

Item: 18719

Title: Allocation of contract for Lockheed F-104G airframe

Meeting Date: 1959-08-14

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(c) If estates were authorized to purchase Canada Savings Bonds there would be some loss in the market for regular bond issues, since estates had been major investors in regular issues. Furthermore, as the savings bonds were redeemable at any time, even the initial net gain might shrink later through resale of savings bonds.

(d) On the other hand, the admission of estates as eligible purchasers would remove an unnecessary restriction which might have been an irritant in some quarters. Estates appeared less likely to redeem savings bonds quickly than most other kinds of purchasers. Moreover, their investment in savings bonds, though perhaps offset to a degree by reduced purchases of regular issues, would still leave a net gain in borrowings.

11. The Cabinet,-

(a) approved the recommendation of the Minister of Finance for the issue of Canada Savings Bonds, including an increase in individual salesmen's commissions from $3/4$ per cent to 1 per cent; and,

(b) agreed that estate funds, but not other forms of trusts, be authorized to invest in Canada Savings Bonds.

(An order in council was passed accordingly; P.C. 1959-1043, Aug. 14).

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(Previous reference Aug. 13)

12. The Prime Minister suggested that a final review of the considerations affecting the allocation of the contract for the production of the Lockheed F-104G would be useful.

13. During the discussion the following points were raised:

(a) Award to A.V. Roe would make certain the operation of the Malton plant for at least two or three years, and would offset the local disappointment about the abandonment of the Arrow programme.

(b) Disregarding secondary economies, the A.V. Roe proposal had quoted the lowest price. On the other hand, on an overall basis the proposal of Canadair was the lowest by a margin of \$9,350,000. This net saving would be achieved through lower overhead charges on other government work if the award were made to Canadair.

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(c) As a matter of policy, it was desirable to divide the work between the competitors in different areas. The contract for the engine had already been awarded to Orenda, a subsidiary of A.V. Roe. This would add some 3,600 workmen to the working force at Orenda. The engine represented 31 per cent of the cost of the aircraft, and the airframe 36 per cent. Therefore, if the airframe were allocated to Canadair the division of the work between the Toronto and the Montreal area would be approximately equal.

(d) If the award were not made to Canadair, up to 8,000 workmen would be laid off there in 1961 unless the plant meanwhile obtained additional orders.

(e) The fundamental question was whether Canada could afford to maintain three major aircraft plants. The industry was overexpanded, and it seemed unlikely that requirements for piloted aircraft or for missiles in the foreseeable future would be sufficient to keep all three plants in full operation.

(f) The Canadair plant, though owned by a U.S. parent company, could reasonably be regarded as a Canadian establishment. It received no orders from the parent company.

(g) Canadair had taken the initiative of seeking private orders, whereas A.V. Roe had failed to do so and had merely disintegrated.

(h) If given the contract, Canadair would give subcontracts on a widely decentralized basis, ranging from the Maritime provinces to Fort William.

(i) An award to A.V. Roe at this time, several months after the cessation of the Arrow programme, would be criticized.

(j) Even if A.V. Roe received the contract it would merely postpone the evil day. It would inflate the working force for a brief period, with a serious readjustment of employment being required once again in a relatively short time. An award to Canadair, on the other hand, would help to provide the basis for a stable aircraft industry.

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14. The Cabinet agreed, -

- (a) that the contract for the manufacture of the Lockheed F-104G airframe should be allocated to Canadair;
- (b) that a public announcement should be prepared as quickly as possible by the Ministers directly affected, and submitted to the Prime Minister for approval. The release would be made by the Minister of Defence Production; and,
- (c) that the announcement should refer to the general policy of spreading government contracts between different geographical areas wherever possible; to the fact that the engine contract had recently been awarded to Orenda, a subsidiary of A.V. Roe; and to the fact that the award of the airframe contract to Canadair would save the Treasury about \$9,350,000.

Pan American Games 1963; request from City of Winnipeg for financial assistance

15. The Minister of Finance said that a request by the City of Winnipeg for financial assistance in connection with the 1963 Pan American Games had been considered by the Treasury Board. As the City had not yet been selected as the site of the Games, the Board had recommended that no commitment of assistance be made at this stage. A reply to this effect had been drafted.

The Minister recalled that no assurance of aid had been given to the City of Vancouver until after its official selection as the site of the British Empire and Commonwealth Games. Winnipeg had requested the sum of \$600,000 each from the Federal and Provincial governments. The Premier of Manitoba had written stating that the Province would contribute \$200,000 and recommending that a matching grant be made by the Federal government; he had further requested that up to \$100,000 be made available to assist athletes from various parts of North and South America with their travelling expenses.

16. During the brief discussion it was noted that a non-committal response might make it impossible for the City to proceed with its application.

17. The Cabinet agreed that Mr. Churchill should