Canadian broker, he buys American vaccines at a cost of \$1.69 per dose while BioVac's initial bid was \$1.70? How can he explain such a cheeseparing saving of 1 cent on two million doses of vaccine, or \$20,000, compared to 26 jobs lost? Has the minister analyzed the economic cost of these 26 job losses? Finally, why is he buying vaccines made in the U.S.A. when they could be entirely produced in Canada? The minister's Canadian solution is a bad joke.

To add a final touch to this already gloomy picture, rumour has it that the minister asked BioVac to sign a letter stating its satisfaction with the deal. What unmitigated nerve on the part of the minister!

The federal broker-minister is not transparent in this case. He acted in such a way that he penalized a Canadian firm and disregarded the taxpayers' interests. His decision is senseless and thoughtless. We ask the minister to disclose all the facts and to table, if he has the courage to, all documents pertaining to this case.

*Adjournment Debate*

**The Acting Speaker (Mrs. Maheu):** Before recognizing the hon. parliamentary secretary, I just want to remind the hon. member for Laurentides that she should not use the name of a minister but his or her title instead.

**Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services):** Madam Speaker, I am very pleased to be able to respond to the hon. member and clarify yet again the federal government's role in this important matter.

All members will surely agree that the availability of influenza vaccine for school children and the elderly across Canada is an issue which should be far removed from partisan political considerations. The health and safety of Canada's children and the elderly is this government's first priority. I hope the same is true for my friend across the floor.

I am proud of the role that the department of the minister to whom I am parliamentary secretary and the federal government have played for the past twenty-one years on behalf of the provinces and territories.

With Public Works and Government Services acting as the purchasing agent of the vaccine on behalf of a joint federal-provincial-territorial committee, we have been able to achieve the economies of scale which bulk purchases represent. The price per dose for one large national order is lower than if a number of smaller purchases are made by the different jurisdictions.

The result is a sterling demonstration of joint federal-provincial-territorial cooperation and efficient use of taxpayers' dollars.

(1750)

Members should note that the value of these purchases is now approximately \$7 million per year, of which 99 per cent is paid for by the provinces and territories. The federal government uses and pays for less than 1 per cent of the vaccine.

As has been announced in this House on several occasions, and following a competitive process, an agreement in principle was concluded on April 13, 1994, between the federal-provincial-territorial committee and two Canadian drug manufacturers. The contracts will be split 50/50 between IAF BioVac in Laval, Quebec, and Connaught Laboratories in Willowdale, Ontario. These contracts are scheduled to be signed later this month. I should point out to the House that the hon. member mentioned that there was a significant reduction in one particular year, but if we look at the average for the last three years, the proportion has gone from 38 per cent then to 50 per cent now. That is 12 per cent more.

Prices are lower than in past years, and they are going down. This year's price of \$1.77 per dose is lower than the 1992 and 1993 prices.

To reiterate, both companies, the provinces and territories have agreed to this arrangement. In questioning the government on this issue, the member and her party have made a number of factual errors. If one did not know better, one might conclude that there is a deliberate attempt to mislead members of this House and the Canadians we represent.

I sincerely hope that this is not the case.

2002 OLYMPIC GAMES

**Mr. Antoine Dubé (Lévis):** Madam Speaker, on April 22, I asked the Deputy Prime Minister a question about the federal contribution to Quebec 2002. That was a two-part question. First, I asked her when her government would appoint a negotiator to determine with Quebec 2002 the amount of funding needed.

"Soon", answered the Deputy Prime minister. On this issue, I am quite satisfied, since the daily newspaper *Le Soleil* reported, on April 30, that the federal government had appointed, a day or two before, Mr. Laurent Tremblay, executive director of the Quebec office of the Department of Canadian Heritage, to act as spokesperson for the federal government. One week is not that bad a delay and we are satisfied with this part of the answer.

But we fail to see why it took six months and a question in the House for the federal government to reply to an organization's request. Six months is a long time. Will we need to press the government in the House on all issues so that they finally reply to organizations' requests?

We were satisfied with the answer we got this time. A negotiator was appointed within a week. Unfortunately, negotiations have not started yet and the deadline for Quebec 2002 has not been changed. Indeed, the final bids must be in by August 18. They would like a definite answer from the federal government within the next month, by the middle of June.

That was the second part of my question. I asked the Deputy Prime Minister if she was prepared to give a mandate to a negotiator modelled on what was done for Calgary in terms of federal assistance when it bid on the 1988 Winter Games. I have not received an answer to my question, either from the government or from the negotiator.

I would like to remind this government that although governments do come and go, it does have some responsibility since in 1992, the former prime minister did make a verbal commitment. However, since a new government is in office, this commitment needs to be reaffirmed and confirmed, since we are dealing with relatively tight deadlines.

Calgary received \$240 million in financing guarantees. I cannot understand why the federal government is so reluctant to commit to a similar amount when a study has shown that this project would generate in the neighbourhood of \$200 million in terms of direct and indirect jobs, the GST and so on. Why is the government taking so long to decide when it could earn these

*Adjournment Debate*

kinds of revenues? Quebec is asking for equal consideration for the 2002 Games, that is \$240 million in financing guarantees, without any indexation.

This financial guarantee is extremely important to the residents of the Quebec City region in terms of helping them prepare and present their bid for the Olympic Games. They need some assurance that federal assistance will be forthcoming. A great many concerns are being expressed at the local level. Without assurances of the usual government assistance, people are getting worried.

I hope that I will receive a clearer answer today than I did last time.

**Ms. Albina Guarnieri (Parliamentary Secretary to Minister of Canadian Heritage):** Madam Speaker, on several occasions in the past few months, the government of Canada has expressed support for the group of Quebec residents promoting Quebec City's bid to host the 2002 Olympic Games. This is a very important issue which must be considered carefully to ensure the success of the entire operation.

*[English]*

The federal government has already committed \$2.8 million toward supporting Quebec's international bid efforts before the International Olympic Committee. The Minister of Canadian Heritage led a Canadian delegation in February to Lillehammer while promoting Quebec's bid for the winter games.

*[Translation]*

The federal government's financial commitment could add up to several hundred million dollars. You will agree this is a substantial amount. That is why this commitment has to be considered carefully beforehand. Not only has the Minister of National Heritage asked his officials to work diligently on this, but before a final answer can be given to the organizing committee, he will have to consult with his Cabinet colleagues whose departments will be involved.

Hosting the Olympic Games in Quebec City in 2002 requires major financial support from the various levels of government, but this project must also receive unequivocal support from the local people; without this support, holding a sports event of that magnitude would be unthinkable.

*[English]*

IOC will make its final decision in Budapest in June 1995, after making a preselection in January 1995 when it will invite four finalists to pursue their bids.

The member can rest assured that the minister is taking the August 18, 1994 deadline for the preselection applications into account. An answer will be announced as soon as possible.

**The Acting Speaker (Mrs. Maheu):** It being 5.59 p.m. this House stands adjourned until tomorrow at 10 a.m. pursuant to Standing Order 24(1).

(The House adjourned at 5.59 p.m.)

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