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CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, October 24th, 1957, at 10:30 a.m.

Present:

The Prime Minister
(Mr. Diefenbaker) in the Chair,
The Minister of Public Works
and Acting Minister of Defence Production
(Mr. Green),
The Minister of Finance
(Mr. Fleming),
The Minister of Veterans Affairs
(Mr. Brooks),
The Minister of Transport
(Mr. Hees),
The Solicitor General
(Mr. Balcer),
The Minister of National Defence
(Mr. Pearkes),
The Minister of Trade and Commerce
(Mr. Churchill),
The Minister of Justice
and Acting Minister of Citizenship and Immigration
(Mr. Fulton),
The Minister of National Revenue
(Mr. Nowlan),
The Minister of Agriculture
(Mr. Harkness),
The Minister of Fisheries
(Mr. MacLean),
The Minister of Labour
(Mr. Starr),
The Postmaster General
(Mr. William Hamilton),
The Minister without Portfolio
(Mr. Macdonnell),
The Minister of Mines and Technical Surveys
(Mr. Comtois),
The Minister of National Health and Welfare
(Mr. Monteith),
The Minister of Northern Affairs
and National Resources
(Mr. Alvin Hamilton),
The Secretary of State for External Affairs
(Mr. Smith),
The Leader of the Government in the Senate
(Senator Haig).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Fournier),
(Mr. Martin).

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Dominion Provincial Conference on fiscal relations;
arrangements

14. The Prime Minister read a draft letter which he was proposing to send to the provincial premiers concerning the forthcoming Dominion Provincial Conference on fiscal relations. He had some reservations as to the necessity of obtaining their permission before tabling any correspondence which he had previously exchanged with them.

15. The Minister of Finance said that it would be hopeless to aim at substantial results in a two-day conference. It might be better to throw the conference wide open in order that the government might have a clear understanding of the sum total of things which the provinces wanted. It would be helpful in the matter of division of revenues if the implications of unemployment insurance, hospital insurance etc., etc., were fully understood.

16. The Cabinet noted the remarks of the Prime Minister and of the Minister of Finance and deferred consideration of arrangements for the Dominion Provincial Conference on fiscal relations to the next meeting.

A.V. Roe Canada; lay-offs at Avro Aircraft and Orenda Engines

17. The Minister of National Defence stated that it had been reported to him that a very large number of workers in subsidiary of A.V. Roe Canada were being laid off as a result of the government's action in cancelling the construction of the CF-100 Mark VI. Between now and next July, about 1,750 men would be laid off at Avro Aircraft and 1,200 at Orenda Engines. The Members of Parliament in whose constituencies these companies were situated had appealed to him to take measures to ease this situation. A suggestion which he did not endorse had been made to build 35 CF-100 Mark V's and give them to the Danish government as mutual aid. This would cost between \$10 and \$15 million.

18. The Minister of Labour reported that according to his information the Avro employees were coming here next Monday to see their Members of Parliament. He thought that the company was adopting a vindictive attitude and that in their lay-offs they were going far beyond what was necessary.

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19. During the discussion the following comments were made, -

(a) One of the great disadvantages in following up the suggestion of making a gift under mutual aid to the Danish government was that, during the lifetime of these aircraft, the Canadian government would be bound to provide, most likely at its own expense the spare parts required for maintenance.

(b) A decision in this matter might be deferred until the following week after discussions on pooling of efforts in defence had taken place on Saturday with the Prime Minister of the United Kingdom unless, of course, the lay-offs were to be announced this day or the next day.

(c) It had to be recognized that it was difficult to save money without putting men out of work. There was a clash between the desire to economize and political expediency.

(d) Some had suggested that severance pay be given to those who were being laid off, but this was not considered at all sound and would be an important innovation which would lead to similar requests from others.

(e) The three Conservative Members of Parliament involved had been elected on a programme that there would be no lay-offs.

(f) Consideration should be given to what size of lay-off could be acceptable politically on the assumption that 5 votes might be lost per man laid off. This could involve almost 10,000 votes.

(g) A heart-to-heart discussion should be held at once in Ottawa with the officials of Avro and Orenda. They should be asked to come to Ottawa today if possible.

(h) The Acting Minister of Defence Production would be the proper person to convene these officials whom he could meet together with the Ministers of Labour, Finance, and National Defence.

20. The Cabinet noted the report of the Minister of National Defence and agreed that the Acting Minister of Defence Production and the Minister of Transport get in touch immediately with officials of Avro Aircraft and Orenda Engines to invite them to come to Ottawa for discussions on the proposed lay-offs, and that the

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companies be asked to hold up any lay-offs until their officers had met with the Ministers concerned.

(Note: Before the end of the meeting the Acting Minister of Defence Production was able to report that these arrangements had been successfully completed and that the meeting would take place that evening).

Financial agreement between the Federal government and the Government of the Yukon Territory

21. The Minister of Northern Affairs and National Resources reported that he and the Minister of Finance were in agreement with the recommendations of an interdepartmental committee as to the terms of the new financial agreements between the Federal government and the government of the Yukon Territory. These recommendations could be summarized as follows:

(a) the Territorial government should apply \$625,000 from its accumulated reserves towards capital expenditures;

(b) the Territorial government would undertake, on its own part and on that of its municipalities, to abstain from the imposition of corporation taxes and taxes on individual and corporate incomes; and on successions, for the next five years;

(c) in each of the next five years, beginning in 1957-58, the government of Canada would pay to the Territorial government, a population subsidy equivalent to eighty cents per capita, which would amount to the sum of \$9,752, and a grant in aid of its government and council in the amount of \$30,000; and,

(d) the government of Canada would pay to the Territorial government the amount of \$419,000 for the fiscal year beginning April 1st, 1957, and in the succeeding fiscal years an amount which would vary from \$419,000 in the same proportion as the gross national product at factor cost per capita for the preceding calendar year varied with respect to the gross national product at factor cost per capita for the base calendar year 1956, subject to the condition that the resultant payment for any fiscal year would not be less than ninety-five per cent of the payment for the preceding year.

An explanatory memorandum had been circulated, (Minister's memorandum, Oct. 15, 1957; Cab. Doc. 259-57).