

Step Called Body Blow To Industry

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Ottawa, Feb. 20—The Avro Arrow, the multi-million-dollar supersonic fighter designed to be the pride of the RCAF, is dead and buried.

Prime Minister Diefenbaker announced today that the Government had no other feasible or justifiable course open but to cut off the Arrow aircraft and Iroquois engine program.

The announcement, which the aircraft industry believes to be a "body blow," came just three days before Canada celebrates the 50th anniversary of powered flight in this country at Baddeck, N.S.

The prime minister was blunt about immediate prospects of work at Malton and at other plants working on Arrow or Iroquois contracts.

"There is no other work that the Government can assign immediately to the companies that have been working on the Arrow and its engine," he said.

Mr. Diefenbaker's statement made it clear the Arrow was the victim of rapidly changing techniques of nuclear and missile warfare and of costs.

His words underlined, as did the decision, in the most emphatic way possible the supreme control of civil authorities over defense decisions.

The decision would seem to point the way to future arrangements for greatly increased numbers of U.S. interceptor aircraft in Canada. Two squadrons now operate from leased bases in Newfoundland.

Mr. Diefenbaker said formal notice of termination of contracts were being telegraphed. All outstanding commitments will be settled equitably.

Scrapping the Arrow will not have any impact on the Government's record spending program for the next fiscal year. About \$50,000,000—enough to cover cancellation charges—was included in defense estimates.

But, had the Government changed its mind and ordered the aircraft into production it would have had to find additional large sums in a year that already promises to produce a substantial deficit.

Burial of the Arrow—the decision of last Sept. 23 emerges now only as a stay of execution—before the March 31 deadline imposed by Mr. Diefenbaker is also an indication that the Government believes it is over the unemployment hump.

The surprise registered about the announcement was not at

the cancellation order which had been almost universally expected outside the Avro family but at the fact that it was made five weeks before the deadline.

The announcement came only 24 hours after MPs from the Avro area had been given new Arrow performance figures which one of them said were fantastic.

But Mr. Diefenbaker put his finger on the Government's reasoning when he said: "Defense requirements constitute the sole justification for defense procurement."

The Government had checked all information concerning the probable Russian threat to North America and alternative means and costs of meeting the threat.

"The conclusion arrived at is that development of the Arrow aircraft and the Iroquois engine should be terminated now," he said.

At this point the tension was broken by laughter of the MPs as they watched press gallery members scramble for the door.

Mr. Diefenbaker said the Government had taken into account the international situation and Canada's ability to meet any emergency.

He said the Arrow and Iroquois were fine developments but have lagged much behind original schedules. Iroquois-powered Arrows would not be ready for full operational duty until after mid-1962.

By that time the main threat of airborne bombers will be supplemented by greatly increased numbers of intercontinental ballistic missiles and submarine-launched missiles. By the mid-60s missiles will be the major threat.

Russia's modern bomber fleet is smaller than had been expected and what Mr. Diefenbaker said was a relatively small number of bombers constitutes the main airborne threat.

"It is considered that the defense system of North America is adequate to meet this threat."

Mr. Diefenbaker said the United States had not only decided against buying the Arrow but had discontinued development of similar aircraft.

Changes ordered last September for the Arrow—replacement of the Sparrow missile and Astra fire control system with U.S. equipment already in production—has been proved practical, he conceded.

But the Arrow's range, although increased, is still limited. The changes have cut back the cost per unit of 100 aircraft from \$12,500,000 each to \$7,800,000 including weapons, spare parts and completion of development.

But this figure did not include any of the \$303,000,000 spent on development up until last September. Another \$100,000,000 has gone down the drain in development since then and, with the \$50,000,000 required to wind up the contract, will mean a total of \$450,000,000 spent on aircraft which have been built.

Mr. Diefenbaker said the Government has made no decision to acquire other aircraft to replace the CF-100. This aircraft, flown by the nine RCAF home defense squadrons, was still an effective weapon against the present bomber threat.

Defense Minister Pearkes and the chiefs of staff are engaged in studying other means for improving Canadian defense.

This study would presumably cover the possibilities of additional U.S. fighter aircraft stationed in Canada or construction of further Bomarc ground-to-air guided missile sites to supplement the two being erected in Northern Ontario and Quebec.

The Government couldn't provide work for the industries affected because Canadian requirements for civilian aircraft are so small compared to the huge defense operation.

"This decision is a vivid example of the fact that a rapidly changing defense picture requires difficult decisions," he continued. "The Government regrets the inevitable impact of it upon production, employment and engineering work in the aircraft and related industries."

The Government found the decision doubly tough because it had to close out a project in which much money had been invested and in which Canadians have shown great technical skill.

"However much I might hope that the project be continued in the sense of pride of achievement to avoid immediate dislocations which are regrettable, defense requirements constitute the sole justification for defense procurement."

Noting that the Government had no other course, he added: "We must not abdicate our responsibility to assure that the huge sums which it is our duty to ask Parliament to provide for defense are being expended in the most effective way to achieve that purpose."

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