

The Industry



FIRST FLIGHT of the USAF's Northrop T-38 supersonic trainer took place on April 10. T-38 is a member of the same family of aircraft as N-156F fighter in which the RCAF has displayed interest as an F-86 replacement.

Big Deal for Canadair

The Canadian Government is guaranteeing 80% of the \$70,000,000 in loans two U.S. cargo carriers need to buy 15 Canadair-built transports.

The Government is using this guarantee, believed to be the first involving any U.S. firm, to help Canadair to sell ten CL-44G's to the Flying Tiger Line and five to Seaboard & Western Airlines. Both airlines have taken options on five additional aircraft each.

It is reported that Canadair will accept debentures as a down payment and extend instalments over several months. U.S. aircraft manufacturers require full payment at delivery with a substantial cash down payment when the order is placed.

With RCAF CL-44 and Argus production scheduled to expire next year, the Government guarantee will help ensure that Canadair won't get into the same position as Avro and Orenda did earlier this year when the Arrow was killed.

"Buy American" Nullified

One of the most imposing hurdles to increased sales in the U.S. of Canadian-made military equipment was eliminated early this month when the U.S. government announced that it was waiving the provisions of the so-called "Buy American" Act on a wide range of goods for the U.S. military services.

Under the terms of the Act, a Cana-

dian, or indeed any foreign firm bidding on a defence contract, was subjected to a 6% premium on its bid. That is, the Canadian bid had to be at least 6% lower than the nearest competing American bid before it could even expect to be considered. If the competing U.S. bid was from a company in a U.S. surplus labor area, then the premium on the Canadian bid was increased a further 6%. In addition, normal U.S. customs duties had to be paid. Though the latter had to be considered when the selection of the winning bid was being made, if the successful bidder was a foreign firm, the customs tariff was paradoxically waived.

All of these cost increasing factors have now to all intents and purposes been nullified on a long list of products sought by the U.S. services . . . though they can, of course, be reimposed at any time.

It is not yet clear to what extent this action will assist Canada's Aircraft Industry, as one of the biggest potential buyers of aircraft products, the U.S. Air Force, has been for some time ignoring many provisions of the Buy American Act. The U.S. Navy has always interpreted the Act very strictly, while the U.S. Army has more or less considered each case individually.

Defence Production Minister O'Hurley explains that total exemption will apply to all components for items on the exempt list, and not just to complete items. "This means that Canadian manufacturers of such compon-

ents, including a large number of smaller industries, may find opportunities for taking part in these programs regardless of whether the prime contracts are awarded to Canadian or American firms."

The new regulations also allow U.S. defence contractors to use up to 50% Canadian-supplied components in items not on the exempt list and still be classed as a domestic source.

Arrow Aftermath

Orenda Engines Ltd. informed the Defence Production Department last fall that France had shown interest in buying 300 Iroquois jet engines worth some \$120 million.

This information came to light April 22 with the tabling in the Commons of four volumes of correspondence and contracts between DDP and Orenda and Avro Aircraft Ltd.

The documents in some degree support Avro's contention that the company had no inkling that the government was going to junk the Arrow and Iroquois. They show that DDP on Dec. 10, 1958, ordered \$500,000 worth of Arrow airframe components despite Prime Minister Diefenbaker's claim that Avro knew after Sept. 23, 1958, that the Arrow was finished.

On the other hand, the correspondence also substantiates Mr. Diefenbaker's contention in some measure. Last Feb. 9, Avro Chairman Fred T. Smye said in a letter to Works Minister Howard Green, then acting Defence Production Minister: "We are carrying on the work in accordance with what are understood to be your wishes notwithstanding the literal provisions of the contracts and on the assumption that the reasonable and proper costs incurred will be reimbursed in the event of termination."

"Literal provisions of the contracts" referred to the financial ceilings imposed by the Government on Avro expenditures on the Arrow and Iroquois contracts. Avro had said the ceilings were being exceeded to prevent a shutdown.

In any event, the tabled documents show that the Government, or at least DDP, ignored Orenda's request for support for Iroquois sales to France.

Paul Davoud, then Orenda vice president for sales, said in a letter to D. L. Thompson, director of the DDP's aircraft branch, that export of 300

Iroquois engines would save the Arrow program \$40,000,000.

The letter, dated Nov. 11, 1958, asked assurances that the Iroquois would be continued and support of the DDP in backing "this potentially important export sales program."

There was no record of any reply to Mr. Davoud's letter.

Mr. Davoud said the French air ministry on Oct. 29, 1958, asked Orenda to quote a price for 10 Iroquois engines. The company had quoted a price of \$395,000 each.

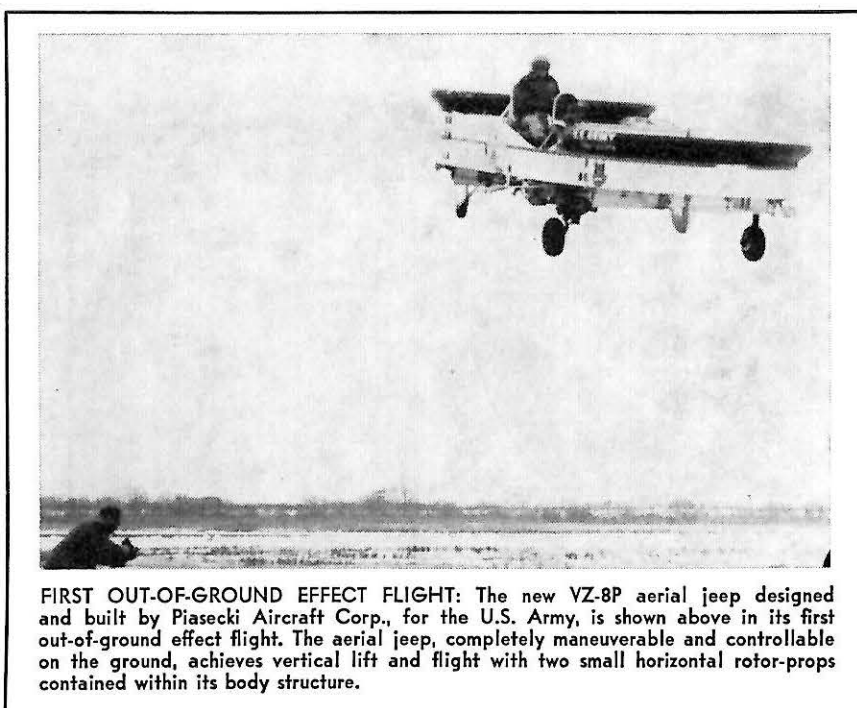
Mr. Davoud said the French air ministry wanted to consider the Iroquois for use in a bomber but that it was concerned that the program in Canada might be stopped.

This was an apparent reference to Mr. Diefenbaker's Sept. 23 statement that the Arrow and Iroquois programs would be continued until March 31, 1959, when they would again be reviewed. The programs were killed Feb. 20.

The documents show that the original estimated cost for two Arrows was \$20 million with the first delivery scheduled for May, 1957.

The last letter in the tabled correspondence, dated Feb. 24, was from J. A. Morley, vice president for sales, to Mr. Thompson.

It explained that A. V. Roe gave its 13,800 employees termination of employment notices Feb. 20 because it was essential to act immediately to ensure no costs accrued to the Government



FIRST OUT-OF-GROUND EFFECT FLIGHT: The new VZ-8P aerial jeep designed and built by Piasecki Aircraft Corp., for the U.S. Army, is shown above in its first out-of-ground effect flight. The aerial jeep, completely maneuverable and controllable on the ground, achieves vertical lift and flight with two small horizontal rotor-props contained within its body structure.

which were not fully justified under termination procedures.

The list of contracts shows that Avro Aircraft got 209 contracts valued at \$317,705,442 between Aug. 10, 1953, and Feb. 28, 1959. They included \$90 million for Arrow production, \$58 million for Arrow design and development, \$29 million for Arrow tooling, \$50 million for CF-100 Mark 5 production and \$20 million for Sparrow engineering.

Custer Production Lags

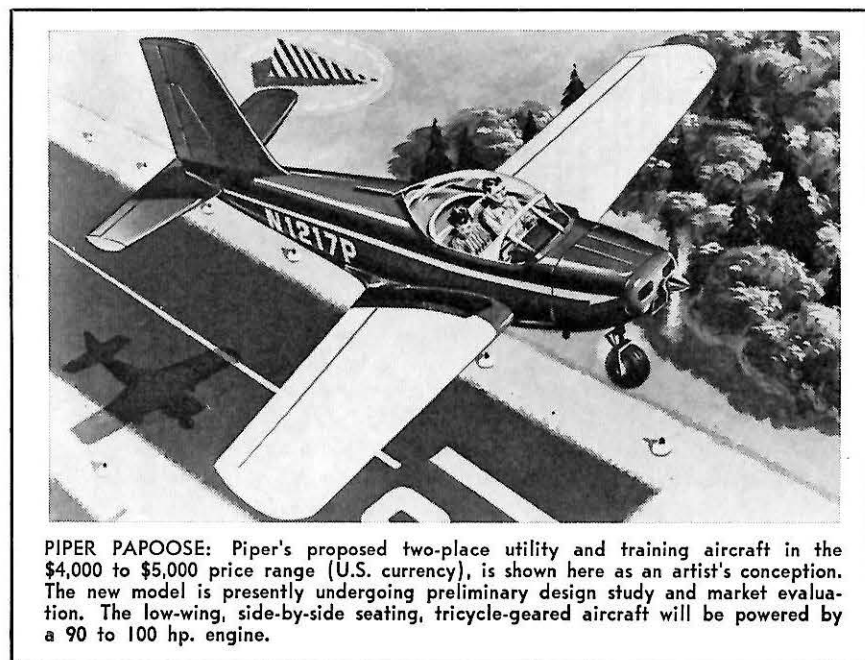
The highly publicized Custer Channel Wing project (AIRCRAFT, Nov.,

1958 et seq.) appears to be having difficulty getting off the ground, recent investigation has shown.

The project was made public last year in October with the announcement of the formation in Montreal of Custer Channel Wing (Canada) Ltd. The announcement said that a firm order for 100 of the unique aircraft had been placed with the Canadian company by its U.S. parent organization. Tooling up was to begin at once with production under way before Christmas. Prime contractors for the project were listed as Noordduyn Norseman Aircraft, Leader Products Ltd., and Gorde Tool & Die Co., all of Montreal.

The CCW-5 subcontract work was to absorb some 75% of the facilities of Noordduyn Norseman. However, this company states that the only time it has been directly approached by Custer officials was in September of last year, at which time an enquiry was made to see if Noordduyn could and would be interested in taking on the work. They were, but have heard nothing more about it from Custer, and now say what they know about the Custer Channel Wing is only what they read in the papers.

Some tooling work on a very limited scale is going on at Leader Products, but this is obviously not of sufficient scope to make possible the statement in a Custer press release of February to the effect that "tooling up on the CCW-5 is presently under way here



PIPER PAPOOSE: Piper's proposed two-place utility and training aircraft in the \$4,000 to \$5,000 price range (U.S. currency), is shown here as an artist's conception. The new model is presently undergoing preliminary design study and market evaluation. The low-wing, side-by-side seating, tricycle-gear aircraft will be powered by a 90 to 100 hp. engine.

[Montreal] and delivery of the first plane is anticipated this summer."

Torpedo Order to Canada

Canadian Westinghouse Co. Ltd., Hamilton, has received a \$3,000,000 British order for 500 naval torpedoes. The torpedo is the Mark 43 type which has been in use with the RCN's and RCAF's anti-submarine forces for two years.

The weapon is an acoustic homing torpedo which can search for, detect and attack a submarine without external guidance and which can be launched from ships, planes or helicopters. Eight feet long and 10 inches in diameter, the Mark 43 can search to "great depths."

Officials in Ottawa are elated at the British order because they feel it shows that Canada can sell as well as buy abroad a weapon system and that it may start toward increased sales of Canadian defence equipment to Canada's allies.

Defence Production Minister O'Hurley gave figures in the Commons April 23 showing that there is plenty of room for increased sales in this field.

He said the net value of U.S. prime defence contracts placed in Canada through Canadian Commercial Corp. and Defence Construction Ltd. in 1958 was \$68,180,000. But more than one-third of this was for construction.

The value included increasing and decreasing amendments to contracts placed prior to 1958 as well as new contracts issued in 1958. The breakdown: aircraft, \$26,990,000; construction, \$25,631,000; electronics and communication equipment, \$12,756,000; ammunition and explosives, \$757,000; miscellaneous, \$2,045,000.

Major U.S. subcontracts placed in Canada in the last four or five months included: \$4,100,000 by Boeing for engineering services and Bomarc wings and ailerons; \$500,000 by General Electric for development drive unit FPS-7; \$1,600,000 by Westinghouse for tropo scatter for Bomarc; \$1,100,000 by Hughes for tape readers; \$300,000 by Bendix for klystrons.

CARL Absorbs Phoenix

Canadian Applied Research Ltd. and Phoenix Engineered Products Ltd. have now been merged by A. V. Roe Canada Ltd., into a single corporate entity which will continue in the name of CARL. The operations previously

carried out by Phoenix have become the repair & overhaul division of CARL.

In connection with this expansion CARL's manufacturing, sales & service, and finance divisions, together with the administrative offices, have moved from 1500 O'Connor Drive to the former Phoenix facility at 750 Lawrence Ave. West, Toronto. The engineering division will remain at 1500 O'Connor Drive. CARL's new phone number is RU. 1-1571.

Change of Name

Following the reorganization of The Fairey Aviation Co. Ltd. into a holding company and subsidiaries, the company has changed its name to The Fairey Company Limited.

Subsidiary firms in the U.K. are now: Fairey Aviation Ltd., and Fairey Engineering Ltd.

Mid-Canada Upkeep by CAE

Maintenance of the western section of the Mid-Canada warning line has been taken over by Canadian Aviation Electronics from Bell Telephone of Canada.

The eastern section of the line, maintained by Canadian Marconi, is being extended west to Bird, Man., to give Marconi and Canadian Aviation Electronics each about half of the line to maintain. Bell formerly was responsible for the line west from Hudson

Bay and Marconi from Hudson Bay to the Labrador coast.

Cost of maintaining the line runs about \$22,000,000 a year.

Canadian Curtiss Reports

Canadian Curtiss-Wright Ltd., reports a net income of \$39,119 for 1958; sales totalled \$12,753,012. No comparisons were available this year since 1958 was the first year of operations for the young company, which was formed last year by the merger of Curtiss-Wright of Canada and Isotope Products Ltd. Working capital at the end of last year was \$1,448,581.

Contracts Awarded

Contractors awarded business in excess of \$10,000 by the Department of Defence Production during the period January 1st to March 15th, include the following. The list does not include orders placed by the Department outside Canada, or with other agencies, or increases in orders placed earlier—nor do orders classified as secret appear here.

Names appearing in bold face are current AIRCRAFT advertisers.

Aviation Electric Ltd., Montreal, \$53,768 for aircraft test stands.

Aviation Electric Ltd., Montreal, \$69,889 for aircraft instrument test equipment.

Aviation Electric Ltd., Montreal, \$205,000 for spares for aircraft instrument test equipment.

Bancroft Industries Ltd., Montreal, \$10,237 for aircraft components.

Canadair Ltd., Montreal, \$1,195,104 for technical publications.

Canadair Ltd., Montreal, \$300,840 for cargo carriers.

Canadian Aviation Electronics Ltd., Montreal, \$13,452 for electronic equipment.

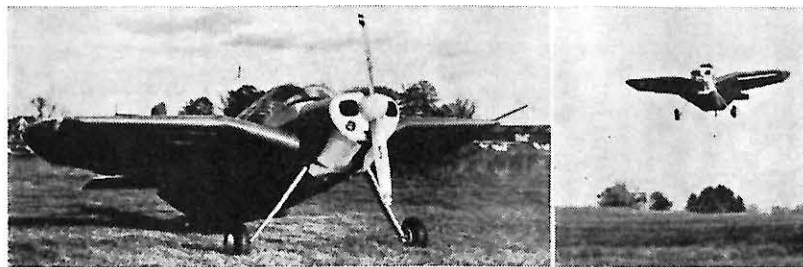
Collins Radio Co. of Canada Ltd., Toronto, \$33,236 for electronic components.

Computing Devices of Canada Ltd., Ottawa, \$24,805 for technical services.

W. R. Dand Petroleum Equipment Ltd., Toronto, \$18,847 for aircraft ground handling equipment.

Field Aviation Co. Ltd., Ottawa, \$45,136 for airborne transmitter-receiver equipment.

Imperial Oil Ltd., Ottawa, \$8,878,550 for



PARAPLANE COMMUTER 110: With a two-place conversion underway (the 120), the recently developed Paraplane Commuter 110 is a low-cost ultra-safe business aircraft designed for plant-to-plant flight operations, parts delivery and sales work. It will hover at 15 mph or cruise at 165 mph.; can be landed onto and flown out of areas previously restricted to helicopters.

