

Item: 17929

Title: Closing of Canadian Car plant at Fort William - Development of "Bobcat" vehicle

Meeting Date: 1959-01-21

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(d) The Minister responsible for civil defence in Ontario had directed civil defence authorities in the province to suspend civil defence activities pending publication of the Graham report. Decisions on policy were therefore required as soon as possible if interest was to be maintained and disintegration prevented.

22. The Cabinet agreed,-

(a) that no portion of the report on civil defence prepared by General Graham be made public, and that, in response to questions that might arise, it be said that the advice contained therein, some of which was of a confidential nature, was rendered by a public servant to a minister and that being the case, the report was a privileged document;

(b) that the copies of the report already circulated be returned to the Minister of National Health and Welfare; and,

(c) that the Ministers of National Health and Welfare and National Defence submit recommendations on the proposals contained in the report.

Closing of Canadian Car plant at Fort William; development of "Bobcat" vehicle
(Previous reference Jan. 20)

23. The Minister of Public Works reported that Ministers had again met with Canadian Car officials who had informed them that producing Bobcats at Fort William would only cost \$500 more per unit than if they were produced in the company's plant at Montreal. Assuming a favourable decision on the proposal previously submitted, he had drafted an announcement which might be made about this matter.

24. The Minister of National Defence said he was prepared to recommend that the second stage of development of the Bobcat vehicle be started now. If this were acceptable it should be possible to reach a decision as to production by April 1st, in which case all employees at the Fort William plant would be assured of their jobs for two years after that. \$6 million would be spent on the Bobcat for the 1959-60 fiscal year and \$12 million the following year, if production were ordered. He felt he should add that, if it were decided not to cancel the Arrow programme, there would not be enough money in his estimates for the Bobcat. The unit cost of the carrier would be from \$33,000 to \$38,000, depending upon the type of armour used and on the time taken for production. The proposal also involved letting a contrac-

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without asking for tenders. Another side to the matter was that speeding up production might mean sales to the United Kingdom and Germany. There was also the possibility of adapting the factory for producing vehicles for civilian use in the north.

25. The Cabinet agreed that, in order to prevent the closing down of the Canadian Car and Foundry plant at Fort William, and subject to review in detail by the Treasury Board, the second stage of the development contract for the army's armoured personnel carrier, the Bobcat, be let now, to enable an early decision to be taken as to whether production would proceed, in which case the production contract would be awarded to the Canadian Car plant at Fort William.

Freight rates; subvention to alleviate recent increase
(Previous reference Jan. 7)

26. Mr. Brooks said he had nothing new to add to the Cabinet Committee's latest recommendation for relief against the 17 per cent increase in freight rates.

27. The Minister of Finance said the payment of a subvention as proposed would be full of danger. It was based on no principle and could never be withdrawn. He recognized that it was difficult to find a way to fulfill the commitment made six weeks ago but he thought the sense of urgency had passed. He hoped that the comprehensive review of the whole freight rate problem could be undertaken quickly and that it would be unnecessary to pay a subvention in the meantime.

28. During the discussion the arguments for and against the proposed assistance were reviewed again. It was suggested that while something had to be paid, in view of the serious budgetary situation the subvention should be \$15 million, and it should be made clear that this was interim assistance only, pending a complete review of the freight rate situation. It was pointed out again that eastern and western Canada would be satisfied with nothing less than a reduction in the 17 per cent increase of approximately one-half. That meant a subvention of \$20 million as a minimum. A number of suggestions were made as to who might undertake the full scale enquiry.

29. The Cabinet agreed,-

(a) that, as a temporary measure to alleviate the recent 17 per cent increase in freight rates, a subvention of \$20 million per annum be paid to the railways in monthly instalments, to be applied to obtain a reduction of class and non-competitive commodity rates; and,

(b) that an appropriate item for this purpose be drafted for inclusion in the further supplementary estimates now being made ready for presentation to Parliament.

R.B. Bryce,
Secretary to the Cabinet.