

**Title:** A.V. Roe Canada; lay-offs at Avro and Orenda Engines.

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Legislation; draft bills

1. The Prime Minister submitted for approval three draft bills which had been approved by the Cabinet Committee on Legislation at their meeting of October 24th.

2. The Cabinet agreed,-

(a) that the bill to amend an act respecting the Buffalo and Fort Erie Public Bridge Company be approved for introduction in the Senate in the first instance;

(b) that the bill to amend the Canada Agricultural Products Standards Act stand for further consideration in the light of the situation respecting opinion on the substance of it in the general area affected; and,

(c) that the bill to amend the Criminal Code be introduced in the House of Commons in the first instance.

Visit of the United Kingdom Prime Minister and Secretary of State for Foreign Affairs

3. The Prime Minister reported that the U.K. Prime Minister and the Secretary of State for Foreign Affairs were expected to arrive that evening and private talks would then take place at the Prime Minister's residence. The Secretary of State for External Affairs and the Minister of National Defence would be present. The remaining members of the Cabinet would have the opportunity to meet the U.K. ministers at a meeting the following day.

4. The Cabinet noted the Prime Minister's remark concerning the visit of the U.K. Prime Minister and the Secretary of State for Foreign Affairs.

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(Previous reference Oct. 24)

5. The Minister of National Defence reported that he with the Ministers of Finance, Defence Production and Transport had met officials of Avro Aircraft and Orenda Engines the night before. During this meeting the Avro representatives had stated that they were presently employing 9,600 men and that by April next year this number would diminish by 2,100. The lay-offs would be progressive. Of these 2,100, 800 would be laid off as a direct result of the cancellation of the CF-100 Mk VI programme; the remaining 1,300 for other reasons. Orenda representatives reported that they were presently employing 5,303 men and would be laying off immediately 1,120, of whom 400 could be attributed

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directly to the CF-100 Mk VI cancellation. There would be no further lay-offs till March. The representatives of both companies had declared that they were almost entirely dependent on defence contracts for their operation. They were waiting for a decision with respect to the CF-105. If this programme were also cancelled, both companies would have to go into liquidation. In this connection the Minister said that it was hoped that a decision would be reached during the following week. The company representatives would return to Ottawa for further discussions early in the next week. They had agreed to hold up the lay-offs till then.

The Minister also pointed out that the lay-offs of the sub-contractors would also involve a large number of employees. He pointed out that the production of 35 CF-100 Mk V's for mutual aid, which he had mentioned previously, would cost \$23 to \$25 million and not \$10 to \$15 million, as he had said the previous day. In addition, of course, there would be the recurring costs for spare parts, etc. In any event, it was not certain that Denmark would accept such a gift. The United States were anxious to get rid of their F-86D surplus and were prepared to give them away. Some other N.A.T.O. countries might wish to accept a certain number of planes. Any such mutual aid transfer, however, would require a supplementary vote to finance it. The R.C.A.F. had a satisfactory supply of CF-100 Mk V's and could not, therefore, place any further orders.

6. During the discussion the following comments were made:

(a) An examination should be made of the Army's requirements for army transport planes and helicopters. De Haviland had just begun producing the "Caribou".

(b) Strong efforts should be made to restore the cancelled programme, at least in part, in an attempt to prevent the lay-offs.

(c) Since the expenditure of \$25 million to build 35 CF-100 Mk V's was too much it might be in order to build 10.

(d) This was again a situation where any steps taken to alleviate the unemployment situation in a particular area might call for similar measures across the country where unemployment was likely to develop.

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(e) It was pointed out that in some parts of the country an expenditure of \$25 million to save the seats of three Members of Parliament and the jobs of 2,000-3,000 persons would be considered out of all proportion. This would appear as too much concentration on a local problem.

(f) However, these lay-offs would be the first major increase in unemployment directly attributed to action of the government and efforts should be made to lessen the effects which could influence the government's chances of re-election.

7. The Cabinet noted the report of the Minister of National Defence on the meeting with Avro Aircraft and Orenda Engine officials and agreed,-

(a) that enquiries should be made as to whether some N.A.T.O. countries would accept a gift of a limited number of CF-100 aircraft;

(b) that possible arrangements to slow down the proposed lay-offs be studied; and,

(c) that the matter be again brought before the Cabinet after the visit of the representatives of Avro Aircraft and Orenda Engines on the following Tuesday.

By-election; Yukon District

8. The Prime Minister stated that Mr. Allister Grosart had reported to him on conditions in the electoral district of the Yukon. In his opinion, this riding should not be left any longer than necessary without representation in the House and an election at the earliest possible moment would increase the possibility of a Conservative victory. The same candidate who had run last June was available. Mr. Grosart had also reported that 50 per cent of the R.C.A.F. personnel at Whitehorse would be leaving shortly.

9. The Cabinet noted the Prime Minister's report and agreed that a writ be issued at once setting December 16th as the date for polling in the electoral district of the Yukon.