

February 19th, 1959.

ITEMS DISCUSSED

Paras.

1. Statement on the Arrow
3. Bond issue result; report
5. Legislation; Royal Canadian Mounted Police Pension Act
9. National Capital Commission; proposals for relocation of railways in the capital area
11. Raoul Rolling; petition against deportation order
14. Mekong River project
19. Parliamentary programme
22. Legislation; National Energy Board draft bill; discussion with the Chairman of the Royal Commission on Energy
25. Rockhead Quarantine Hospital; transfer to City of Halifax
26. International Joint Commission; extension of term of office of Chairman, Canadian Section
27. Courts of Canadian citizenship; establishment
28. National Aviation Museum; proposed speech by Governor General

No. 24-59

Copy No. 26

THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Thursday, February 19th, 1959, at 10:30 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 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 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 Minister of Defence Production
(Mr. O'Hurley).

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

SECRET

- 2 -

Statement on the Arrow
(Previous reference Feb. 17)

1. The Prime Minister said that he would make a statement announcing the termination of the Arrow contracts in the house the following day. The C.B.C. Television Service would present a programme on the following Sunday or Monday on the development of the Arrow. It would be well to make the statement before the broadcast.

He had gone over the draft statement several times but thought that it should be redrafted by a committee of ministers. The redraft could be considered by Cabinet before the statement was made in the house.

2. The Cabinet approved the suggestion of the Prime Minister that Messrs. Fleming, Pearkes, Fulton, Smith, and O'Hurley meet that afternoon to revise the draft statement on the Arrow aircraft and related matters.

Bond issue result; report
(Previous reference Feb. 12)

3. The Minister of Finance reported that the bond issue authorized the week before, made up of two maturities in the aggregate principal amount of \$200 million, had been over-subscribed by approximately \$142 million.

Response to the \$200 million issue had been as follows:

(a) On the 13 month, 2-3/4 per cent bond, \$189 million had been subscribed.

(b) On the 21½ month, 3 per cent bond, \$153 million had been subscribed.

It was somewhat mystifying that some investment dealers had apparently stuck to their orders while others had subscribed much more than the orders on their books. This apparently meant that some firms had over-subscribed expecting that they would get only a fraction of the allotment.

The allocations would be \$85 million on the short-term payments and \$115 million on the longer-term bonds. In making allocations he had set a ceiling of \$10 million on each subscription.

There was reason to consider the issue a success in the present circumstances.

4. The Cabinet noted the report of the Minister of Finance on the recent bond issue.