

It was the view of Canadian officials that the agreement only referred to serving the two points on the same flights and this had always been interpreted by Canadian authorities as meaning flight by the same aircraft. In addition, the procedure suggested by Colonial would deviate from the long-standing policy of the Department of National Revenue regarding the payment of duty on aircraft engaged in domestic carriage.

The Air Regulations of the Department of Transport required that domestic carriage be performed by aircraft in Canada and the type of local movement envisaged between Ottawa and Montreal might be construed as domestic carriage. Finally, granting these requests would, in a limited measure, improve the position of Colonial as a competitor with Trans Canada Air Lines for traffic between Ottawa and New York.

6. Mr. Chevrier said that the officials of his Department had suggested the granting of transfer rights but that stopover rights be held in abeyance pending further study.

An explanatory memorandum was circulated.

(Minister's memorandum, July 18, 1950 - Cab.Doc. 183-50)

7. The Prime Minister thought that in many cases transfer rights would involve stopover rights.

8. The Cabinet, after discussion, agreed that the Department of External Affairs inform the U.S. State Department that the requests of Colonial Airlines for stopover and transfer rights in Canada could not be approved at the present time.

Requisitioning of imported cheddar cheese

9. The Prime Minister reported that, as a result of the requisitioning of cheddar cheese, in force since May 1st, 1950, to fill the U.K. contract, the supply of fresh make cheddar cheese had been cut off for a large portion of the Canadian domestic market. In an effort to meet domestic demand for new coloured cheese, there had already been imported into Canada 448,000 pounds of New Zealand cheese, landed at Vancouver, duty paid, at 27 cents per pound. It was understood that this would be sold

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