

February 4th, 1959.

ITEMS DISCUSSED

Paras.

- | | |
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| 1. | St. Lawrence Seaway Authority;entrustment
of major canals |
| 4. | Freight rates; subvention to alleviate
recent increase |
| 6. | CF-105 Arrow programme |
| 11. | Premium Iron Ores |
| 13. | Nova Scotia coal industry;establishment
of inter-departmental committee |

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CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 340-S of the House of Commons, on Wednesday, February 4th, 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 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 Assistant Secretaries to the Cabinet
(Mr. Fournier),
(Mr. Martin).

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CF-105 Arrow Programme
(Previous reference Feb. 3)

6. The Minister of National Defence reported again on the present state of the CF-105 Arrow programme. In addition to the information he had given previously, he noted that, from the end of September 1958, until the end of January 1959, \$60 million had been spent on the development of this aircraft and that, if development continued until March 31st, \$45 million more would be expended. The average cost per weapons system for a programme of 100 operational aircraft was now estimated to be \$7.81 million. This excluded termination charges for the Astra/Sparrow from September 1st, 1958, which were estimated to be \$28 million. Although the cost had been reduced from \$12.6 million to this figure, he still considered that the production of 100 such aircraft could not be justified at this price. The Chiefs of Staff were, as directed last September, urgently investigating requirements, if any, for additional air defence missile installations in Canada, and for interceptor aircraft of the nature of the CF-105 or alternative types.

He recommended that development of the CF-105 be discontinued and that the Chiefs of Staff present at an early date the recommendation they had been requested to make.

An explanatory memorandum was circulated, (Minister's memorandum, Jan. 30).

7. Mr. Pearkes added that, at the moment, there did not appear to be anything in the U.S. inventory of aircraft that would justify a decision to purchase. The Chiefs of Staff were considering the possibility of having some Bomarc squadrons moved from south of the border in the central U.S. to areas in western Canada. If it were felt that the manned bomber threat was decreasing, then it was obviously preferable to concentrate on defensive missiles rather than to continue with the production of interceptors.

8. The Prime Minister said it would be necessary to have a meeting of the Cabinet Defence Committee before making the final decision on the Arrow.

9. During the discussion the following points emerged:

(a) If a question on the future of the Arrow were raised when the estimates were tabled, it should be answered in a way which would show that a decision on the programme would be taken before March 31st. There was sufficient money in the estimates to pay for cancellation charges or to continue development for a while.

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(b) If the Arrow development were cancelled and no alternative interceptors were produced in Canada or purchased elsewhere, then, in the event of a war, and when the CF-100 was no longer in service, Canada might have to rely on the U.S. to provide manned fighter defence. Under the terms of the NORAD agreement, U.S. squadrons could be stationed temporarily on Canadian airfields.

(c) The personnel in the R.C.A.F. which would have otherwise been employed in flying the CF-105 and servicing it would be absorbed in work in connection with S.A.G.E., additional radars and on other duties.

(d) The re-equipping of the Air Division in Europe was a separate problem. At the moment, the most urgent aspect of the situation was a replacement, if any, for the F-86 Sabre which was obsolete. The Cabinet Defence Committee would be considering this problem and would make recommendations in the near future to the Cabinet about it. Replacing the Sabres overseas would cost at least \$350 million.

10. The Cabinet noted the report of the Minister of National Defence on the CF-105 Arrow programme and the ensuing discussion, and agreed that the matter be considered by the Cabinet Defence Committee the following day.

Premium Iron Ores
(Previous reference Dec. 16, 1957)

11. The Minister of Justice said representations had been made on behalf of Premium Iron Ores that the government should insist that the United States government bring to the attention of the U.S. court hearing the case, the view of the Canadian government that its position in the matter was not in accord with the stand taken by the U.S. administration. Premium Iron Ores said this should be done because counsel for the U.S. government had stated, during the court hearings, that the Canadian government's position was the same as that of the U.S. He had raised this matter with the U.S. Attorney-General when he was in Washington recently, and Mr. Rogers had informed him that, in their briefs presented to the court, there had been no reference to the position of the Canadian government nor had counsel referred to it in his oral argument. However, counsel for the defendant had, but in doing so had stated that the Canadian government's views were at variance with those of the U.S. government. It was not at all appropriate to accede to the request of Premium Iron Ores.