

## Be aware of all tax implications

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out of even if no funds are withdrawn. Again, the gain or loss is determined by the difference between the market value and the ACB at the time of the switch.

There is also something called a "deemed disposition" that assumes for tax purposes that all capital investments are sold for their fair market value and triggers the built-up capital gains or losses at that time.

A deemed disposition will occur at death and the capital-gains rules will apply if the assets are left to anyone other than your spouse. You will also have a deemed disposition if you change the registration on your mutual funds to anyone other than your spouse, i.e. if you make them joint with your children for estate purposes.

In summary, make sure you know what kind, if any, of taxable income the investments inside your mutual fund will generate and if the management style is "active" or "buy and hold."

Also be aware of the tax implications of any actions on your part.

*Rob Whipp is the financial editor of Fiscal Agents' Money Management Newsletter*

## Series rekindles Arrow debate

*In 1959, the Diefenbaker government cancelled the Avro Arrow contract, putting 14,000 employees out of work. A recent CBC mini-series has kindled the debate anew, 38 years after the fact.*

By Christopher Guly

Former Conservative cabinet minister George Hees, who died in 1995 and once fancied himself to be the Errol Flynn of Parliament Hill, likely would have been amused at hearing that Canadian-born actor Christopher Plummer played him in the recent CBC-TV mini-series presenting the demise of the Avro Arrow.

But no doubt his fascination would end there, since Plummer's portrayal cast Hees as the villain in what the series' producers suggest was the biggest blunder in Canadian aeronautics history.

In January, Canadian viewers of CBC's \$7.8-million dramatic presentation saw how production of the fastest and most technically advanced plane of its time, developed by Canadians, was squashed by a Canadian government.

The airing gave older Canadians a chance to relive the debate one more time 38 years after the Arrow was aborted. Historians and other commentators rose to counter the view, presented by director Don McBreaarty, that the Conservative government of the day made a huge mistake.

In 1949, A.V. Roe of Canada began working on the twin-engined, all-weather interceptor jet aircraft, the Avro Arrow (CF-105). Eight years later, the company rolled out its first model.

Avro, Canada's third-largest employer at the time, was also responsible for building North America's first jetliner, the Avro Jetliner (C-102), which first flew on Aug. 10, 1949. But Cold War priorities ended that program within seven years and Avro began concentrating on the CF-100 Canuck — Canada's first jet fighter.

A.V. Roe started developing the CF-100 fighters in 1946, and flew the first aircraft in January 1950. During the next decade, Avro built 692 of the all-weather fighters, which proved useful in the Canadian north and ended up being used in NORAD and NATO squadrons.

Most impressed by the Avro CF-100 Canuck was the Royal Canadian Air Force, who persuaded Louis St. Laurent's Liberal government to look to A.V. Roe to help combat the Cold War threat posed by Soviet long-range bombers over the Canadian Arctic. At the time, test flights indicated the Avro Arrow to be the world's fastest interceptor and, in December 1953, the federal government commissioned the construction of two prototype Avro Arrows, at a cost of \$2 million each, as part of a future 600-aircraft deal. But gradually, production costs rose to

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LOOKING BACK

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# CBC show prompted historical review

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almost \$13 million per aircraft as Canada became involved in developing the Arrow's engine, fire-control and missile systems.

In 1958, a year into their term, John Diefenbaker's Conservative government eliminated fire control and missile development, and tried to sell the Arrow to the Americans. However, the U.S. government was promoting its own Bomarc missiles — and actually sold \$260-million worth of them to the Diefenbaker government.

On Feb. 20, 1959, then-Transport Minister George Hees cancelled the Arrow contract, ordered all plans and prototypes destroyed, and put 14,000 Avro employees out of work. This is the story CBC's *The Arrow*, starring Dan Aykroyd, Plummer,

Michael Moriarty, Sara Botsford and Michael Ironside, told.

In the days following the airing of *The Arrow*, voices emerged to dampen the romanticism of the story. Historians such as J. L. Granatstein were recruited to write newspaper opinion pieces, and then editors and writers of letters to the editor got into the act.

Editorialists at the *Globe and Mail* reminded that the Arrow would have carried a nuclear tip, and to remain cost-effective would have to have been exported, "where it inevitably would have been a weapon in wars Canada opposed, such as Vietnam."

The *Globe* and others also point out that warfare was changing from bombers to missiles, so by the mid-'60s the plane would have been obsolete.

Others find technical flaws with the Arrow program.

Ian Ross, executive director of the Ottawa-based Canadian Aeronautics and Space Institute, said the Arrow possessed "indisputably the best technological air-frame and engine" at the time, but points out that the Arrow had its technological shortcomings.

"The weakness was in its weapons system — the whole fire-control system for the weapons it had to carry as an interceptor," he says.

"You have to look back at the historical time frame, where the technology of transistors had just been invented. We talk today about miniaturization and it's quite normal to have a whole computer on your desk with more memory in it than whole room-size units had.

"We're dealing with an airplane that need-

ed computer technology in an era where every week you waited when the computer got twice as good."

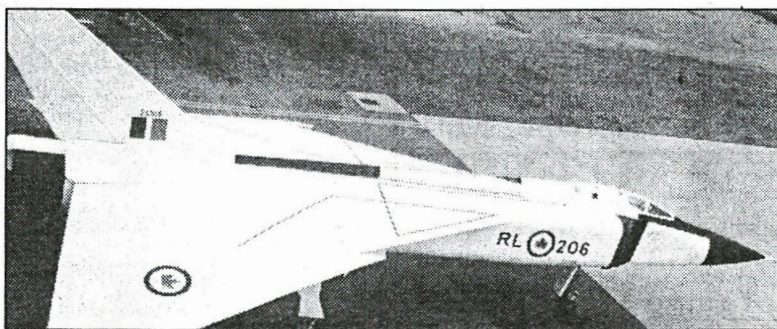
Ross believes the Avro Arrow's engineers got caught in the "hysteria" of finding alternatives in applying better electronics and weapons system — which drove the cost of the aircraft up and forced the money-conscious Conservative government to re-examine the viability of further investing in the aeronautics initiative.

Television host Elwy Yost, who worked in Avro's personnel department from 1953 to 1959, remembers the fateful day when the project was canned.

"We were all just stunned when [A.V. Roe president] Crawford Gordon came in and told us," says Yost, who is based in Vancouver. "Here, we had a plane that had reached

Mach-2, 2,000 miles an hour or twice the speed of sound at 1,500 miles an hour, and the Diefenbaker government decided to pull the plug. It was a terrible blunder, because Ottawa then went ahead and bought the Bomarc for a much higher price.

"This will go down as one of the most tragic episodes in Canadian history," says Yost.



The CBC used a recreated model of the Arrow in its series.



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