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factories with work only for two. Mr. O'Hurley countered by pointing out that of the 400 millions spent on the F104 by Canada, 150 million was being spent in the United States for components. Mr. Fleming referred to the financial arrangements and it was confirmed by Dave Golden that the arrangements were to be spread over two U.S. fiscal years, which meant over three Canadian fiscal years. General Brown pointed out that the bill for spares would depend on the rate of utilization; that the present bill for 47 million was calculated on 25 hours a month per aircraft, and would amount to 23 million dollars a year; the remainder was for ground handling equipment and simulators and armament. Mr. Gates said that you must decide the policy first. Do you want the fighters, and then we can argue about price.

Mr. Green stated that they were told two years ago that the manned bomber was on its way out and that is why they cancelled the Arrow. Now they have to go back and say that both are still needed. Mr. Fleming referred to the fact they tried to interest the Americans in buying the Arrow at the Paris Conference but had been turned down flat by Mr. McElroy.

Mr. Pearkes confirmed that the flying rate would be about the same as the Americans and, therefore, there would be no reductions in spares from that cause. He said we did not cancel the F105 because there was no bomber threat but because there was a lesser bomber threat and we got the Bomarc in lieu of more airplanes to look after this. Now he said perhaps the expectation of two years ago that the bomber threat was lessening has not been fulfilled. At the same time he said we expected Bomarcs to cover the whole country. These had been reduced, and therefore some more protection to the western part must be made in those areas which were to be protected by Bomarc. It wasn't fair, he said, for Canada to fill this western gap which had been

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At the ministers' meeting in Quebec in July 1960, Pearkes felt betrayed by the Americans. (DIRECTORATE OF HISTORY, DEPARTMENT OF NATIONAL DEFENCE)

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created by the Americans all by themselves. Mr. Gates referred once again that we must get this aircraft deal settled if at all possible because they could not afford to stand up to the political pressures at home too long.

Morning Session

The conference reconvened at 9 o'clock on Wednesday, 13 July, and went over the previous day's discussions to some degree.

Aircraft Deal

On aircraft, Mr. Gates offered to split the 47 million dollars for spares on a one-third, two-third ratio which would mean that the U.S. would spend 150 plus 30 million dollars, and the Canadians would spend 122 million dollars. Mr. Fleming appreciated the offer and said he would report this fact to the Cabinet. Mr. Gates suggested that the matter has already been discussed with the press and therefore it would be wise if it could be settled as soon as possible, especially at this meeting. Mr. Fleming said that we now were aware of all the facts and would be able to decide as soon as possible. Mr. Pearkes asked when these aircraft would be available and it was confirmed that they would come off production in the period August through December and would be the last 66 on the production line.

"SKY SHIELD"

Referring to "SKY SHIELD", Mr. Green said that he would have to take back the proposed public relations policy to the Prime Minister. As to the question that the first announcement had been agreed to, the reply was yes. Mr. Irwin pointed out that the proposed policy guidance was for NORAD who would be required to answer questions arising from the first announcement, and Mr. Gates stressed the fact that the intent was to focus all releases through NORAD and to give them this guidance. Mr. Fleming felt that the

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