

in February 1944 it was agreed that the Plan would be carried on after March 31st, 1945, on such basis as may be agreed upon. There has also been formal representation made by the Financial Adviser to the B.C.A.T.P. to the British, Australian and New Zealand Governments that the United Kingdom should take over the Australian and New Zealand rights and responsibilities under Article 27 of the Agreement.

Before leaving for Overseas Messrs Norman and Nairn discussed further proposals with your Deputy, Dr. W.C. Clark, having in mind practicability of administration of the B.C.A.T.P. Agreement. The nature of these discussions was:

(a) Residual Value of Assets.

It is obviously impracticable to hand over 50% of the physical assets of the Plan to U.K. at the termination date so that, by inference, either disposal by sale must take place or a valuation must be made. In view of the immense stocks of equipment which will remain at the termination of the Air Training Plan, disposal by sale is greatly complicated by various factors entirely apart from the fact that war time equipment is of relatively little use in peace time. If certain equipment can be secured at nominal prices, undoubtedly extensive sales will take place, but the process will be a lengthy one. In this regard, the President of the War Assets Corporation has estimated that the life of the Corporation may be from 15 to 20 years. It would appear that financial settlements between Canada and the U.K. should be finalized as quickly as possible after termination of training activities, and this is obviously impossible if the terms of the Agreement are to be carried out without amendment.

It appears that disposal of assets should be left entirely to the discretion of Canada in order that full regard may be given to political and economic considerations, that any desire of the Government to confer benefits on provincial and municipal bodies through transfer of assets may be carried out without being influenced by the possible interest of a partner in the Plan, and that long drawn out negotiation and settlement with a partner may be avoided. The only manner in which these conditions can be achieved is to have the U.K. as a partner in the B.C.A.T.P. waive all interest in residual assets of the Plan subsequent to March 31st, 1945.

As a reasonable qualification of this proposed waiver, however, it is suggested that U.K. be given the right to receive as free issue for use by the Royal Air Force, any B.C.A.T.P. assets which have been declared surplus to the B.C.A.T.P. and the needs of other Canadian Armed Services, subject to bearing cost of packing and transportation.

It should be understood that if U.K. waives interest in residual assets in existence at March 31st, 1945, it would be relieved of all costs of disposal of such assets.

(b) Obligations Accruing at March 31st, 1945.

It is proposed to release U.K. from its responsibility for 50% of the obligations of the B.C.A.T.P. accruing at March 31st, 1945, (estimated to be \$40,000,000 gross, U.K. share being \$20,000,000) as an offset against other benefits accruing to

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