

# Item: 18561

**Title:** Choice of aircraft to replace F-86 for the Air Division in Europe

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Choice of aircraft to replace F-86 for the Air Division  
in Europe

(Previous reference June 19)

1. The Minister of Defence Production reported on the studies he and his advisers had made of the problem of choosing between the Grumman F11F-1F and the Lockheed F-104G aircraft for replacement of the F-86 presently in service in 8 of the 12 squadrons in the Air Division in Europe. For the Grumman the order of magnitude of cost for 214 aircraft was \$445 million; the figure for the Lockheed was \$420 million. These costs assumed that spares and support, engineering charges and engineering and tooling manpower levels would be restricted and controlled. The figures did not include allowances for missiles, nuclear warheads or other armament. In either case the aircraft would be manufactured largely in Canada. At the peak of production 3,500 persons would be added to present levels of employment in the case of the aircraft plant and 1,450 for the engine. Supporting facilities would, of course, also benefit.

Substantially the complete airframe of either aircraft could be built economically in Canada. Other than a possibility of free tooling which had not as yet been chosen by any other country, there was no indication of production sharing possibilities in regard to the Grumman. However, the Lockheed had been chosen by West Germany, who had ordered 66 and would build 200 under licence. If Canada chose the Lockheed, the company would place in Canada a substantial amount of the work involved in the 66 for Germany, provided the United States Air Force agreed and the Canadian government had approved the contract for the Air Division replacements by August. Any mutual aid offers would also be filled from the tooling placed in Canada for this purpose. The engine, which was the same for both aircraft, could also, in large part, be built economically in Canada. The bulk of the items for electronics and fire control were within the capabilities of the Canadian electronics industry and he recommended that they be produced in Canada. As regards production sharing generally, it was intended to offset what procurement had to be done in the United States by using every effort to have sub-contract work for common programmes or for American procurement placed in Canada.

There were three possible methods of choosing the contractor for the airframe: allocate to Canadair on a negotiated price basis; request proposals from Canadair, de Havilland and Avro with firm prices on as many elements of the programme as possible, in order to assess the competitive position of each company; or allocate to Avro on a negotiated price basis.

Canadair's manpower level was 9,300 now but by 1961 it would be reduced to 1,000. This level would be uneconomic, but the company had to be maintained in operation as it would be supporting most of the other aircraft used by the R.C.A.F. Canadair had a successful record of manufacturing under licence with several firms, including Lockheed; it had made successful inroads in the commercial field, and any serious drop in employment would adversely affect its ability to continue in this field.

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The contract for items in the BOMARC programme would be seriously affected if employment were to decline drastically; and, finally, if Canadair received the airframe contract, the Department of Defence Production would ensure that a reasonable share of work would be given to Canadair's existing sub-contractors.

If de Havilland were the successful bidder, it would have to act as a programme manager, subcontracting the majority of the work because it did not have sufficient space for manufacturing.

If Avro received the contract, the company would have to build up a large labour force again and then reduce again to less than the present levels. Avro had no firm programme for the future. If it, or de Havilland, received the business, the Canadair problem would remain to be solved.

Ideally, requesting the three companies to bid on a fair price basis was the best approach. But firm price bidding was unrealistic in the present circumstances.

As for the engines, there were two possibilities for production: Canadian Pratt Whitney or Orenda Engines Limited. It would, however, be an incompatible situation if a subsidiary of Pratt Whitney were chosen to manufacture a General Electric engine, as the two firms were direct competitors in the United States.

The Minister recommended, -

(a) that the Lockheed F-104G be selected as the replacement for the Sabre squadrons in Europe;

(b) that the airframe contract be allocated to Canadair Limited on an incentive type contract; and,

(c) that the engine contract be allocated to Orenda Engines Limited, on a firm price basis.

An explanatory memorandum was circulated, (Minister's aide memoire, undated).

2. The Minister without Portfolio (Mr. Macdonnell) said that it was the Minister of Finance's understanding that this matter would not be considered in his absence.

3. The Minister of National Defence said it would be very embarrassing to him when his estimates were before the House on Thursday next to announce that the Air Division was being re-equipped but not to be able to say with what aircraft. The Minister of Finance was more concerned with the allocation of contracts and the details involved, not the choice as such.

4. Mr. Pearkes added that the Cabinet Defence Committee had had the report of the Minister of Defence Production before it at its last meeting. Since then the Chiefs of Staff had discussed the matter further with Defence Production officials, and had stated that they would be willing to go along with a decision to re-equip the Air Division with the Lockheed F-104G.

5. During the discussion the following points emerged:

(a) If it were decided to acquire the Lockheed, \$14 million worth of work would be placed in Canada in respect of the 66 machines being purchased by Germany.

(b) It was undesirable for Canadair to be given most of the work, in view of the fact that it was fairly busy now and in the light of Avro's position following the cancellation of the Arrow. The Minister of National Defence, in his opening statement on his estimates, should make it quite clear that the Arrow could not have been used for the strike attack role in Europe.

(c) The implication of the views of the Chiefs of Staff was that they would prefer a better aircraft than the F-104G if more money were available. It would be highly embarrassing if, at some time in the future after the government had announced a decision to purchase the F-104G, it became known that the Chiefs of Staff were, on military grounds, in favour of a different and presumably more efficient type of aircraft. The Chiefs of Staff should be asked to submit a firm recommendation on the F-104G, taking into account all the factors involved, before the Cabinet reached a decision.

(d) Assuming a decision was taken now on the type of aircraft, the Air Division would not be completely re-equipped for five years. It would probably be another five years after that before the Lockheed or the Grumman would cease to be effective.

6. The Cabinet approved the choice of the Lockheed F-104G to re-equip 8 squadrons of the Air Division in Europe subject to receiving a firm recommendation from the Chiefs of Staff for it, and subject to discussion of the matter with the Minister of Finance before announcement.