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January 28th, 1959.

ITEMS DISCUSSED

Paras.

1. International Labour Conference, 1959; presidency; Minister of Labour
3. Freight rates; subvention to alleviate recent increase; possible terms of reference for long term railway inquiry
8. British Columbia coastal steamships; labour dispute
10. Canadian Broadcasting Corporation producers; strike in Montreal
12. Closing down of Canadian Car plant at Fort William; development of Bobcat vehicle
17. Arrow aircraft; alternative aircraft programme
21. St. Lawrence Seaway tolls; Memorandum of Agreement with the United States

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CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 3408 of the House of Commons, on Wednesday, January 28th, 1959, at 9:30 a.m.

Present:

The Prime Minister
(Mr. Diefenbaker) in the Chair,
The Minister of Public Works
(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 National Revenue
(Mr. Nowlan),
The Minister of Agriculture
(Mr. Harkness),
The Minister of Citizenship and Immigration
(Mrs. Fairclough),
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 Secretary of State
(Mr. Courtemanche).

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

Arrow aircraft; alternative aircraft programme

17. The Minister of Finance said that almost as soon as he tabled the main estimates for 1959-60 it would become known that there was no provision for expenditures on the Arrow beyond April 1st, except cancellation costs.

18. The Prime Minister said he had received suggestions that Avro might be given a contract to produce, under licence, a Blackburn aircraft of United Kingdom design. It was his understanding that this aircraft might be suitable both as an interceptor and for ground attack purposes. Such a development would be helpful in furthering the government's Commonwealth policy.

19. The Minister of National Defence said the Blackburn aircraft was not in existence yet and could not be available for three years. It had been studied as a possible replacement for the F-86 in the R.C.A.F. Air Division in Europe. The N.A.T.O. military authorities had in mind two roles for the Air Division, - all weather reconnaissance and strike. These could be carried out as long as the CF-100 remained in operation. They had suggested, however, that the F 86, with which the Air Division was also equipped, be replaced by an aircraft with a strike capability. The most promising was a Grumman machine. This would have a large measure of Canadian content in it perhaps 70 per cent, and much of the work might be done at the Avro plant at Malton. It would be manufactured under licence from the U.S. company. It was just barely supersonic. At the moment he was inclined towards replacing the F-86's in the Air Division and doing nothing about the CF-100's.

20. The Cabinet noted the brief reports on the Arrow and possible future aircraft programmes and agreed that these matters be discussed again in the near future.

St. Lawrence Seaway tolls; Memorandum of Agreement with the United States
(Previous reference Jan. 14)

21. The Minister of Trade and Commerce said he had no objections of detail to the recommendations contained in the Tariff of Tolls on the St. Lawrence Seaway. He would naturally prefer no tolls on the Welland Canal at all, but he had no specific proposals to make at this time.

22. During the discussion the question of charging tolls on the Welland Canal was reviewed again at length. If it was decided not to levy tolls now it would be impossible to impose them when "twinning" of the locks was undertaken to increase capacity. This would cost approximately \$100 million, and was a burden which the taxpayers generally should not reasonably be