

February 17th, 1959.

ITEMS DISCUSSED

Paras.

1. Commonwealth Centre for Commonwealth meetings in United Kingdom; announcement on provision of building
4. Royal visit; opening of St. Lawrence Seaway; adjournment of Houses of Parliament
6. Royal visit; gifts to the Queen; scholarships
10. Portrait of the Queen for the Queen Elizabeth Hotel
12. Arrow (CF-105) aircraft; report of Cabinet Defence Committee; decision to terminate development
17. Wheat; interim payments on 1957-58 crop
20. Chicago diversion; draft note to U.S. Embassy
24. Bank of Canada; appointment
25. Tariff Board; appointment
27. Federal-provincial crop insurance
30. Unemployment Insurance Act amendments
31. Cabinet Committee on Report of Civil Service Commission; establishment

No. 23-59

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CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Tuesday, February 17th, 1959, at 10:30 a.m.

Present:

The Prime Minister
(Mr. Diefenbaker) in the Chair,
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 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 without Portfolio
(Mr. Browne),
The Minister of Northern Affairs
and National Resources
(Mr. Alvin Hamilton),
The Secretary of State for External Affairs
(Mr. Smith),
The Minister of Defence Production
(Mr. O'Hurley).

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

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Arrow(CF-105) aircraft; report of Cabinet Defence
Committee; decision to terminate development
(Previous reference Feb. 14)

12. The Prime Minister said a draft announcement on the termination of the development contract for the Arrow had been prepared. It included a section on arrangements with the United States for production sharing and a section on the acquisition by Canada of nuclear weapons for defence. He had gone over the draft in great detail but it was not yet in the right form to be made that day.

13. The Minister without Portofolio (Mr. Macdonnell) reported that, the previous day in Toronto, the Premier of Ontario had spoken to him in strong terms about the effects of terminating the Arrow contract upon the municipalities in the vicinity of Malton.

14. The Minister of Finance said Mr. Frost had also spoken to him in pungent language about work on the Arrow being stopped. Mr. Frost had complained about so little notice being given to Avro, and had asked why other contracts could not be given to the company. He had replied that the matter had been exhaustively considered, that all possible alternatives had been reviewed, and that the decision would be taken in the light of the best military advice available. He had also told Mr. Frost that, right from the outset, it had never been said that actual production would proceed and that everyone understood that the matter was to be reviewed year by year.

15. During the discussion the following points emerged:

(a) The sooner the announcement could be made the better, because the decision to terminate was bound to leak out and the longer the announcement was delayed the more would be the cost.

(b) The most appropriate time for the announcement appeared to be the following Friday. This, as proposed, should refer not only to the Arrow termination but also to production sharing and to the acquisition of nuclear weapons. The Prime Minister's statement should be followed by one by the Minister of Defence Production, which would deal in greater detail with production sharing. In considering this question of timing, the possibility of a motion to adjourn the house to discuss a matter of urgent public importance should not be overlooked.

(c) It would be desirable that notes be exchanged with the U.S. to implement the agreed arrangements on sharing the costs of the new radars, gap fillers, S.A.G.E. and the two Bomarc stations in Ontario and Quebec.

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16. The Cabinet,-

(a) agreed that the development of the Arrow aircraft and Iroquois engine be discontinued, effective as of the time of announcement;

(b) that an announcement concerning this decision, the production sharing with the United States, and the acquisition of atomic weapons be made in the House of Commons, probably on Friday;

(c) that the contractors be notified of the termination of their contracts at the same time; and,

(d) that an agreement be made with the United States, in the form of an exchange of notes, for the implementation of the agreed arrangements on the sharing of the costs of Bomarc and S.A.G.E. installations in Canada and the associated extension of radar coverage.

Wheat; interim payments on 1957-58 crop

17. The Minister of Trade and Commerce said that the interim payments on wheat which would be recommended would be the same as the previous year, that is, 10 cents a bushel. He noted, however, that the payment for durum wheat each year had been higher than ordinary wheat, being 25 cents instead of 10 cents. Durum wheat had for some years been in good demand, and the farmers had increased their production; by now there was a four year over-supply for export. The Wheat Board was recommending that, in order to provide less incentive for the production of durum, the interim payment should be dropped to 10 cents. He wondered, however, whether it would not be possible to proceed in two stages: provide an interim payment this year of 15 cents and the following year one of 10 cents.

18. During the discussion the following points emerged:

(a) Should an announcement about this interim payment be made far in advance of the proposed march of the western farmers on Ottawa? Some felt that many farmers were waiting for these payments and that there was really no reason to delay them. It would be good tactics to make the announcement during the first week of March.