

9. The proposal that U.K. be relieved of its share of winding up costs arising subsequent to March 31, 1945 is therefore commendable on the score that Canada would have full freedom of action in carrying out an orderly demobilization policy. To the extent that winding up has progressed by March 31, 1945, appropriate costs will have been included in Plan costs and therefore be shared by U.K.

10. Winding up costs would also comprehend care and maintenance of assets and if Canada desires full discretion in the disposal of assets with a consequent undeterminable possible increase in costs of care and maintenance, it is only reasonable that such costs be assumed entirely by Canada.

Residual value of R.C.A.F. Overseas Assets.

11. Canada has paid for the capital aircraft and for certain unit equipment of the R.C.A.F. Overseas Squadrons and has undertaken to pay a fair share of the cost of reserve stores and pipe-line supplies maintained by the Royal Air Force. By the end of the current fiscal year, the amount of capital paid will be of the order of \$125,000,000. Current estimate of the Canadian share of reserve stores and pipe-line supplies is of the order of \$135,000,000 although provision will be made for an abatement of this amount should it be found on cessation of hostilities that such reserves have been materially reduced.

12. Upon cessation of hostilities, it is obvious that capital assets and reserve stores will be located in many distant places and if disposal is to take place, heavy administration and shipping costs will be incurred. These assets are essentially of a military nature and it is the opinion of the U.K. officials that the disposal value of equipment other than that which could be turned to civilian use would not be very material. It should be noted that Squadron capital costs paid by Canada do not include anything in respect of aerodromes, buildings, mechanical transport, clothing, or barrack stores although the latter three items may be comprehended in the cost of reserve stores. However, the item of reserve stores does not include food or gasoline and oil. It does appear, therefore, that subject to such benefits as are derived from the proposal in para. 13 following, the residual assets arising from R.C.A.F. Overseas operations may conceivably be regarded as a potential financial liability.

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