

Item: 18025

Title: Arrow (CF-105) aircraft - Undertaking to pay development costs - Decision to terminate development

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Various means were considered for resolving the apparent deadlock in the Cabinet on this issue. It was considered whether or not a majority of, say, two thirds should be required, either to sanction execution in any case, or at least to act contrary to the recommendation of the jury for mercy. It was believed that traditional practices of Cabinets in the past gave no guide in this matter.

It was finally considered that, in view of the serious division of opinion and the recommendation for commutation that had been made by the Solicitor General and the Minister of Justice, as the responsible law officers of the government, it would not be proper to decide upon execution.

4. The Cabinet, therefore, after most exhaustive discussion, decided that the sentence of death imposed upon J.J. Vollman, Jr., convicted of murder by the Supreme Court of New Brunswick in Fredericton in November, 1958, should be commuted to life imprisonment.

(An order in council was passed accordingly; P.C. 1959-184, Feb. 14).

Arrow (CF-105) aircraft; undertaking to pay development costs; decision to terminate development
(Previous reference Feb. 10)

5. Mr. Green, as Acting Minister of Defence Production, stated that it was necessary to reach a decision as to whether or not a clear undertaking should be given to the Avro Aircraft Company that the government would meet the expenses involved in continuing development until notice of termination of the contract was given. The company had noted that the costs of this development were, in fact, likely to exceed the financial limitations that had been previously set on the programme, and that, unless these financial limitations were increased, it would be necessary for them now to begin laying off personnel until such time as the contract was extended or terminated. The Minister proposed to reply saying that the company would be paid reasonable and proper costs incurred under the development contract until it was terminated.

6. The Minister of Finance said the Treasury Board had withheld approval of proposals of this kind in recent weeks and should not be over-ridden in this matter but should be allowed to consider it again. He noted that the board was confronted with too many such faits accomplis by ministers or departments in taking on commitments that exceeded the financial limitations that had been previously established.

7. In the discussion of this proposal, the opinion was expressed that, if this undertaking were now given to Avro, it would increase the government's expenditure undesirably on this contract; no such undertaking should be given but, instead, a decision should be taken forthwith on the termination of the development contract. On this latter proposal it was noted that the Cabinet was clearly of one mind that work on the Arrow should be discontinued. A decision on the matter had practically been taken some weeks ago, but it had been thought that the Cabinet Defence Committee should meet and discuss it again with the military advisers of the government. This had now been done and the committee had recommended termination.

8. In further discussion the following points emerged:

(a) When a decision was announced it would be desirable to say as much as possible about arrangements with the United States on production sharing. It was not clear why the statement on that subject had been delayed. It should be recognized, however, that it was not possible to give Parliament any firm assurance as to the scale of the orders that the United States would, in fact place under the production sharing arrangements, even though the Secretary of Defence and others in the U.S. administration were well disposed to place such orders.

(b) No member of Cabinet present was opposed to the termination of the development of the Arrow, although it was recognized that the Minister of Labour, who was not present, was impressed with the employment problem that such action would create.

(c) In the statement on this matter in September, it had been said that development would be continued until March. It was noted, however, that the circumstances which had been spoken of in that statement had changed in the meantime, particularly in regard to the crisis over Quemoy, and the government, in the present circumstances, would be justified in deciding to terminate now the development programme.

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(d) It was pointed out that the government faced a serious decision in regard to the equipment of the Air Division of the R.C.A.F. in Europe. The replacement for the F-86 in the Air Division might cost over \$500 million. In fact, no decision had yet been taken by the Chiefs of Staff or the Minister of National Defence to recommend replacement, and it might be that missiles would be used instead, or some other course followed.

(e) It was also pointed out that the government faced the possibility that the R.C.A.F. might be using interceptor aircraft to defend Europe but not to defend Canada itself, which would be defended by American interceptors. This would create quite a political issue. On the other hand, it was noted that the R.C.A.F. would be using Bomarcas to defend Canada, and no decision was being proposed now to use aircraft in Europe. This issue was not directly related to the decision on the Arrow.

(f) It was agreed that other ministers should be present for this major decision, particularly the Minister of Defence Production. The final decision should therefore be taken on Tuesday next and Mr. O'Hurley be asked to be present, even at the cost of having to cancel his appointment in Halifax that day.

(g) A statement should be made in the House of Commons at the same time that the company was notified of the termination, and that statement should be ready when the final decision was taken on Tuesday.

9. The Cabinet agreed that the final decision on discontinuing the development of the Arrow (CF-105) aircraft should be taken at a meeting of the Cabinet on Tuesday, February 17th, and the decision when made should be announced forthwith to Parliament at the same time that the company was informed of it.