

000983221(1-B)
February 3rd, 1959.

ITEMS DISCUSSED

Paras.

1. Petition of Mr. Raoul Rolling re suspension or cancellation of deportation order
5. Parliamentary programme
8. Freight rates; subvention to alleviate recent increase
11. Bill to amend the St. Lawrence Seaway Authority Act
12. Estimates 1959-60; possible announcement on the CP-105 Arrow aircraft
15. Administrator under British Columbia Coast Steamship Service Act; termination of appointment
16. Wheat export programme 1958-59; government assistance
21. Trade agreement negotiations with U.S.S.R.; report
24. Canada-Australia Air Agreement
27. Export credits policy
31. Avon Coal Company; loan under the Maritime Coal Production Assistance Act
33. Eldorado Mining and Refining Limited and Northern Transportation Company, Limited; capital budget, 1959
35. St. Lawrence Seaway Authority; capital budget, 1959
37. Trans-Canada Air Lines; capital budget, 1959
39. National Harbours Board; capital budget, 1959
41. Search and rescue aircraft (SA16B); procurement
43. Dairy industry stabilization programme
46. Courts of Canadian citizenship; establishment
48. Roads to resources programme

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CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Tuesday, February 3rd, 1959, at 10:00 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 Justice
(Mr. Fulton),
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 Northern Affairs
and National Resources
(Mr. Alvin Hamilton),
The Secretary of State for External Affairs
(Mr. Smith),
The Secretary of State
(Mr. Courtemanche).

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

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Freight rates; subvention to alleviate recent increase
(Previous reference Jan. 28)

8. The Minister of Transport reported that one plan which had been developed for applying the \$20 million freight rates subvention involved payments to all the carriers, including water carriers, associated with the application for the 17 per cent freight rate increase. This would only reduce the increase to 10 per cent, however, and was therefore not acceptable to several ministers.

9. During the discussion the following points emerged:

(a) If the subvention had to be paid to all carriers, then an additional \$4.3 million would be required to reduce the increase by approximately 50 per cent. Several had argued that it was unnecessary to make payments to all the carriers involved, but this would be discriminatory and undoubtedly lead to difficulties with those companies whose wage rates had also risen.

(b) An alternative proposal that the subvention apply only to shipments into and out of the Western and Atlantic regions and within those regions themselves had been put forward, but a study of it showed that the Maritimes would not receive an adequate proportion of the \$20 million. This was not satisfactory.

10. The Cabinet noted the report on possible methods of applying the \$20 million freight rates subvention to alleviate the 17 per cent freight rate increase and agreed that the Cabinet committee on this subject continue its studies and submit a suitable proposal.

Bill to amend the St. Lawrence Seaway Authority Act

11. The Cabinet approved the resolution to precede the bill to amend the St. Lawrence Seaway Authority Act.

Estimates 1959-60; possible announcement on the CF-105 Arrow aircraft
(Previous reference Jan. 28)

12. The Prime Minister said that, when the estimates for 1959-60 were tabled, questions would probably be asked about production of the Arrow aircraft. In the circumstances, it might be advisable to make a final decision now, and announce it when the estimates were tabled. He had discussed the Arrow and other defence matters with the Chiefs of Staff a few days ago, and they had said that no new military factors regarding either the manned bomber threat or developments to meet the threat had emerged since September which would have a

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bearing on the Arrow decision. He had raised with the Chiefs the possibility of the United Kingdom "Blackburn" replacing existing equipment in the Air Division. If this were a suitable aircraft, then the work might be given to AVRO. However, they favoured U.S. equipment.

13. During the discussion the following points emerged:

(a) It was not vital to make a statement immediately. The wiser course would be for the Cabinet Defence Committee and the Cabinet to consider what steps might be taken to maintain employment at AVRO and then announce a programme at the time the final word was given on the Arrow.

(b) It was impracticable to think of providing other work for AVRO as soon as the Arrow programme was halted. It would take many months before any contracts could be awarded.

(c) The sooner the decision was made on the Arrow, the more money would be saved on cancellation charges and could be made available for other purposes. It was quite evident what the decision would be. Nothing would be gained by deferring it any longer.

14. The Cabinet deferred decision on the future of the CF-105 Arrow aircraft programme to the next meeting.

Administrator under
British Columbia Coast Steamship Service Act;
termination of appointment

15. The Cabinet approved the recommendation of the Minister of Labour that the appointment of Mr. R.K. Smith, as Administrator under the British Columbia Coast Steamship Service Act, be terminated with effect from February 3rd.

(An order in council was passed accordingly; P.C. 1959-118, Feb. 3).

Wheat export programme 1958-59; government
assistance

(Previous reference Aug. 29, 1958)

16. The Minister of Trade and Commerce recalled that, last August, the Prime Minister had stated that the government intended to ask Parliament during the current session to continue to provide financial assistance for exports of wheat and flour. During the 1957-58 crop year, exports were 316 million bushels, of which 285 million were commercial sales and 31 million gifts or special loans. Commercial sales for the 1958-59 crop year might not exceed 260 million bushels and, to reach the target of 300 million, assistance would be needed either by a special sum in the estimates