Sperry plugged into military work

A Doobie Brothers rock'n roll tune from the early 1970's floats lazily through the air on the busy assembly floor at Sperry Inc.'s plant in Winnipeg's west-end Mur-ray Industrial Park.

Dozens of pairs of tiny hands belonging to a predominantly female workforce are manipulating hair-like strands of wire and hot soldering irons underneath powerful microscopes.

Everywhere hang red and white signs warning of the unseen dangers of static electricity which can quickly and silently destroy hours of delicate work.

The finished products resulting from much of this time-consuming labor are not much larger than your average 24-inch portable television set.

They even look, to the layman, a little like a new microwave oven when the front hatch swings open.

Key components

But, the powder-grey cabinets of circuit boards, wires and switches are actually one of the key components in Ottawa's attempt to float a modern, state-of-the-art navy off the country's coastlines. Known as the UYK-502 micropro-

cessor computer and the UYK-501 data bus, a total of 35 machines will be installed on board each of six new frigates to be built in St. John, N.B. at a total cost of \$3.2 billion. The 4,200-tonne ships, which were

commissioned by Ottawa in 1983, are scheduled to come into service between 1989 and 1992.

"It's really a general purpose computer," said Glen E. Johnson, director of operations of the defence products group at Winnipeg's Sperry plant.

"Anything they want it to do, it will do. It can be used for navigation, machinery control, communications, weapons fire control and anything else," he added in a recent interview.

The big difference between Sperry's military computer and other computers available on the commercial market, Johnson explained, is its rugged nature.

Compatible system

"It has to be environmentally tough. It must be able to tolerate humidity, moisture, salt spray and some tough knocks," he adds, explaining one durability test involves dropping a 50-pound sledgehammer on the finished product.

The computer is a modified version of a Sperry computer developed for the U.S. military, but which is now the property of the Canadian government. "It's a little smaller, less expen-

sive. It's compatible with all other NATO systems," said Johnson, noting also that the Canadian version is versatile and can be expanded in a variety of ways.

While it is not a true high-speed computer, in comparision to others available, it is much faster than



Sperry employees use powerful microscopes as general manager Glen Johnson checks their work.

some exisiting 18 to 20-year-old systems on board Canadian ships

"Speed isn't everything," adds Johnson. "IO (input-output) capability is much more important in this instance.'

Sperry, under a second military contract announced last month. will also be building similar com-puter systems for four Canadian Tribal Class destroyers under a

massive modernization program. That \$1.2 billion federal government upgrading contract was awarded by Ottawa in May to Litton Systems Canada Ltd. of Toronto which subcontracted the computer work to Sperry Inc.

Ottawa decided to modernize the four vessels, which will be used in conjunction with the six new frigates within Canada's 100-nautical mile sovereignty zone, following the 1982 Falklands war.

Naval officials, at the time, said the destroyers were built in the early 1970's to track and fight submarines but need to be modernized to defend themselves against missile and air attack.

Together, the two military computer contracts are worth about about \$35 million to the Winnipeg Sperry plant and will keep its expanding workforce, which now stands at 425, employed for the next decade, according to plant offi-

So successful and so confident about its future is Sperry's defence products group, the company is on the verge of a major expansion of its west-end facility. "We'd like to add another 30,000

to 34,000 square feet of floor space this summer," said Johnson.
The plant is about 45,000 square

feet in size now.

"I've got about 60 engineers in another building on Murray Park Road and some others in a couple of trailers out back. . .We'd like to get everyone back under one roof," added Johnson.

He said the expansion needs only one final level of corporate approval which could come as soon as next

Special obligations If approved, the expansion would

be the culmination of several years of growth for Sperry in Winni-

peg.
"We've almost doubled in size in the past couple of years," said Johnson, noting the plant now does about \$40 million of business a

The Winnipeg facility, built in 1981 at a cost of \$3.3 million, is one of three Sperry operations in Canada owned by the U.S. computer the Aurora's and their counterpart

giant Sperry Rand Corp. of New As recently as July, 1983 the de-

fence products group of Sperry in Winnipeg employed fewer than 200 Created to fufil offset contract

requirements imposed on Sperry by the Canadian government when it purchased the U.S.-built Aurora long-range patrol aircraft, Sperry's Winnipeg division is still predominantly involved in military computer work.

Working for the military places special obligations on the company, Johnson explains. "You have to keep all your records for the next 800 years," he joked.

The records section of the plant is off limits to all but special personnel. "Nothing in here is highly classified. It's the software the government will use in the computers which is secured," he adds, noting Sperry has little involvement with the software development.

All of Sperry's engineers and other professionals have government security clearance and access to the plant is controlled. The plant also has constant 24-hour security staff on patrol.

Recently it received the go-ahead to begin work on a new upgraded memory for the computers used in

employed by the U.S. Navy. Johnson estimated that work,

which is being jointly-funded by the U.S. and Canadian governments, would last five or six years and be worth between \$40 and \$50 million to the Winnipeg plant.

All of the actual research and development work for the new memory is being done in the Winnipeg plant, said Johnson, noting that unlike many branch plants Sperry Inc. keeps its more than 70 engineers constantly involved in research.

That effort also involves trying to diversify its market for its "ruggedized" computers.

Seeking new customers

"We're looking for new customers, in particular, in the transportation sector," said Johnson, citing trucks, buses and planes as target

"In Canada, you can't live solely off the defence business. . . We see many other uses for our computers. Take a train travelling across Canada for instance. It has to travel through all sorts of environmental conditions from -40 degrees, to snow and rain to extreme heat in the summer. A computer could be quite useful in the operation of the

Stable loan rates expected OTTAWA (CP) - The Bank of

Canada rate remained unchanged yesterday at the 8.84 per cent set last

As a result, other lending rates, such as the prime rate which has been at 10.25 per cent since mid-May, are expected to remain stable

The prime rate is the rate offered by banks to blue-chip corporate borowers and is the benchmark rate for more costly short-term loans to other businesses and consumers.

Money traders, who had been predicting the bank rate would remain relatively steady earlier in the week, still held hope for a marginal de-

But that possibility was eliminated when the dollar came under downward pressure, following news earlier vesterday that during the first quarter of the year the country suffered its worst performance ever in the trade of goods and services with the rest of the world.

The dollar, which closed at 72.06 cents U.S. Wednesday, slipped to 71.88 cents U.S. in trading early vesterday.

However, George Saba, chief economist with Montreal Trust, said any downward pressure on the dollar as a result of the trade figures should only be temporary.

Money markets were already aware that Canada's merchandise trade performance had weakened during the quarter, and the deficit on, trade in services is just an extension of a historic trend, he said.

Further, the figures, which showed a high level of foreign investment during the quarter, reveal that foreign investors are finding Canada an attractive place to in-

OPEC inches in right direction

BRIONI, Yugoslavia (AP) — OPEC inched ahead in a second day of oil talks vesterday but fell short of ending a deadlock over how to drive up prices, officials said. Although no agreement was re-

ported, officials said a majority of the ministers were set on raising oil prices to a range of \$17 to \$20 U.S. a barrel by year's end from current levels of \$11 to \$14 for widely traded

"They are making some progress in the right direction," James Audu, the chief OPEC spokesman, said after yesterday's only session. He declined to answer any questions about the deliberations, which were

recessed until today.

Stung by the collapse of oil prices, the Organization of Petroleum Exporting Countries is trying to agree on a way to limit its production in hopes of driving prices back up.

The key sticking points are deciding what price to strive for and what level of production is needed to achieve it. If such an accord is reached, OPEC then will have to live up to the limits, a discipline that repeatedly has proved difficult in the

recent years of weak demand. Libyan Oil Minister Fawzi Shakshuki told reporters the meeting had discussed all aspects of production

control and prices. Asked if any concensus had been reached, he replied: "We just start-

Even Iranian Oil Minister Gholamreza Aghazadeh was less provoc-

ative than usual in his brief remarks to reporters. "We are here all together to have a unanimous decision," he said. At OPEC's two most recent meetings in

March and April, Iran had spearheaded a minority drive for steep cuts in OPEC production in order to get prices back to last fall's level of \$28 a barrel. Under questioning by reporters, Aghazadeh declined to say he would

hold out against a majority decision this time. He previously had advocated a production cut to 14 million barrels a day. OPEC currently is producing between 18 million and 19 million bar-

rels daily. A majority of the members favor setting an output ceiling at between 17 million and 18 mil-The Iranian said he did not like the

\$17 to \$20 price target proposed by other delegations. But he did not say he would block it when the negotiations resumed today. "This price is a political price," he said. "This is not a price in the

market," He said he believed the cartel's

discussions would be "coming to a head" today. The ministers held informal talks

yesterday and planned to take an evening boat cruise around the Brioni archipelago of idyllic islands off the northern Yugoslav coast.

Bouey has good reason to fear sweetheart deals

In the language of real life, what we're talking about is the spread of sweetheart deals between Canadian

companies. And how other people can be hurt by them - and often will be.

That happens when the sweethearts discriminate against them in favor of dealing with one another. Or when we have money invested with a sweetheart that provides unusual goodies to its beloved, thereby failing to give us the best run for our money. Such deals are far more likely

when the two sweetheart companies are linked by some variety of common ownership. It's all the worse because most of them can't be seen by the public that has so much at stake. When they are tracked down, it's often terribly difficult to analyze their meaning.

Since there's a great rise in ow-



McArthur

Jack

danger is increasing.

These connections - often halfhidden, indirect and therefore little known to the millions of Canadians affected - are most publicized in the case of giant corporate groups, each involving dozens of companies. But many lesser-known companies are in the game too.

To deepen this crisis, there are signs that some provincial and federal politicians want to leave this door ajar, or even open it wider.

That's the guts of the complex arguments you hear about "selfdealing" among corporate relatives



Gerald Bouey: "Unscrupulous operators."

or associates; and the probably fast-increasing amounts of business not done at "arm's length" between independent companies.

In the case of financial institutions, this has been called Canada's most important issue, one of urgency. The worried fellow who said so is no less than Gerald Bouey, governor of the Bank of Canada.

While he spoke primarily of chartered banks and trust companies, the same logic applies to merchant banks, investment companies, stockbrokers, insurance companies and corporations in non-financial indus-

Many of these non-financial companies are now connected to groups that also have a handle on financial companies. That marries corporations wanting financing to those who provide it.

Special favors

Sweetheart deals giving special favors to related companies can: ☐ Hurt you as a depositor.
☐ Hurt a company that gives a

better break to a sister than it would to a non-relative. ☐ Possibly cause financial distress for some so severe that it shakes

confidence, either in the financial system or in investing generally.

☐ Hurt the outside shareholders in a company that makes less than the best bargain it could get in a free

market. ☐ Hurt those suppliers and customers who are shut out because they're not members of the family.

And hurt their shareholders. \square And, obviously, hurt the whole economy — and the jobs and incomes it creates - by sabotaging the best possible arrangement of financial and other resources.

Let's go back to what Bouey said last year to a House of Commons committee and look at it in some detail. The implications for Canada are chilling.

Remember that the financial in-

stitutions to which Bouey refers are

no more unlikely to make an unfair

companies. You can therefore apply Bouey's

fears more widely, to all industries or companies with similar major

Bouey said:

"... The most important issue that we face, and one that must be dealt with urgently, is the risk from self-dealing for the financial viability of closely-held financial institu-

(The phrase closely-held refers to substantial, potentially dominant ownership, often by some one with other big business interests.)

"While the primary cause of the difficulties encountered by financial institutions over the past few years has been adverse economic conditions ... one cannot help but be concerned about the number of instances where the financial problems of the individual institutions which have failed were related to transactions with the other business interests of the owners.

"With the growth of large financial conglomerates owned by those with substantial interests in non-financial businesses, the potential risks ... from self-dealing have become much larger.

imply that most owners of financial institutions would be likely to engage in transactions that would knowingly place excessively risky assets in their financial firm in order to benefit their other business

"However, there have been some unscrupulous operators in the financial industry. And even apart from them, there may be circumstances when the temptation for an owner to take improper advantage of access to funds from the financial institution may be overwhelming.

"Those are risks we cannot take

"My preferred solution is widelyheld ownership, with no single owner of a sufficent size to dominate a sweetheart deal than those running financial institution and be in a

other financial and non-financial position to use it in his own inter-

Widely-held ownership has worked well in the banking system ... Some years ago it might have been possible to impose the same requirement on most of the rest of the financial system but it would be extremely difficult now. The trend to closelyheld ownership has gone too far ...

"(A proposed solution) is a virtual ban on non-arm's-length transactions. This is not an ideal solution because such a ban will not be easy to monitor and enforce, but it can be accompanied by penalties which could provide a powerful deter-

"And no one has, to my knowledge, come up with a workable al-

"To make the ban effective it will probably have to be virtually abso-"Making determinations of good

versus bad non-arm's-length transactions puts too great a burden on matters of judgment. It would enmesh the financial industry in extensive bureaucratic regulation. And it would increase the risk that unscrupulous operators would avoid detection.

Simple rules

"I do not wish for a moment to "Far better to set some simple rules about non-arm's-length transactions in advance and, if some harmless transactions are banned, that is the price we will have to pay

> "If it turns out that the restrictions ... are found to be rather onerous by some institutions, the option will always be open to them to diversify their ownership so that the restrictions would no longer

> The question: With this brand of cross-industry ownership mushrooming, creating countless possibilities for self-dealing that can't be clearly seen or controlled, are we prepared to trust the judgment, honesty and resistance to temptation of so many owners and executives in so many situations?

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