

TOP SECRET

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Imperial Oil Company Limited and Shell Oil Company of Canada had been approached to see if arrangements could be made to meet the principal U.S. requirements for fuel storage. Shell Oil Company had been unable to develop a satisfactory proposal, but Imperial Oil had indicated it would be prepared to meet a request of the Canadian government for this purpose if it were put forward. The Company, using its own capital, would erect approximately 500,000 barrels of storage at Lewisport together with a pipeline from Lewisport to Gander. It would own the gasoline and, to prevent deterioration, would rotate the stock by selling it to airlines currently operating through Gander. In view of the large investment required, (about \$4.5 million for facilities and an equal sum for the inventory) the company felt there must be provision for the rapid amortization of capital invested in facilities plus a return on the net investment in the plant and on the money invested in inventory. Title to the facilities would be vested in Imperial Oil, initially, but by the end of the operation the company would pay to the U.S. authorities the salvage value, if any, of the facilities at the time.

The Minister recommended, with the concurrence of the Ministers of National Defence and Transport,-

- (a) that approval in principle be given for the use of Gander Airport as a refueling stop by the Civil Reserve Air Fleet in the event of war;
- (b) that it be understood that operational control of the Airport remained in the hands of the Department of Transport;
- (c) that facilities constructed to meet the specific needs of the C.R.A. Fleet be paid for by the U.S. government but that title to them be vested in a Canadian entity;
- (d) that approval be given to making arrangements with Imperial Oil for the construction of the storage facilities along the lines outlined, subject to the approval of the government; and,
- (e) that negotiations for an agreement covering these matters be entered into with the U.S. government.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 25, 1954-Cab. Doc. 256-54).

RG 2, A5a,
Vol. 2656

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001758