

47. In the course of discussion, it was pointed out that the Imperial Oil Company Limited would prefer to have a contract made with the Canadian government rather than with the U.S. authorities. The government would, in turn, make appropriate arrangements with the U.S. Any agreement to be made should be examined carefully, having in mind, particularly, taxation questions and the fact that the purchase of oil and gas by the government was normally done on a tender basis. Amortization would occur over a fairly short period and the carrying charges might appear to be high. However, if the U.S. desired to have these facilities and satisfactory arrangements could be worked out under which the U.S. would pay all the costs, an endeavour should be made to conclude an agreement.

48. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed:

(a) that, in principle, authority be granted for the use of Gander Airport, in event of war, as a major refueling stop by the U.S. Civil Reserve Air Fleet for support of the Military Air Transport Service, to the extent permitted by facilities in existence at the time which were not required for Canadian military or civil purposes;

(b) that operational control of the airport and the communications facilities remain in the hands of the Department of Transport;

(c) that any facilities constructed to meet the specific needs of the Civil Reserve Air Fleet, and not required for the normal operation of the airport, would be paid for by the U.S. government, but title would be vested in a Canadian entity;

(d) that arrangements be worked out for the construction of the requisite fuel storage and related facilities, along the lines of the Imperial Oil plan and in accordance with Canadian tax laws and administration; such arrangements, when completed, to be subject to the approval of the government; and,

(e) that an agreement with the U.S. government be negotiated covering the provision of other facilities required for the specific needs of the Civil Reserve Air Fleet.

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