Arrow's Future Left in Doubt As Estimates Fail to Give Clue

By CLARK DAVEY

Globe and Mail Staff Reporter

Ottawa, Feb. 5—The future of the CF-105 Arrow was as much up in the air tonight as it was before the 1959-60 estimates were tabled in the Commons today.

The Defense Department estimates show a net drop of $72,000,000 from estimates tabled for the current fiscal year and most of this cutback can be traced to reduced spending for the Arrow program.

However, the financial planners in the department have so hedged their bets that it is impossible to draw any conclusion from their spending plans.

They have included an item of $45,000,000 for the procurement of the Arrow and another $5,000,000 for further development. If the Arrow is cancelled, this total of $50,000,000 should meet cancellation charges. But if a production order is given when the Government makes up its mind within the next eight weeks, then the department will have enough funds to carry production through the first three months of the next fiscal year.

The one possible hint is that a production order obviously would require large additional spending in budgetary estimates already the highest in Canada's history.

The purpose of the $50,000,000 in the estimates, according to Treasury Board experts, is to hold the position until a final decision is made.

The departmental estimates include a $10,000,000 figure for work on Bomarc missile sites in Northern Ontario and Quebec, preliminary work on a SAGE (Semi-Automatic Ground Environment) site and work for additional Pinetree radar line stations.

Complicating comparisons of Defense Department spending plans is the fact that during the current year the Government decided to liquidate a special account which provided it with a cash windfall of about $240,000,000 which it will not have this year.

At the same time, the spending program, when carried into practice in the current year, was considerably below that provided in the estimates.

Last year the Government announced Defense Department budgetary estimates of $1,687,000,000 and served notice that it would draw down an additional $79,000,000 from the special account for a total spending program of $1,767,000,000.

In the estimates tabled today, the comparable figures are $1,680,000,000, plus a draw from another special account of $15,000,000 for a total of $1,695,000,000 and a saving of $72,000,000.

However, the department revealed that its gross spending in the current year probably would come to only about $1,706,000,000. This includes not only the $79,000,000 mentioned as the first withdrawal from the fund to ease the Government's financial position a year ago but the rest of the fund — close to $165,000,000 more—which, Mr. Fleming announced in his budget speech, the Government was liquidating.

As a result, there are a number of figures to choose from. Net budgetary defense spending in the current year will amount to about $1,469,000,000.

And the gross spending will be only about $11,000,000 higher than the gross estimate figure of $1,695,000,000 for 1959-60.

The major items of savings in the new estimates compared with the estimates tabled a year ago are about $105,000,000 on equipment procurement and $34,000,000 on development, much of both savings traced to the decision to postpone production of the Arrow and to scrap the Astra fire control system and the Sparrow missile.

These savings were offset by increases of $20,000,000 on buildings and about $47,000,000 in operation and maintenance, this latter boost largely pay increases.

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