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5. The Minister of National Defence for Naval Services reported that the proposals submitted had already been given preliminary study by the Canadian Naval Staff. They were inclined to the opinion that, in view of slowing down in deliveries of escort vessels from Canadian yards, it would be possible to meet the British requests within the limit of the present Naval programme.

Approximately 2,000 men would have to be provided. If necessary, personnel required could be released by laying up certain of the older and obsolescent R.C.N. units. On general grounds it would be desirable to take the opportunity of adding cruiser strength to the Canadian Navy.

6. The Chief of the Naval Staff said that, as a result of slowing down of the Canadian naval shipbuilding programme certain enlisted personnel would be available for manning British vessels. Consequently, it should be possible to meet the Admiralty's request over the next year, without making any demand upon Canadian manpower beyond that already contained in the present Naval programme. Eventually, of course, an overall increase in personnel would be involved.

7. The Minister of Finance enquired whether it was intended that the vessels described in the British proposals would be transferred to Canada and, if so, upon what terms.

8. Mr. Churchill felt that there would be no difficulty in that respect. He assumed that the ships would belong to Canada and that the terms of transfer could be taken into consideration in the general financial arrangements between the two countries.

9. The Prime Minister observed that it would be necessary to have the First Sea Lord's proposals examined carefully by the War Committee in relation to the heavy manpower requirements of the Armed Forces and the demands of war and essential industry.

Severe shortages of manpower in Canada, particularly in regard to the production of fuel and other materials, were causing the government great anxiety. It would have to be determined whether the present requests could be met within the limits of the present Naval programme.