

# MAY MEAN END OF ORENDA FIRM AVRO SISTER

Special to The Star

Malton, Feb. 20—Contractors and sub-contractors here see the cancellation of the Arrow program as meaning the end of Orenda Engines Ltd., a sister company of Avro Aircraft.

The Orenda company, which has been tooled to produce engines for the Arrow, is, with Avro Aircraft, a subsidiary of A. V. Roe (Canada Ltd.).

At the Avro plant a blackout was imposed on news and hurriedly called meeting of senior executives went into session.

A pretty Avro receptionist was close to tears when she learned of the cancellation. Most employees, however, accepted the announcement without showing emotion. There were no shouts of protest.

Mrs. Beryl Gilbertson, a secretary at the Orenda plant, commented: It looks as if we are going to become the 50th state. It appears the Americans have lobbied the Arrow out of existence."

Mrs. Gilbertson's husband is a junior engineer at Avro. They are expecting a baby in May and are concerned about how the cancellation of the Arrow program will affect their personal budget.

Pete Podger, business representative for International Association of Machinists representing 12,500 Avro and Orenda workers, charged that Prime Minister Diefenbaker had "sold out the Canadian aircraft industry."

The government's decision to cancel the Arrow program was "a violation of the very platform of national development which put Mr. Diefenbaker into office," Mr. Podger declared.

Executive of District Lodge 717, including four Avro and Orenda Machinists' locals, will meet in emergency session tomorrow to study the effects of any job cutback.

Mr. Podger said the union had urged the federal government to call a meeting of management, labor and Ottawa officials to plan methods of meeting the crisis but received no reply.

When the government first said last September it would delay its decision on the Arrow's future until now, the news shocked workers, company and investors.

About 30,000 Canadians were wholly or partly involved in building the Arrow: 10,000 at Avro, 5,000 at the Orenda engine plant, another 15,000 at the 650 companies which supplied Avro with parts.

With Prime Minister Diefenbaker's announcement in Parliament, Avro stock dropped quickly by about \$2 a share, rallied upwards \$1 a share within a week.

(The first Ottawa flash on the Arrow prompted investors to unload their Roe stock. Selling began within minutes and the price dropped almost \$1 a share on the Toronto exchange. Buying orders appeared, reducing the loss to 75 cents. By mid-afternoon more than 30,000 shares had traded and the price stood at \$11.62.

The decline reduced the stock market valuation of Roe by about six per cent. Total market value of all Roe stock—which is 55 per cent owned by Britain's Hawker Siddeley Group Ltd.—was \$100,300,000 yesterday, when the shares closed at \$12.37½.

The stock reached a high of \$13.50 last month and last June touched \$15.88½.)

The 1,200-plus mph Arrow made its first flight last March, after four years of research and building. By the end of last year, about \$400,000,000 had been spent in research and development in the program.

But, government sources pointed out, a full order for Arrows could cost the federal treasury as much as \$2,000,000,000. And they noted that the U.S. air force was steadfastly against the U.S. buying the Arrow, noted that by the time the Arrows could be delivered in quantity they might be almost obsolete in a missile age.

RCAF Air Marshal Roy Slemmon, who is deputy commander of North American Air Defence Command, was nearly fired last fall by the Canadian government for defending the Arrow.

He said it would be the best interceptor available for North American defence until the U.S. F-108 was ready in five or six years.

## Cheaper in Long Run

Fred Smye, chairman of the board of Avro, maintained that during the development of the Arrow, RCAF officials continually checked with Washington to make sure the Avro program was not duplicating any U.S. program. He maintained the Arrow program was encouraged by the U.S. "on the basis it would fill a North America defence need" and said that while no other nation was prepared to buy the Arrow at this stage of its production, there "is reason to believe" it can be sold elsewhere once it is in production.

Mr. Smye promised that the plane could be operational within two years, and pointed out that, while on the face of it, it would be cheaper to buy planes from the U.S., in fact the most economical move would

be to buy Canadian, since the money would stay and circulate in Canada.

Reporter Mark Harrison, head of The Star's Ottawa bureau, said in a special series of articles, however, that the defence chiefs had recommended back in June, 1957, that the Arrow be dropped, and that C. D. Howe and other cabinet ministers had been reluctant to start the Arrow program, because of its huge cost, in the first place.

A major factor in the controversy is the aircraft's cost. Prime Minister Diefenbaker estimated that on the basis of an order of 100 planes, Arrows would cost \$9,000,000 each, but only if a Canadian-made missile and fire control system were abandoned in favor of U.S. systems.

## Started Loud Fight

Whatever the facts, this uncertainty about the Arrow started one of the loudest continual fights in Canadian economic history.

Avro officials and union leaders called for continuation of the program. Local municipal officials were told the area would be hit drastically if the Arrow was stopped.

Crawford Gordon, A. V. Roe president, maintained the Arrow could be built for about \$3,500,000 per aircraft rather than the \$9,000,000 cited by Mr. Diefenbaker.

Union leaders representing 35,000 aircraft workers submitted a brief to the federal cabinet warning that the aircraft industry would "seriously deteriorate" unless the government placed a "substantial" order for Arrows.

## Cut Earning Power

In a circular to trade unions, the Aircraft and Guided Missiles Council of Canada this month said there would be a cut of over \$32,000,000 in yearly earning power in Toronto if the Arrow program was drastically cut.

But in Commons several weeks ago, Prime Minister Diefenbaker gave a foreshadow of today's decision when he warned that no matter how loud, "lobbies" would not affect the government in making its decision.