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

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2 July 57

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- 2 -

Choice of aircraft to replace F-86 for the Air Division
in Europe
(Previous reference June 30)

1. The Prime Minister said he and the Minister of National Defence had discussed this question further and had agreed on the words to be used in the opening statement on the debate on the National Defence estimates. The Minister of Finance had concurred. It would be said that the Lockheed F-104G would be selected as the replacement provided agreement could be reached with the Lockheed Aircraft Corporation on cost, production sharing and other contractual terms.

2. The Minister of Defence Production said that discussions had been held with Lockheed concerning the licensing arrangements for manufacturing the F-104G. The cost of these would total \$3 million for the basic licence, \$20,000 per aircraft up to 200 aircraft and \$15,000 for each aircraft over 200 and 5 per cent royalty on spares over the lifetime of the aircraft. This latter item would be 5 per cent on roughly \$100 million worth of business.

He wished to have the approval of Cabinet to invite proposals from Canadair, Avro and de Havilland for the production of the airframe and the management contract. He proposed that manufacture of the engine be allocated to Orenda Engines Ltd. It was important to settle the contract by August 17th so that Canadian companies could share in the production of the 66 104's ordered by West Germany. When proposals were received, his department would scrutinize them carefully and then forward them to the Treasury Board.

3. During the discussion it was said that, while a good case could be made for allocating the contract for the engine, it was risky to depart from the tender principle for the airframe and the management contract. The government should not allow itself to be charged with favouritism in such an important contract as this.

4. The Cabinet,-

(a) confirmed the decision that the Lockheed F-104G aircraft be selected to replace the F-86 in the Air Division in Europe;

(b) agreed that the contract for the production of the engine for the F-104G be allocated to Orenda Engines Ltd; and,

(c) authorized the Minister of Defence Production to invite proposals from Avro, Canadair and de Havilland for the production of the airframe and for the management contract for the production of the aircraft as a whole.