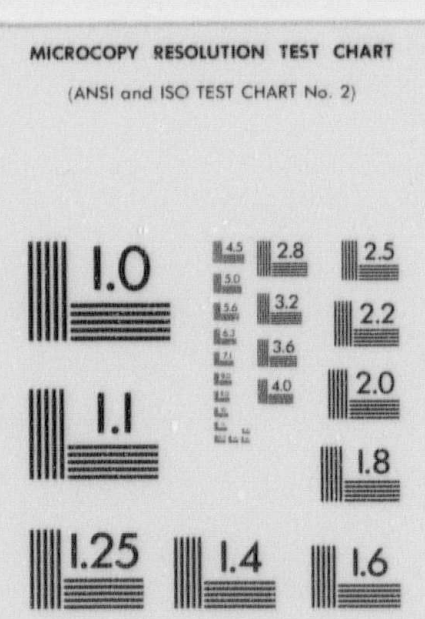
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Privy Council Office

RG 2, Series A 5 a

Cabinet Conclusions, 1944-1954, Volumes 2636-2659, 5775

In 1944 A.D.P. Heeney suggested that, in addition to maintaining minutes of the Cabinet War Committee, a record would be kept of the conclusions or decisions taken by the full Cabinet.

Summary minutes were kept of the meetings and used to prepare the decisions but they were not approved, being simply memoranda of the discussion. Although the "conclusions" do not provide verbatim account, they constitute the only official record of the discussion at the Cabinet meetings. Supporting documents are located in file C-20-5 of the central registry files (Series B2).

The records are organized by meeting number and date. Each meeting includes an agenda which indicates the location, meeting number, date, time and names of those present. It should be noted that the meeting number and date must be used as reference tools when consulting this series.

Bureau du Conseil privé

RG 2, Série A 5 a

Décisions du Cabinet, 1944-1954, volumes 2636-2659, 5775

En 1944, A.D.P. Heeney proposa que l'on tint, en plus des procès-verbaux des réunions du Comité de guerre du Cabinet, un relevé des décisions prises lors des réunions plénières du Cabinet.

Des procès-verbaux sommaires de ces réunions furent donc tenus, qui servirent à préparer d'autres décisions, mais ils n'étaient pas approuvés, étant simplement des résumés des discussions tenues. Ces procès-verbaux ne sont pas des comptes rendus textuels, mais ils constituent la seule relation officielle des délibérations des réunions du Cabinet. Les documents à l'appui se trouvent dans le dossier C-20-5 des dossiers du service central (série B2).

Les documents sont classés selon le numéro de la réunion. Pour chaque réunion, il y a un ordre du jour qui indique le lieu, le numéro, la date, l'heure et les noms des participants. À noter que, pour consulter cette série, il faut utiliser comme instruments de référence le numéro et la date de la réunion.

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Privy Council Office
Cabinet Conclusions

Bureau du Conseil privé
Décisions du Cabinet

RG 2, A5a, Volume 2652

7 January 1953 to 29 April 1953

CABINET CONCLUSIONS

Meeting

March 12th, 1953

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Bureau du Conseil privé

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, March 12th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Public Works
(Mr. Fournier),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Secretary of State
(Mr. Bradley),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

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Colombo Plan; cement plant for Pakistan

1. The Prime Minister reported that the Acting Secretary of State for External Affairs had submitted a recommendation that allocation of an additional $500,000 be authorized for the contribution of Canada toward construction of a cement plant in Pakistan under the Colombo Plan. Estimated costs of equipment and services supplied by Canada would exceed the original $5 million.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, March 10, 1953- Cab. Doc. 72-53)

2. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs and agreed that allocation be made of $500,000 from the 1952-53 Colombo Plan vote, in addition to the $5 million previously authorized, for the construction of a cement plant in Pakistan.

Petroleum and natural gas; export policy

3. The Minister of Trade and Commerce recommended that a statement be made to reaffirm the policy of the government on the export of petroleum and natural gas.

The Electricity and Fluid Exportations Act applied to the export of petroleum and gas by pipeline but not by tank car or other means of conveyance. A distinction had to be maintained between exports of petroleum and natural gas. The former was a commodity which moved freely across international boundaries, which was purchased from the cheapest source and where continuity of supply from a single source was not necessary. The government policy had been to allow economic factors to determine the movement of petroleum to refineries within economic distances in the cheapest way. The Interprovincial Pipeline which had been built as far as Superior, Wisconsin, was now to be extended across U.S. territory to terminate at Sarnia. The distance was much shorter and problems of construction less than by the Canadian route and would result in lower costs to consumers.

The position of gas was similar to that of electricity. It was necessary to have a continuous supply. The government had refused to permit continuing contracts for the export of electrical energy and it was clear that the policy had been very beneficial to the country.

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In the case of gas, the policy was to refuse permits for the movement of gas by pipeline across the international boundary until it had been established that there was no present or probable future need for the gas in Canada. There had been two exceptions to this policy. Because of defence production requirements in the United States, permission had been accorded for the export of a small amount of gas over a 5-year period to the Anaconda Copper Company in Montana. In the case of supplies for the Vancouver area, it was not economic to construct a pipeline unless it could also be used to supply gas to the north-western United States. The gas would be drawn from the Peace River area, which was not one from which movement eastward would be likely. In the circumstances it had seemed desirable to permit the export of 150 million cubic feet of gas per day to the United States over a period of years.

In brief, the policy was to permit petroleum to move freely in accordance with economic factors, but to control the movement of gas and keep it for Canadian purposes if there was a market in Canada.

4. The Cabinet, after considerable discussion, noted with approval the remarks of the Minister of Trade and Commerce concerning the policy with regard to export from Canada of petroleum and of natural gas and agreed that a statement reaffirming the policy be made in Parliament in the near future.

Electrical energy, natural gas, crude oil; licences to export

5. The Minister of Trade and Commerce submitted a number of recommendations for renewal of licences to export electrical energy, natural gas and crude oil,

6. The Cabinet approved the recommendations of the Minister of Trade and Commerce and agreed that licences be granted as follows:

(a) for the construction of transmission lines for the export of surplus interruptible power, to the New Brunswick Electric Power Commission;

(b) for the export of 60 kilowatts of surplus interruptible power, to the New Brunswick Electric Power Commission;

(c) for the export of 3,500 kilowatts of steam-generated power, to Fraser Companies Limited, Edmundston,New Brunswick;

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(d) for the export of hydro-electric energy, to companies as listed and for amounts specified;

(e) for the export of crude oil, to companies listed and for amounts specified;

(f) for the export of surplus natural gas, to the Canadian-Montana Pipe Line Company, Calgary, and to Mr. Gordon M. Plotke, Calgary, in amounts specified;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-366, 1953-367, 1953-368, 1953-369, 1953-370 and 1953-371, March 12.)

Radio broadcasting stations; grant of licences

7. The Minister of Transport, referring to discussion at the meeting of March 10th, said he understood that Prince Edward Island objections to permission to increase the power of the radio station at Moncton had been withdrawn. He recommended that permission be granted. Three applications had been received for the establishment of a radio station at Chicoutimi, Quebec. This raised the question of responsibility and procedure in awarding licences.

8. In the course of discussion it was suggested:

(a) that, in the granting of licences for radio broadcasting stations, a proper division of responsibility as between the Department of Transport and the Canadian Broadcasting Corporation was that the former should advise on the availability of a frequency and other technical matters and that the latter should advise concerning the possibility of successfully establishing a station in a given area and whether it was in the public interest that a licence be awarded; and,

(b) that it might be preferable, in cases where more than one application was made for a radio station in the same area, for the C.B.C. simply to advise whether a station ought to be permitted and for the government to determine to whom the licence should be awarded.

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9. The Cabinet, after discussion, agreed:

(a) that, subject to the concurrence of the Minister of Resources and Development, authorization be given for an increase in power of the radio station at Moncton, New Brunswick; and,

(b) that it be recognized that, while the C.B.C. should advise on the need for additional sound broadcasting stations, the Minister of Transport, after consultation with his colleagues, should exercise discretion in the choice of a suitable licensee.

Television; grant of licences for private stations

10. The Minister of Transport said several questions of policy ought to be considered in relation to the award of licences to applicants desiring to establish television stations.

Applications had been received by the Canadian Broadcasting Corporation from three parties wishing to establish a station in Hamilton and from single parties wishing to establish stations in each of the following: London, Kitchener, Windsor, Sudbury, Quebec, Saint John and Sydney. In many cases the applicants were newspaper publishers or operators of radio stations and, in some cases, parties that did both. One question was whether licences ought to be granted to such applicants, particularly where it might mean the establishment of a monopoly on dissemination of information in a locality.

11. In the course of discussion it was suggested:

(a) that it would be difficult to maintain a policy of refusing to permit operators of radio stations or newspaper publishers to acquire licences for television stations. Television and radio broadcasting were, to some degree, complementary to one another. Radio stations could be expected to suffer from the establishment of television stations and it might be inequitable to prohibit the operators of radio stations going into the other field;

(b) while in some instances local monopolies might be established if licences were freely granted, experience with radio stations had been that such monopolies did not last long;

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(c) the acquisition of several radio or television broadcasting licences by the same interest raised separate questions. It might be desirable to prevent multiple acquisition of television licences;

(d) it might be desirable to maintain a register, accessible to the public, of the interests holding radio or television broadcasting licences, showing the directors and shareholders in each instance, and to require that all transfers of shares or other forms of ownership be made public before being completed; and,

(e) it would be undesirable that any general questions of policy should delay the awarding, as soon as possible, of some licences for the establishment of private television stations.

12. The Cabinet, after considerable discussion, agreed that Dr. McCann request the Canadian Broadcasting Corporation to prepare a memorandum concerning questions of policy that ought to be considered in connection with the awarding of private licences for the establishment of television stations; the matter to be considered further at a subsequent meeting with the Chairman and General Manager of the C.B.C. in attendance.

Legislation; Canadian Wheat Board Act amendment

13. The Minister of Trade and Commerce submitted a draft bill to amend the Canadian Wheat Board Act, copies of which had been circulated.

14. The Cabinet, after discussion, approved for introduction in the House of Commons the bill to amend the Canadian Wheat Board Act.

Anti-submarine torpedoes; proposed production in Canada

15. The Minister of Defence Production submitted a recommendation for authority to manufacture in Canada certain quantities of anti-submarine homing torpedoes. The prime contract for the production of 864 of these torpedoes had been placed with the Canadian Westinghouse Company Limited, which company would allot sub-contracts for production of components. It was estimated that production costs would amount to approximately $40 million, together with capital assistance of approximately $2 million. The proposal had been before Treasury Board who had felt it of sufficient interest to warrant consideration by the Cabinet.

An explanatory note had been circulated.

(Minister's memorandum, March 5, 1953- Cab. Doc. 65-53).

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16. In the course of discussion it was pointed out:

(a) that anti-submarine homing torpedoes would be among the primary offensive weapons for attack on submarines by ships and aircraft of the Royal Canadian Navy;

(b) that there would be a large wartime requirement because of the expendable nature of the weapon; and,

(c) that neither the United Kingdom nor the United States could guarantee adequate supplies of this weapon to Canada in wartime.

17. The Cabinet, after discussion, approved the production in Canada of 144 Mark 30, 328 Mark 32 and 370 Mark 35 anti-submarine homing torpedoes as recommended by the Minister of Defence Production, at a total production cost of approximately $40 million together with capital assistance of approximately $2million; Treasury Board to be advised accordingly.

External Affairs; proposed construction of Chancery at The Hague

18. The Prime Minister recalled that, at the meeting of February 19th, decision had been deferred on the construction of a new Canadian Chancery at The Hague, pending a report by the Secretary of State for External Affairs as to the possibility of housing within the new Chancery all Canadian Services presently located in the Dutch Capital. Further information had now been submitted by the department.

(Memorandum, External Affairs, March 4, 1953).

19. In the course of discussion the following points emerged:

(a) at the present time, the Department of Citizenship and Immigration owned a separate building in The Hague which housed a total establishment of 26 persons. It was felt that this arrangement was more efficient than would be the case if Immigration services were to be consolidated with other Canadian services at the new Chancery;

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(b) the proposed new Chancery was designed to accommodate 29 persons and, as the estimated total cost of the building was $437,000, this meant a capital expenditure of $17,000 per person;and,

(c) even though blocked funds were to be used to defray the cost of this building, it might be felt in some quarters that such a large expenditure for a relatively small number of people was extravagant, particularly in the light of the housing shortage which still existed in Canada.

20. The Cabinet, after further discussion, again deferred decision on construction of the proposed new Canadian Chancery at The Hague, pending a report by the Secretary of State for External Affairs as to whether the new building was urgently required or whether construction could be postponed for the time being.

Seattle, Washington, U.S.A.; opening of Canadian consular office

21. The Prime Minister submitted a recommendation of the Acting Secretary of State for External Affairs for the opening of a Canadian consular office in Seattle, Washington, U.S.A. and for the appointment of a Consul General at the new post.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs, March 9, 1953 - Cab. Doc. 73-53).

22. The Cabinet, after discussion, agreed:

(a) that a new Canadian consular office be opened in Seattle, Washington, U.S.A.;

(b) that the Department of External Affairs be authorized to take whatever steps were necessary to provide the required staff at the new office; and,

(c) that Mr. Norman Senior of the Department of External Affairs be appointed Consul General at Seattle.

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General Agreement on Tariffs and Trade; Second Protocol of Rectifications and Modifications

23. The Prime Minister submitted a recommendation of the Acting Secretary of State for External Affairs, that Canada enter into the Second Protocol of Rectifications and Modifications to the texts of the schedules to the General Agreement on Tariffs and Trade.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs, Feb. 27, 1953- Cab. Doc. 61-53).

24. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, as concurred in by the Ministers of Finance and Trade and Commerce, that Canada enter into the Second Protocol of Rectifications and Modifications to the texts of the schedules to the General Agreement on Tariffs and Trade.

Fisheries; Great Lakes fisheries research

25. The Minister of Fisheries submitted proposals for the development of a joint fisheries research programme in the Great Lakes by the governments of Canada and Ontario and for the initiation by the Federal government of a lamprey control programme in the Great Lakes.

An explanatory note had been circulated.

(Minister's memorandum, Mar. 4, 1953-Cab. Doc. 66-53).

26. In the course of discussion it was pointed out:

(a) that Great Lakes fisheries were subject to large and unusual fluctuations in stocks, the causes of which were presently unknown;

(b) that the sea lamprey had become a major parasite on valuable species such as lake trout;

(c) that, to date, it had not been possible to negotiate a mutually satisfactory international treaty or agreement respecting fisheries research and control works in the Great Lakes;

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(d) that, in the circumstances, the governments of Canada and Ontario might usefully cooperate in a planned research programme which would be correlated with research programmes of interested U.S. agencies; and,

(e) that the Federal Department of Fisheries might concurrently initiate measures designed to control the sea lamprey menace in the Great Lakes.

27. The Cabinet, after discussion, approved the recommendation of the Minister of Fisheries and agreed:

(a) that a joint Canada-Ontario Great Lakes fisheries research committee be established, composed of six representatives (three to be appointed by each government) to develop a fisheries research programme in the Great Lakes in consultation with United States fishery research agencies; the administrative costs of such a committee to be shared equally by the two governments (estimated Federal share during the first year - $10,000); and,

(b) that the Fisheries Research Board undertake, as recommended, certain lamprey control works in the Great Lakes at an estimated cost of $50,000 during the next fiscal year.

Chancellor Adenauer; visit to Ottawa

28. The Prime Minister reported that the Federal German Chancellor would visit Washington during the second week in April. It was suggested that an invitation be extended to Mr. Adenauer to come to Ottawa for a brief visit following his stay in Washington.

29. The Cabinet, after discussion, agreed that an invitation be extended to Mr. Adenauer, the Federal German Chancellor, to visit Ottawa following his forthcoming visit to Washington early in April.

Parliament; Easter recess

30. The Prime Minister said that, in view of the Coronation of Queen Elizabeth on June 2nd and of the large volume of work yet to be done in Parliament before adjournment, consideration should now be given as to whether the Easter recess should be for a period of ten days or merely extend over Easter weekend.

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31. The Cabinet, after discussion, agreed that the Prime Minister discuss with the Leaders of the Opposition the desirability of having the Easter recess extend only from 10.00 p.m. Thursday, April 2nd to Tuesday, April 7th.

Post Office; display of portraits of the Queen

32. The Postmaster General, referring to discussion at the meeting of February 6th, noted that it was felt at that time that it would be difficult to draw a line between Post Offices which should be given a coloured reproduction of a portrait of the Queen and those that should not. In this connection, he pointed out that it was proposed that only Post Offices with annual revenues of $3,000 or more would be eligible to receive a portrait. Postmasters of these offices were appointed by the Civil Service Commission. Consequently, the pictures would be displayed only in Post Offices located in publicly-owned or rented premises and they would not be issued to Post Offices which were conducted as a side-line, i.e. in general stores, barber shops, stationery shops, etc.

33. The Cabinet, after discussion, approved the proposals of the Postmaster General and agreed:

(a) that the Post Office Department enter into a contract with the Decalcomania Company of Toronto for the production of 1500 coloured reproductions of a portrait of the Queen at a total cost of $30,000; and,

(b) that such reproductions be displayed in Post Offices with an annual revenue of $3,000 or more.

Citizenship and Immigration; return to Canada of Canadian citizens of Japanese race who served in enemy forces

34. The Minister of Citizenship and Immigration, referring to a decision of July 31st, 1952, said that he and the Acting Secretary of State for External Affairs now recommended that natural born Canadian citizens of Japanese race who had served in enemy forces be dealt with henceforward on a basis similar to that obtaining for Canadian citizens of other races and that, in consequence, passports be issued without question to persons of Japanese race who are Canadian citizens notwithstanding that they served in enemy forces.

(Joint memorandum, Minister of Citizenship and Immigration and Acting Secretary of State for External Affairs, March 11, 1953).

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35. In the course of discussion, it was pointed out:

(a) that the decision of July 31st, 1952 to the effect that every effort be made to prevent the return to Canada of persons in this group who were clearly undesirable was now difficult to carry out as a result of the coming into force of the Japanese Peace Treaty;

(b) that direct shipping had been resumed between Japan and Canada and that Canadian citizens could travel without passports to any Canadian port and be admitted as a matter of right; and,

(c) that, in view of the policy adopted in respect of Canadian citizens who had served in Italian and German armed forces, it might be difficult to avoid charges of racial discrimination if similar treatment were not extended to Canadian citizens of the Japanese race.

36. The Cabinet, after considerable discussion, deferred decision, pending further consideration, on the proposal that natural born Canadian citizens of Japanese race be issued passports notwithstanding the fact that they had served with enemy forces.

Sir Robert Borden; erection of statue on Parliament Hill

37. The Minister of Citizenship and Immigration, referring to the discussion at the meeting of February 5th, reported that the Board of Trustees of the National Gallery, at a meeting held on March 11th, had recommended that a closed competition be held among twelve of the better-known Canadian sculptors in connection with the statue of Sir Robert Borden to be erected on Parliament Hill in 1954. The Board of Trustees felt that, if an open competition were held, it would probably not be possible to complete the statue by the date of Sir Robert's one hundredth anniversary as originally planned. The Board further recommended that each competitor be granted approximately $300 to cover the cost of models.

(Memoranda to Minister from Director, National Gallery, March 9 and 11, 1953).

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38. In the course of discussion, it was pointed out:

(a) that a closed competition would almost inevitably create dissatisfaction;

(b) that it might be possible to hold an open competition for sketches on the understanding that only the authors of the best sketches would be asked to submit models; and,

(c) that another possibility might be to replace the proposed $300 grant for models by a three or four relatively generous cash prizes for the winners of the competition.

39. The Cabinet, after discussion, agreed that the Minister of Citizenship and Immigration discuss further with the Director and Board of Trustees of the National Gallery, the various suggestions made concerning the competition for a statue of Sir Robert Borden and report back at a subsequent meeting.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 13th, 1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, March 13th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent)in the Chair
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Justice
(Mr. Garson),
The Secretary of State
(Mr. Bradley),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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Patrol of air corridor to Berlin; participation by Canadian fighter squadron

1. The Minister of National Defence said there had been two disturbing episodes recently over Germany in which a United States aircraft was shot down by a Czech plane and a United Kingdom aircraft by a Soviet plane. The Canadian wing at Grostenquin was the only one available to the western powers in Europe which was equipped with fully armed Sabre aircraft and fully trained personnel. The commander, Air Vice Marshal Campbell, had been approached on behalf of the United States command and General Ridgway and asked what the reaction would be if the Canadian wing were asked to patrol the Berlin corridor with fully armed planes under instructions to fire. Campbell had replied that such action was not a part of N.A.T.O. operations and that no request should be made formally until he had consulted his government.

Patrolling the Berlin corridor was related to the occupation of Germany and was outside the scope of N.A.T.O. If the corridor were to be protected, it should be by the countries that had rights by virtue of the occupation agreement - namely, the United States, the United Kingdom and France. Canadian forces should not become involved unless action were taken under the N.A.T.O. agreements and on instructions from the government.

Subject to the approval of the Secretary of State for External Affairs, he recommended that the Canadian commander be instructed accordingly.

2. In the course of discussion it was suggested that:

(a) patrol of the Berlin corridor was clearly related to the occupation of Germany and the fact that Canada had appropriate equipment in Europe for N.A.T.O. purposes was not sufficient to require or justify Canadian participation in the patrol; and,

(b) with the critical developments of recent days, it was possible that the cold war would deteriorate and it was not desirable that Canadian forces should be placed unnecessarily in the position where they might be a factor in that deterioration.

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3. The Cabinet, after considerable discussion, agreed that, subject to the approval of the Secretary of State for External Affairs, the Minister of National Defence instruct the officer commanding the Canadian fighter wing at Grostenquin that patrol of the air corridor to Berlin was related to the occupation of Germany and was not within the scope of N.A.T.O. and that Canadian planes could not participate in such patrol except after reference of any particular request to the Canadian government and on specific instructions from the government.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 17th, 1953

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New Brunswick; recent mineral discoveries	2.
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No. 26-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, March 17th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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New Brunswick; recent mineral discoveries

1. The Minister of Mines and Technical Surveys said it had been suggested that he make a statement in the House of Commons regarding mineral discoveries of some importance which had been made recently in the Province of New Brunswick.

2. In the course of the discussion, it was pointed out that, in order to avoid the accusation that the government was influencing, even indirectly, speculative trends, it was preferable to avoid any special statement on this subject at the present time but that there would be no objection to casual references being made to these discoveries, at an opportune moment, during discussion in the House of the estimates of the Department of Mines and Technical Surveys.

3. The Cabinet, after discussion, agreed that no special statement be made at this time regarding recent mineral discoveries in the Province of New Brunswick but that the Minister of Mines and Technical Surveys might make casual reference to these developments, at an opportune moment, during the course of discussion in the House of his departmental estimates.

Trans-Canada Air Lines; capital budget for 1953

4. The Minister of Trade and Commerce submitted the capital budget of Trans-Canada Air Lines for 1953.

5. The Cabinet, after discussion, approved the capital budget of Trans-Canada Air Lines for 1953 as recommended by the Minister of Trade and Commerce and the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-374, Mar. 17)

Central Mortgage and Housing Corporation; capital budget for 1953

6. The Minister of Finance submitted the capital budget for 1953 of Central Mortgage and Housing Corporation as recommended by himself and the Minister of Resources and Development.

7. The Cabinet, after discussion, approved the capital budget for 1953 of the Central Mortgage and Housing Corporation as recommended by the Minister of Finance and the Minister of Resources and Development; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-373, Mar. 17)

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Sir Robert Borden; erection of statue on Parliament Hill

8. The Prime Minister, referring to discussion at the meeting of March 12th, reported that the Director of the National Gallery had informed the Minister of Citizenship and Immigration that, in the former's view, pencil sketches would not be a satisfactory basis on which to make a selection of the sculptor who would cast the bronze statue of Sir Robert Borden to be placed on Parliament Hill. If the competition was to be open, Dr. McCurry was of opinion that it would be desirable to grant six awards of $300 each as an inducement to potential competitors. The $300 grants would cover the cost of the models and would go to the six best other than the winning competitor.

(Letter, March 16, 1953, Minister of Citizenship and Immigration to Prime Minister and enclosure).

9. In the course of the discussion, it was suggested that the competition should probably not be restricted to Canadian citizens but might be restricted to persons normally resident in Canada.

10. The Cabinet, after discussion, agreed that, in connection with the proposed erection of a statue of Sir Robert Borden on Parliament Hill, the Minister of Citizenship and Immigration arrange with the Director of the National Gallery to organize a competition along the following general lines:

(a) the competition to be for a statue and pedestal in accordance with specifications recommended by the Director and the Board of Trustees of the National Gallery;

(b) the competition to be open to persons normally resident in Canada; and,

(c) six cash prizes of $300 each to be awarded the sculptors submitting the models judged best other than that of the winner.

Justice; amnesty in connection with Coronation

11. The Minister of Justice said he had had under consideration a proposal that an amnesty be extended to inmates of Canadian penal institutions in connection with the Coronation of Queen Elizabeth on June 2nd. It had been ascertained that no such general amnesty was contemplated in the United Kingdom. U.K. authorities had indicated that they would not be embarrassed by a Canadian amnesty.

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It was proposed to extend the amnesty to all inmates having been sentenced on or before May 29th, 1953, to imprisonment for six months or more. Subject to the normal application of good conduct principles, it was proposed that 30 days amnesty be granted for each year of sentence. Amnesty time so granted would be over and above any good conduct credits which might have been accumulated by inmates. It was not proposed to extend the amnesty to prisoners serving life or indeterminate sentences nor to convicted persons who were at large on bail pending the hearing of appeals.

If the proposals were approved, the amnesty would be declared by proclamation.

12. In the course of the discussion, it was pointed out:

(a) that, although an amnesty on the basis suggested by the Minister of Justice would likely have a salutary effect on inmates of Federal penitentiaries, it should be ascertained that no ill effects would result in so far as inmates of provincial penal institutions were concerned; and,

(b) that such an amnesty would result in persons sentenced on security grounds being released sooner than otherwise would be the case.

13. The Cabinet, after discussion, agreed that the necessary steps be taken to extend an amnesty, on the occasion of the Coronation of Queen Elizabeth, to inmates of Federal and provincial penal institutions on the basis recommended by the Minister of Justice, provided it was ascertained that such an amnesty would not have any undesirable results in so far as the inmates of provincial penal institutions were concerned.

J.W. Pickersgill
Secretary to the Cabinet

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CABINET CONCLUSIONS

MEETING

MARCH 19th, 1953

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Treasury Board; appointment of alternate members 2.

National Gallery; appointment of Chairman of Board of Trustees 2.

Canadian Broadcasting Corporation; re-appointment of Governor 2.

Atomic Energy Control Board; re-appointment of members 2.

External Affairs; diplomatic appointment to Australia; consular appointments to Indonesia and Mexico 3.

Legislation; Prairie Farm Assistance Act amendment 3.

Legislation; Farm Improvement Loans Act amendment 3.

Excise Tax Act; removal of sales tax on municipal equipment 4.

Legislation; Northern Pacific Halibut Fishery (Convention) Act; ratification of Convention; enabling legislation 4.

Export Credits Insurance; contract with the Canada-Israel Corporation 5.

Income Tax Short Forms for 1952; incorrect tax calculations 5.

Civil Service; deduction at source of association dues 7.

Old Age Pensions Act; recovery of overpayments during period 1927-1951 8.

Polymer Corporation; approval of capital budget 9.

Canadian National Railways and Canadian National (West Indies) Steamships, Limited; capital budgets 9.

Fisheries; policy of licensing operation of trawlers 10.

Fisheries; price support for prairie fisheries 10.

Parliamentary Library; proposals by contractors for reconstruction 11.

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National Defence; agreement with Belgium concerning administrative units of the 27th Brigade 13.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, March 19th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commmerce,
Minister of Defence Production,
and Acting Minister of Transport
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

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Treasury Board; appointment of alternate members

1. The Prime Minister submitted a recommendation for the appointment of two alternate members of the Treasury Board.

2. The Cabinet, agreed that the Honourable James Sinclair and the Honourable R.O. Campney be appointed alternate members of the Treasury Board; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-417, March 19).

National Gallery; appointment of Chairman of Board of Trustees

3. The Prime Minister submitted a recommendation for the appointment of a Chairman of the Board of Trustees of the National Gallery.

4. The Cabinet agreed that Charles Percy Fell be designated as Chairman of the Board of Trustees of the National Gallery to replace Harry S. Southam resigned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-418, March 19).

Canadian Broadcasting Corporation; reappointment of Governor

5. Dr. McCann submitted a recommendation for the reappointment of a Governor of the Canadian Broadcasting Corporation.

6. The Cabinet agreed that James Alexandre Corry of Kingston, Ontario, be reappointed a Governor of the Canadian Broadcasting Corporation for a term of three years from March 24th,1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-419, March 19).

Atomic Energy Control Board; reappointment of members

7. The Minister of Trade and Commerce submitted recommendations for the reappointment of members of the Atomic Energy Control Board.

8. The Cabinet agreed that George C. Bateman and William J. Bennett be reappointed members of the Atomic Energy Control Board for a further term expiring March 31st, 1956; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-420, March 19).

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External Affairs; diplomatic appointment to Australia; consular appointments to Indonesia and Mexico

9. The Secretary submitted recommendations of the Acting Secretary of State for External Affairs for a diplomatic appointment to Australia and consular appointments to Indonesia and Mexico.

10. The Cabinet approved the following appointments; Orders in Council to be passed accordingly:

(a) William Arthur Irwin to be High Commissioner for Canada in Australia, effective June 1st, 1953;

(Order in Council P.C. 1953-421, March 19).

(b) John Arnold Irwin to be Consul of Canada at Djarkarta, Indonesia; and

(c) Clive Edward Glover to be Vice-Consul of Canada at Mexico City.

(Order in Council P.C. 1953-422, March 19).

Legislation; Prairie Farm Assistance Act amendment

11. The Minister of Agriculture, referring to discussion at the meeting of February 5th, submitted a draft resolution and bill to amend the Prairie Farm Assistance Act.

12. The Cabinet, approved for introduction in the House of Commons the resolution and bill to amend the Prairie Farm Assistance Act.

Legislation; Farm Improvement Loans Act amendment

13. The Minister of Finance said the bill to amend the Farm Improvement Loans Act now before the House of Commons did not contemplate any change in the ceiling of $3,000 on amounts which could be lent to any one borrower at any one time. In view of the substantial increase in prices since the legislation was first enacted, it was now recommended that an additional amendment be included in the bill to raise the ceiling from $3,000 to $4,000. Such an amendment might be moved when the bill now before the Commons had reached committee stage.

An explanatory memorandum had been circulated.

(Minister's memorandum, Mar. 17,1953 - Cab. Doc. 77-53).

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14. The Cabinet agreed that appropriate steps be taken to incorporate an additional amendment in the bill to amend the Farm Improvement Loans Act, 1944, now before the House of Commons; such amendment to provide an increase from $3,000 to $4,000 in the maximum amount which may be lent to any one borrower at any one time.

Excise Tax Act; removal of sales tax on municipal equipment

15. The Minister of Finance reported that increasing pressure was being exerted with a view to obtaining the removal of sales taxes on equipment purchased by municipalities for municipal purposes.

16. In the course of discussion it was pointed out:

(a) that any general exemption from sales taxes on municipal equipment would result in a substantial loss of revenue to the treasury;

(b) that, as there were approximately 4,000 municipalities in Canada, no such general exemption could be granted without giving rise to serious abuses of the exemption; and,

(c) that it might nonetheless be possible to grant exemptions in the case only of fire-fighting equipment.

17. The Cabinet, noted the report of the Minister of Finance and agreed that no steps be taken at this time to remove the sales tax payable on equipment purchased by municipalities for municipal purposes.

Legislation; Northern Pacific Halibut Fishery (Convention) Act; ratification of Convention; enabling legislation

18. The Minister of Fisheries explained that, before the new Halibut Fishery Convention, which was signed on March 2nd by Canadian and U.S. representatives, could be ratified, it would be necessary to introduce certain amendments to the Northern Pacific Halibut Fishery (Convention) Act, 1937.

An explanatory note had been circulated.

(Minister's memorandum, Mar. 16, 1953-
Cab. Doc. 75-53)

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19. The Cabinet approved in principle proposed amendments to the Northern Pacific Halibut Fishery (Convention) Act, 1937, as recommended by the Minister of Fisheries; a draft measure to be prepared accordingly, and to include an indication of Parliamentary approval of the new Halibut Fishery Convention signed by Canadian and U.S. representatives on March 2nd, 1953.

Export Credits Insurance; contract with the Canada-Israel Corporation

20. The Minister of Trade and Commerce recommended that the Export Credits Insurance Corporation be authorized to enter into a contract of insurance with the Canada-Israel Corporation providing a maximum insurance liability of $5 million.

21. In the course of discussion, it was pointed out that the proposed contract of insurance involved a liability for an amount in excess of that which the Export Credits Insurance Corporation would normally undertake in relation to any one exporter or country, but that it was expected that approximately $8 million of Canadian sales would be made annually to Israel through the Canada-Israel Corporation.

22. The Cabinet agreed that the Export Credits Insurance Corporation be authorized to enter into a contract of insurance with the Canada-Israel Corporation covering shipments, during the period April 1st, 1953 to March 31st, 1954, of capital and consumer goods purchased for Israel in Canada, the rate of premium to be 1½ percent of the gross invoice value of shipments covered by the policy and the maximum liability under the policy not to exceed $5 million; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-423, March 19).

Income Tax Short Forms for 1952; incorrect tax calculations

23. The Minister of National Revenue, referring to discussion at the meeting of March 5th, said it had been estimated roughly that perhaps one million of the two and a half million persons using the T-1 Short Form might make an incorrect calculation, that the average loss of revenue in such cases would be $1.65 and that the total loss of revenue would thus be approximately $1,650,000.

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The cost of collecting such small amounts from such a large number of tax payers would be very great and it was for consideration what action, if any, should be taken by the Department of National Revenue in this matter. Several possible alternative courses of action were submitted.

An explanatory note had been circulated.

(Minister's memorandum, March 10, 1953- Cab. Doc. 70-53).

24. In the course of discussion, it was suggested that the T-1 Short Form for 1953 should be modified so as to remove all possible doubt as to the exact amount of tax to be paid in each income bracket and that, possibly, the exact amount of old age security tax payable in each bracket need not be shown, provided it was clearly explained on the form that the amount of tax shown in the table included the old age security tax of 2 percent of taxable income up to a maximum of $60 for any one individual.

25. The Cabinet noted the report by the Minister of National Revenue on incorrect tax calculations made by tax payers, largely as a result of the manner in which the tax tables had been set up in the T-1 Income Tax Short Form for 1952, and agreed:

(a) that no action be taken to collect amounts of tax owing where such amounts in any one case were less than $1;

(b) that in respect of unpaid balances of $1 or more in any individual case, the Department of National Revenue deduct such balances from any refunds owing to the tax payer; and,

(c) that the Minister of National Revenue submit, in due course, a T-1 Short Form for 1953, modified in such a manner as to remove any possible doubt as to the exact amount of tax payable in each income bracket.

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Civil Service; deduction at source of association dues

26. The Minister of Finance, referring to discussion at the meeting of February 12th, recommended that favourable consideration be now given to the proposal that dues payable to various Civil Service Associations be deducted from pay cheques on a voluntary revocable basis.

If the proposal were approved, it was further suggested that the check-off be put into effect on July 1st, 1953.

An explanatory note had been circulated.

(Minister's memorandum, March 9, 1953 - Cab. Doc. 68-53).

27. In the course of discussion, the following points emerged:

(a) the government had consistently taken the view that check-off privileges should not be dealt with by way of legislation but by way of collective bargaining between employers and employees and, as the Civil Service did not enjoy collective bargaining privileges, it seemed inadvisable to withhold any longer the voluntary check-off, particularly as this had been unanimously recommended by the National Joint Council of the Public Service;

(b) the check-off was intended to be voluntary and revocable by the employees and would be confined to associations represented on the National Joint Council and their local affiliations;

(c) staff associations would assume half the cost of implementation;

(d) the granting of check-off privileges at this time would strengthen good employer-employee relations in the Public Service; and,

(e) consideration should again be given to granting check-off privileges to Federal civil servants who were members of Maritime Medical Care, as similar privileges had previously been extended to the Blue Cross and the Civil Service Health Insurance Plan.

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28. The Cabinet,

(a) approved the recommendation of the Minister of Finance that dues, payable to Civil Service Associations represented on the National Joint Council and their local affiliations, be deducted from pay cheques on a voluntary and revocable basis as of and from July 1st, 1953; and,

(b) agreed in principle that similar check-off privileges be extended to Maritime Medical Care provided such extension did not give rise to any real difficulties.

Old Age Pensions Act; recovery of overpayments during period 1927 to 1951

29. The Minister of Finance said that, during the period 1927 to 1951, certain overpayments had been made to persons 70 years of age and more who were in receipt of means test pensions under the now repealed Old Age Pensions Act. According to information submitted by the provinces, at the time the Old Age Pensions Act was repealed and replaced by the Old Age Security Act and the Old Age Assistance Act, overpayments amounting to $564,905 were being recovered in respect of 3,948 cases either by monthly deductions from pensions or by outright suspension of pensions.

Section 95 (3) of the Financial Administration Act provided that the Treasury Board may authorize the Minister of Finance, in certain circumstances, to deduct the amount of overpayments of pension from any sum payable by Canada to such persons and that the amounts so deducted, less the portions originally contributed by Canada, may be paid to the provinces.

It was now for consideration whether resort should be had to the provisions of this section with a view to recovering these overpayments of pensions under the Old Age Pensions Act. Several alternative methods of recovery were submitted.

An explanatory note had been circulated.

(Minister's memorandum, March 9, 1953 - Cab. Doc. 69-53).

30. In the course of discussion, it was pointed out that, although it could be argued that pensioners who had been overpaid, through fraud or misrepresentation or any other cause, should not be relieved of the obligation of making refund merely because their pensions had been

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transferred from the Old Age Pensions Act to the Old Age Security Act, recovery would in fact give rise to numerous administrative and other difficulties. Furthermore, the Federal government would place itself in the rather anomalous position of effecting the recovery of overpayments which had resulted from omissions or commissions of provincial administrations.

31. The Cabinet, deferred decision on the proposal that Section 95 (3) of the Financial Administration Act be invoked to recover overpayments, made during the period 1927 to 1951, to persons 70 years of age or more in receipt of means test pensions under the Old Age Pensions Act.

Polymer Corporation; approval of capital budget

32. The Minister of Defence Production recommended that the capital budget of Polymer Corporation Limited for 1953 be approved.

33. The Cabinet approved the recommendation of the Minister of Defence Production, concurred in by the Minister of Finance, and agreed that the capital budget of Polymer Corporation Limited for the financial year ending December 31st, 1953, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-407, Mar.19).

Canadian National Railways and Canadian National (West Indies) Steamships, Limited; capital budgets

34. The Minister of Trade and Commerce, as Acting Minister of Transport, recommended that the capital budgets of the Canadian National Railways and Canadian National (West Indies) Steamships, Limited for 1953 be approved.

35. The Cabinet approved the recommendation of the Acting Minister of Transport, concurred in by the Minister of Finance, and agreed that the capital budgets of Canadian National Railways and Canadian National (West Indies) Steamships, Limited for the financial year ending December 31st, 1953, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-406, Mar. 19).

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Fisheries; policy of licensing operation of trawlers

36. The Minister of Fisheries, referring to discussion at the meeting of February 5th, 1953, submitted a memorandum concerning the licensing of fishing trawlers.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 26, 1953-Cab. Doc. 62-53).

37. The Cabinet noted with approval the report of the Minister of Fisheries concerning the present policy of licensing the operation of fishing trawlers.

Fisheries; price support for prairie fisheries

38. The Minister of Fisheries recommended a programme of price support for the winter fishery of the prairie provinces for 1952-53.

While production of winter-caught lake fish was down substantially, stocks in dealers' hands had increased and they refused to take further deliveries from fishermen. The situation resulted from softer food prices in Canada and the United States, a heavier carry-over of frozen sea fish, and the curtailment of local distribution of frozen fish because of mild weather. Although fishing had ceased about February 15th, the fishermen had on consignment in Winnipeg, en route to Winnipeg, or on the lakes, an estimated 2.4 million pounds of fish with no apparent market. While they had received $1,224,000 for the 1951-52 season, so far they had received only $318,000 for the 1952-53 catch. In 1949, under similar circumstances, assistance had been given, but it was recommended that it be on a more curtailed basis in the present year.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 16, 1953 - Cab. Doc. 74-53).

39. In the course of discussion it was argued on the one hand:

(a) that the government should not support the fresh water fishery as a permanent policy;

(b) that, in the circumstances of the fishery on the prairies, the programme was more in the character of relief than of price support and ought to be handled by the provincial government; and,

(c) that support for the fresh water fishery would be likely to produce requests for assistance from Nova Scotia fishermen who had suffered from poor catches and reduced prices in 1952-53.

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It was argued on the other hand:

(a) that the situation in the fresh water fishery on the prairies came within the circumstances contemplated by the Fisheries Prices Support Act and the principles that had been developed in relation to it. The decline in income had been more than 25 percent from the previous year and, under the policy that had been followed thus far, consideration should be given to price support;

(b) that it would be very difficult not to extend price support in the existing circumstances with legislation available for the purpose; and,

(c) that the fact that other fishermen who might be in a position to request price support had not done so was not an argument for refusing price support to fishermen who had requested it if their circumstances justified it.

40. The Cabinet approved the recommendation of the Minister of Fisheries and agreed:

(a) that fish produced in the prairie provinces, as listed in the recommendation of the Minister, be designated as fisheries products for the purposes of the Fisheries Prices Support Act, 1944; and,

(b) that the Fisheries Prices Support Board be authorized to prescribe prices at which it would buy the fish, in accordance with the list submitted, and to pay handling, storage, freight and other charges in connection with the purchase of such fish, in accordance with the recommendation of the Minister;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-416, Mar. 19)

Parliamentary Library; proposals by contractors for reconstruction

41. The Minister of Public Works, referring to discussion at the meeting of February 26th, said his department had considered the list of contracting companies from whom proposals might be sought on the reconstruction of the Parliamentary Library. They had discussed the capabilities and availability of each contractor with the architect. There were four nationally known contracting companies who ordinarily did work in the Ottawa area: Anglin-Norcross, A.W. Robertson Limited, E.G.M. Cape and Company and Foundation Company of Canada. After going over the qualifications and availability of the contractors, Mr. Mathers and the department felt that Anglin-Norcross should be chosen. They sought authority to enter into negotiations to arrive at a contract.

(Departmental memorandum, March 12, 1953).

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42. In the course of discussion it was stated that it would not be satisfactory to select a single contractor and discuss terms of the contract with him, as it would not be possible to justify such action on the basis of a principle such as the one that the Cabinet had in mind in its decision of February 26th.

43. The Cabinet agreed:

(a) that the proposal that a single contractor be approached with a view to arriving at a contract for the reconstruction of the Library of Parliament be not approved; and,

(b) that the Minister of Public Works communicate in writing with contractors coming within the terms of the decision of February 26th, 1953, to secure proposals as to arrangements under which they would be prepared to undertake the renovation of the Library of Parliament in accordance with the principles then agreed on.

South Saskatchewan River project

44. The Minister of Agriculture, referring to discussion at the meeting of January 16th, said it was desirable to consider what position the government would take about the South Saskatchewan River project now that the report of the Royal Commission had been received.

The Commission had recommended that attention be concentrated on smaller projects. A great many of these had been carried on over many years and the present problem arose because it had been decided a few years back that some of the larger projects ought to be taken in hand. Four large irrigation projects had been considered possible: one in the vicinity of Lethbridge, one along the Bow River, one on the Red Deer River and the fourth on the South Saskatchewan River. The first three had received attention. The last had been considered very carefully over many years and the opinion of qualified people, taking into account the report of the Royal Commission, was that it could be carried out successfully and result in substantial benefits for the whole area. The South Saskatchewan project was one which might be considered under the terms of Order in Council P.C. 2298 of June 19th, 1947 and discussion might proceed between the Federal and provincial governments as to action that might be taken.

While 455,000 acres could be irrigated altogether under the project, it was probable that for a considerable time irrigation would not extend beyond the 200,000 acres on which water could be put by gravity. The best use of such irrigated land would probably be for the raising of cattle. All the uses and benefits of the lake that would be created, 145 miles long in the centre of Saskatchewan, could not be foreseen but it would make a substantial difference to the development of the area.

An explanatory memorandum was circulated.

(Minister's memorandum, March 19, 1953 - Cab. Doc. 80-53).

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45. In the course of discussion, it was argued on the one hand that:

(a) as a dam sufficient to provide water for irrigation would probably be too costly in relation to the uses to which the land might be put, it might, therefore, be preferable to consider a smaller dam;

(b) it was doubtful whether it would be economical to develop hydro-electric power from the project and, if natural gas were found in or brought into the area, it might be cheaper to produce electricity from it or it might also be cheaper to produce electricity from lignite coal if sufficient water was available; and,

(c) it would create a number of problems if it were intended that any of the irrigated lands would be used for sugar beet production.

On the other hand it was argued that:

(a) notwithstanding some suggestions to the contrary, it did not appear likely that the project would prejudice lands higher up on the Saskatchewan River or seriously reduce the availability of water lower down;

(b) the availability of a large supply of water might be conducive to the development of industry in the area; and,

(c) a large lake in the centre of the Prairie region would provide amenities that would be of substantial importance for the people of the area.

46. The Cabinet agreed that decision be deferred to a subsequent meeting on the position to be taken by the government in relation to the South Saskatchewan River project.

National Defence; agreement with Belgium concerning administrative units of the 27th Brigade

47. The Minister of National Defence, as Acting Secretary of State for External Affairs, recommended that an agreement be entered into between Canada and Belgium, in the terms submitted, covering the arrangements for the establishment of an administrative and supply base for Canadian army units in Europe.

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Under the Belgian constitution, Belgium could not proceed with the arrangements unless there were a formal agreement approved by the Belgian Parliament. The draft was in accordance with the N.A.T.O. forces agreement and provided for m.f.n. tax privileges, which might be advantageous if the United States later secured a better tax arrangement.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, undated, and annexed draft agreement and protocol - Cab. Doc. 78-53).

48. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Minister of Finance, and agreed that the Canadian Ambassador in Belgium be authorized to sign, on behalf of the Canadian government, an agreement between Canada and Belgium, as submitted, and a protocol between Belgium, Canada and the United Kingdom, as submitted, relating to the establishment of an administrative and supply base in Belgium for the supply of the 27th Canadian Infantry Brigade group in Europe and the stationing of Canadian administrative units at the base.

Trans-Atlantic telephone cable; discussions with the United Kingdom

49. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a draft note to the High Commissioner for the United Kingdom in Canada stating that Canada would welcome the opportunity to hold discussions concerning arrangements for construction of a Trans-Atlantic telephone cable. Among other things, Canada had an interest in the question whether the cable should land in Newfoundland or Nova Scotia rather than go direct to the United States.

An explanatory memorandum was circulated.

(Acting Minister's memorandum, March 18,1953 and attached draft despatch - Cab. Doc. 79-53).

50. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Acting Minister of Transport, and agreed that a note be sent to the High Commissioner for the United Kingdom in Canada, as submitted, concerning Canadian interest in a proposal to construct a Trans-Atlantic telephone cable between the United Kingdom and Canada and stating that Canada would welcome the opportunity to hold discussions with the United Kingdom concerning arrangements for the cable, and would be prepared to join in subsequent tripartite discussions with the U.K. representatives and officials of the American Telephone and Telegraph Company if that seemed desirable.

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Unemployment Insurance; extension to cover periods of illness

51. The Minister of Labour, referring to discussion at the meeting of March 10th, said further consideration had now been given to the plan to extend unemployment insurance to provide benefits for persons who became unable to work owing to illness or other physical incapacity. It had been decided that the plan raised too many problems for it to be considered with a view to action during the present session of Parliament. It would be desirable to have the interdepartmental committee continue to examine the question and the reduced plan for periods of illness occurring during unemployment. It might also consider related matters that would arise out of the submission by the National Welfare Council.

52. The Cabinet:

(a) noted the report of the Minister of Labour that it would not be practicable to consider action by Parliament, during the present session, on the proposal to extend unemployment insurance to cover cases where unemployment resulted from illness or other incapacity; and,

(b) agreed that questions relating to such extension and also to matters that might arise out of the submission by the National Welfare Council continue to be considered by the Minister in conjunction with a committee consisting of the Deputy Minister of Labour and representatives of the Unemployment Insurance Commission, the Privy Council Office and the Departments of Finance, National Health and Welfare and Justice.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 25th, 1953.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, March 25th, 1953, at 11:00 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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International Wheat Agreement; discussions

1. The Minister of Trade and Commerce reported that it seemed probable that discussions for renewal of the International Wheat Agreement would break up without any new arrangement having been made. The United Kingdom had been unwilling to increase the maximum price beyond $1.95 a bushel, and the United States had been unwilling to go below $2.15. Our representatives had suggested $2.10 but it had not brought the other two together. He thought the United Kingdom was unwise in not going a bit higher to arrive at an arrangement since wheat prices might well go above the limits that were now being discussed.

2. The Cabinet noted the report of the Minister of Trade and Commerce concerning the probable collapse of discussions for renewal of the International Wheat Agreement.

Emergency Powers Act; possible limitation

3. The Prime Minister mentioned that an informal indication had been received from the C.C.F. members of the opposition that they might be prepared to support the bill for extension of the Emergency Powers Act if the Act were amended so as to apply while Parliament was not in session.

4. In the course of discussion it was stated:

(a) that any such limitation would have to be carefully framed since Parliament was technically in session during adjournment, even for several months; and,

(b) that, in an emergency situation, action of the type that would be taken under the Emergency Powers Act would often be required at very short notice and frequently should not be known until it had been carried out. Action by Parliament would be known in advance and there could be no assurance that considerable time would not be taken.

5. The Cabinet agreed that no amendment be made to the Emergency Powers Act to provide that it should apply only when Parliament was not in session.

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Trade Marks Act; suggested modification

6. The Secretary of State reported on suggestions for modification of the Trade Marks Act made in the course of discussion in committee in the Senate.

7. The Cabinet agreed that the Trade Marks Act contained adequate provisions against the unfair use of words and phrases adopted as trade marks, and that it would not be desirable to restrict their use further.

Licensing of television stations

8. Dr. McCann, referring to discussion at the meeting of March 12th, said decision was desirable on a number of questions relating to the granting of licences for private television broadcasting stations. Eight applications were ready for consideration by the Canadian Broadcasting Corporation at the Board of Governors meeting beginning March 26th and eight other applications were near completion. Over 60 prospective applicants had asked for forms and were presumably working on applications. The Chairman had indicated it was not likely that the Board would make a definite recommendation at the coming meeting on an application, when deferment of it was requested by another applicant for the same area who had been unable to complete his material.

Guidance was particularly sought with regard to:

(a) Duplication of coverage

Problems of duplication arose in relation to private stations in centres close to those which were to have a C.B.C. station and also in cases where two or more private stations would be close to one another.

(b) Reservation of areas for C.B.C. stations

On the basis of the statement of policy of December 8th, it was assumed that private applications would be considered for any areas other than the six now covered or immediately to be covered by the C.B.C. Questions had been raised about C.B.C. stations for Saskatchewan, Alberta, New Brunswick and Newfoundland.

(c) Granting of licences to operators of sound broadcasting stations and newspaper publishers.

(d) Multiple ownership of stations.

(e) Ownership of stations.

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(f) Non-Canadian ownership.

The regulations under the Radio Act provided that licences could be issued only to British subjects or companies incorporated under Canadian or provincial law or the law of any country of the Commonwealth. Apart from this there was no provision regarding ownership of control of or interest in broadcasting stations.

(g) Financial returns of stations

These were now made available to the Department of Transport but they were not available to the Board of Governors of the C.B.C. or the public. It was a question whether it would not be desirable in the public interest for them to be made available to the Board of Governors for its work.

An explanatory memorandum had been circulated.

(C.B.C. memorandum, Mar. 18, 1953- Cab. Doc. 83-53).

9. In the course of discussion the following points were made:

(a) As to duplication:

(i) while it would not be possible to avoid fringe duplication in the coverage of areas by television stations, technical means should be used to avoid strong overlapping, particularly of areas covered by C.B.C. stations;

(ii) the purpose of avoiding or reducing overlapping was to provide conditions that would make it possible for stations to be developed and maintained successfully but, beyond that, it was not desirable to foster conditions of monopoly;

(iii) the government should not guarantee a monopoly in any particular area to a private television station;

(b) As to the establishment of C.B.C. stations:

(i) if any additional areas were to be excluded from licences for private stations, it would be necessary to undertake to establish C.B.C. stations in them in the immediate future, which would impose a serious additional burden on the C.B.C. and probably delay service;

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(ii) it would not be possible to add Edmonton and Regina to the list of areas in which C.B.C. stations were to be established without also adding a centre in New Brunswick and probably one in Newfoundland;

(iii) as the C.B.C. had power to take over any radio broadcasting station, as had actually been done in three or four cases, a possibility might be to indicate that it was intended ultimately to have a C.B.C. station in each province, with the possible exception of Prince Edward Island; that licences would be granted to private stations; but that such stations might be taken over at some future date in cases where it was necessary to establish a C.B.C. station in any particular province;

(iv) an alternative possibility might be to grant licences in some cases with a C.B.C. option to purchase the station at the end of a stated period, such as five years;

(v) a preferable course might be to state that, while private licences would be granted in any areas other than the six now reserved, the C.B.C. would exercise the right to take over stations, where it seemed desirable, if they had not developed the standard of broadcasting it was thought ought to be available to the people in the area and had not developed a sufficient measure of Canadian programmes.

(c) As to licences for operators of radio stations and newspaper publishers:

(i) it would probably not be feasible to try to maintain a rule that licences for private television stations would not be granted to operators of radio stations or newspaper publishers;

(ii) while there should be no discrimination against operators or publishers as such, they should not have a preference in the granting of licences.

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(d) As to non-Canadian ownership:

(i) the present provisions under the Radio Act and regulations with regard to ownership of radio stations appeared to afford adequate protection for television;

(ii) it would not be desirable to have a controlling interest in Canadian television stations in foreign hands but that a minority interest was not objectionable.

(e) As to financial returns of stations:

it would probably give rise to additional criticism of the position of the C.B.C. in relation to private stations if financial returns of private broadcasters were made available to the Board of Governors in the next few months.

10. The Cabinet agreed:

(a) that it would be desirable for the Board of Governors of the Canadian Broadcasting Corporation to make a definite recommendation at its coming meeting on at least some of the applications now before it for television broadcasting licences and also for a number of licences to be granted as soon as possible;

(b) that there was no objection to fringe duplication of areas covered by television stations but that technical means should be used to avoid strong overlapping, particularly by private stations near areas covered by C.B.C. stations;

(c) that applications should be considered for the establishment of private television stations in all areas of Canada other than the six now served or to be served by C.B.C. stations but that it be made clear that the C.B.C. had the power to take over private television stations and would exercise the power, where it seemed practicable and desirable, if television broadcasting had not been developed by a private station of a character and to standards thought desirable in the national interest;

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(d) that there should be no rule against the granting of licences for television stations to the operators of sound broadcasting stations or to the publishers of newspapers but that no preference be accorded to them;

(e) that the provisions of the Radio Act be applied, as in the case of radio stations, to keep multiple ownership of television stations to a minimum;

(f) that the Department of Transport and the Canadian Broadcasting Corporation maintain full information on the ownership of television stations and check carefully into proposed changes of control as provided for by the Radio Act;

(g) that the provisions of the Radio Act with regard to non-Canadian ownership of stations should apply in the case of television stations and that, while there was no objection to a foreign minority interest in Canadian stations, the regulations should be applied so as to avoid the establishment of a foreign controlling interest; and,

(h) that no change be made at the present time in the handling or accessibility of the financial returns of broadcasting stations which were provided to the Department of Transport.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 26th, 1953

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National Harbours Board; claims against Province of Quebec re Jacques Cartier Bridge	4.
Churchill School; request by Manitoba for Federal assistance	5.
Labrador Indians and Eskimos; Federal responsibility	6.
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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, March 26th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

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Unemployment Insurance Act amendment; benefits during incapacity

1. The Minister of Labour, referring to discussion at the meeting of March 10th, submitted a proposal for amendment of the Unemployment Insurance Act to provide that otherwise eligible claimants might receive unemployment benefits during incapacity from illness, accident or quarantine which had occurred after the period of unemployment had begun.

If the proposal was approved in principle, all persons who were insured against unemployment would, in certain circumstances, be covered for incapacity; no additional contributions would be required; the rate of benefit would remain as at present; there would be no change in the period of entitlement on the understanding that the maximum duration of benefits for unemployment due to incapacity would be limited to 120 consecutive days in any 12-month period; benefits would not be paid for possibly 6 days during the beginning of any period of unemployment; all disqualifications now in effect would be continued except those relating to the capability and availability of the claimant; and a number of other minor provisions would be made either by amendment to the legislation or by regulations of the Governor in Council.

An explanatory note had been circulated.

(Minister's memorandum March 25, 1953-Cab. Doc. 87-53).

2. In the course of discussion, the following points emerged:

(a) as it had been estimated roughly that, on the average, 2 percent of unemployed employables would benefit from the proposed extension of unemployment insurance, the average annual expenditure of $100 million on unemployment benefits would be increased by approximately $2 million;

(b) the Department of Justice, after considering the legal aspects of the proposal, considered that the proposed extension would in all likelihood remain within the powers conferred on Parliament by the unemployment insurance amendment to the British North America Act but, if there was serious enough doubt on this point, it would always be possible to refer the question to the Supreme Court for an opinion prior to the introduction of legislation in Parliament;

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(c) it was suggested that, if legislation of this character was introduced in Parliament, it might give rise to a prolonged debate on the desirability of further amending the British North America Act to permit a national health insurance plan to be instituted in the near future and therefore, it was important, if the proposed extension was approved, that the amendment be framed in such a manner as to make it unmistakably clear that benefits would not be paid in respect of unemployment caused by incapacity, but merely that payments would not be discontinued in the event temporary illnesses occurred during a period of unemployment originally caused by lack of available employment;

(d) as the proposal provided that payments might be continued to an otherwise qualified claimant while he was incapacitated, even though he was prevented from accepting available employment because of such incapacity, it was suggested that it might be preferable to leave undisturbed the qualifications and conditions presently set out in the Act, and to add a proviso which would stipulate that incapacity which occurred during unemployment would not disqualify a claimant, providing he was otherwise eligible and provided further that employment remained unavailable; and,

(e) as an alternative to introducing an amendment to the unemployment insurance legislation at this time, it might be possible to implement the proposed extension on a trial basis by including an appropriate $1 item in the Supplementary Estimates for 1953-54.

3. The Cabinet deferred decision on the proposed extension of unemployment insurance coverage but agreed that the Department of Justice prepare and submit,

(a) a draft amendment to the Unemployment Insurance Act to provide that an otherwise eligible claimant should not be disqualified by reason only of his becoming incapacitated by illness, accident or quarantine during a period of unemployment; and,

(b) a report on the possibility of authorizing the proposed extension of insurance benefits on a trial basis by including an appropriate $1 item in the Supplementary Estimates.

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National Harbours Board; claims against Province of Quebec re Jacques Cartier Bridge

4. The Minister of Transport reported that, by a tripartite agreement of May 5th, 1928, between the former Montreal Harbour Commissioners, the City of Montreal and the Crown in the right of the Province of Quebec, the city and the province each undertook, for the period 1930-70, to make respective annual contributions of one-third of the Jacques Cartier Bridge deficit in each year, provided that neither the provincial nor municipal contribution would exceed $150,000 in any one year. The agreement provided that any annual deficit was to be calculated pursuant to the actual cost of the bridge, which had been $18,645,971.47. Both the city and the province had duly made annual contributions of $150,000 each during the years 1930 to 1943.

In 1944, however, the city refused to make the required contribution,contending that the agreement had violated certain provisions of provincial legislation. The National Harbours Board instituted a suit against the City of Montreal and three courts, the Superior Court of Quebec, the Quebec Court of Queen's Bench and the Supreme Court of Canada, had unanimously upheld the view of the Board that the city was liable to the full extent specified by the agreement of 1928. A final settlement had now been reached with the city.

Although the province never questioned the tripartite agreement, provincial contributions were withheld in 1944 until the point of law raised by the city had finally been disposed of. In view of the unanimous decision of the courts, there could be no doubt that the province as well as the city was liable to the full extent specified in the agreement. The Board had requested in writing on two occasions that Quebec make good the arrears in provincial contributions totalling, with interest, $961,463 as of March 15th, 1953. The Board's first letter to the province had been merely acknowledged and no reply had been made to the second communication. Two possible alternative courses of action were submitted for consideration.

An explanatory note had been circulated.

(Minister's memorandum, March 16, 1953-Cab. Doc. 76-53).

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5. The Cabinet agreed,

(a) that if it were ascertained that the National Harbours Board, an agency of the Crown in right of Canada, could legally sue the Crown in the right of the Province of Quebec, a petition of right should be presented and a fiat sought in Quebec at a time to be determined later;

(b) that if Quebec did not grant a fiat to the Board, the Federal government might withhold the amounts owing from the annual statutory grants to the province; and,

(c) that, in any event, no action be taken without further reference to Cabinet except to request again in writing that the province honour its obligations under the agreement of 1928.

Churchill School; request by Manitoba for Federal assistance

6. The Minister of Transport said that, with the continuing increase in population at Churchill it had been found necessary, in 1948, to construct a four-room school at a total cost of $57,000, of which the National Harbours Board had contributed $30,000.

Despite a provincial contribution of approximately $5,000 per annum, the cost of operating the school made it necessary to assess local residents at the relatively high rate of 100 mills. Of a total of 84 pupils attending this school on December 19th, 1952, 55 were the children of Government and Crown Agency employees. In the circumstances, the Province of Manitoba had requested that some Federal assistance should be made towards the cost of operating and maintaining the school.

An explanatory note had been circulated.

(Minister's memorandum March 19, 1953 - Cab. Doc. 81-53).

7. The Cabinet agreed that the Minister of Transport take whatever steps were required to enable the National Harbours Board to make an annual contribution of between $6,000 and $8,000 per annum, for the purpose of defraying a portion of the cost of operating and maintaining the school at Churchill, Manitoba.

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Labrador Indians and Eskimos; Federal responsibility

8. The Minister of Citizenship and Immigration, referring to discussion at the meeting of February 23rd, said that, following discussions with the Newfoundland Minister of Public Welfare on March 4th and 5th, the ad hoc Cabinet Committee set up for the purpose wished to submit a report and recommendations as to the best manner in which whatever Federal responsibility might exist for Indians and Eskimos resident in Northern Labrador might be discharged.

At the present time, following an ad hoc arrangement arrived at early in 1950, the Federal departments concerned reimbursed the government of Newfoundland for actual relief expenditures on Labrador Indians and Eskimos. These disbursements totalled approximately $34,000 per annum. In addition , for the past two years, the Department of National Health and Welfare had reimbursed the provincial Department of Health or the Grenfell Missions, as the case might be, for hospitalization and other health expenditures on Labrador Indians and Eskimos at an annual rate of approximately $65,000. Thus, total direct Federal disbursements on account of Indians and Eskimos in Newfoundland were approximately $100,000 per annum.

The Committee felt it inadvisable for the Federal government to assume continuing commitments on a permanent basis for a variety of undertakings in Labrador which were wholly administered by the provincial government. Instead, it was recommended that an arrangement be worked out with the provincial authorities under which, in return for discontinuing the present ad hoc relief and health payments, the Federal government would assume all or a major share of agreed non-recurring capital expenditures for Indians and Eskimos and, in addition, would bear the full costs of an intensive anti-tuberculosis programme over a ten-year period. Under this scheme, total Federal expenditures might be as high as $550,000 during the first year but would diminish rapidly to the point of extinction at the end of ten years. A detailed formula under which such an arrangement could be worked out was submitted for consideration.

An explanatory note had been circulated.

(Memorandum, Chairman, Ad Hoc Cabinet Committee on Labrador Indians and Eskimos, March 11, 1953 - Cab. Doc. 85-53).

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9. The Cabinet,

(a) approved the recommendation of the Ad Hoc Cabinet Committee on Labrador Indians and Eskimos and agreed that an offer be made to the government of Newfoundland by which, in return for discontinuing current Federal relief and health payments for Indians and Eskimos in Northern Labrador, the Federal government would assume all or a major share of agreed non-recurring capital expenditures for Indians and Eskimos in Labrador and, in addition, bear the full costs of an intensive anti-tuberculosis programme over a ten-year period, on the understanding that all other financial and all administrative responsibilities would henceforward be assumed by the provincial government; and,

(b) authorized the Minister of Citizenship and Immigration to work out such an arrangement with the provincial authorities in accordance with the formula submitted by the Cabinet Committee.

Health grants; 1953-54 programme

10. The Minister of National Health and Welfare, referring to discussion at the meeting of February 6th, reported that, as was done each year, he had submitted to Treasury Board on March 24th regulations to govern health grants for the coming fiscal year. As agreed by Cabinet, the regulations had been revised in order that the amount saved from hospital construction grants during 1953-54 might be reallocated on the basis of $500,000 for maternal and child health, $4.3 million for laboratory and radiological services and $500,000 for medical rehabilitation. In addition to these three new grants, the basis on which the hospital construction grants were made had been widened to cover improvements to existing facilities and, in the case of new construction, facilities other than hospital beds, as it was felt that this would likely produce more beneficial results and could be done within the limits of the total authorized grant of $6.8 million.

11. In the course of discussion, it was pointed out:

(a) that it would be inadvisable at this time to alter the basis on which hospital construction grants were made;

(b) that although the Canadian Medical Association and certain individual radiologists had been consulted regarding the proposed three additional grants, the Association of Radiologists as such had not, and it was understood certain members of this latter body were fearful that the proposed new grant for laboratory and radiological services might result eventually in a general lowering of standards;

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(c) that, as a general rule, grants for treatment services and other undertakings of a continuing nature were conditional upon an equal contribution being made by the provinces, whereas grants in respect of new construction, purchase of equipment and other undertakings of a non-continuing nature did not require any matching provincial contribution; and,

(d) that this was the same general principle that applied to other existing grants, such as the tuberculosis grant, and was necessary to provide the public with certain desirable facilities which would not otherwise be made available.

12. The Cabinet approved the general health grants regulations for 1953-54, as submitted by the Minister of National Health and Welfare, subject to revision of Part X (hospital construction grant) to conform with the basis on which the grant had been made available in 1952-53; an Order in Council to be passed accordingly.

Butter; price support 1953-54

13. The Minister of Agriculture recommended that the price support programme for butter be extended at 58 cents per pound until April 30th, 1955.

The support programme for the past two years had been satisfactory and had not resulted in any losses. The Canadian Federation of Agriculture had urged that the floor be raised to 63 cents but it was not desired to increase production and there appeared to be no adequate reason for such a rise in price.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 19, 1953 - Cab. Doc. 82-53).

14. In the course of discussion it was suggested, on the one hand, that extension for one year rather than two would be safer and would permit more flexibility if food prices declined; on the other hand:

(a) that a change from two years to one year for the programme would not provide as much certainty for producers and might affect production;

(b) that a one-year provision might be interpreted as an indication that the government was expecting a decline in prices; and,

(c) that, while a one-year programme might provide an opportunity to reduce the floor price at the end of the year, it would also be open to pressure to have the price increased.

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15. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that price support for butter be continued on the present basis, at a price of 58 cents per pound for deliveries Halifax, Saint John, Montreal and Toronto, from May 1st, 1953 to April 30th, 1955; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-470, March 26).

Death of Queen Mary; municipal observance; civil service

16. The Prime Minister said the Mayor of Ottawa had asked for government co-operation in connection with plans by the municipal authorities on the day of the funeral of Queen Mary.

17. The Secretary of State said the question had been raised whether a half-day holiday ought to be granted to civil servants.

18. The Cabinet agreed:

(a) that arrangements be made by the Minister of National Defence or the Minister of Public Works, as required, to facilitate plans of the Ottawa municipal authorities for observance of a two minutes' silence on the day of the funeral of Queen Mary; and,

(b) that no half-holiday be granted to civil servants on that day.

Legislation; Canadian Forces bill

19. The Minister of National Defence, referring to the discussion at the meeting of February 19th, submitted a draft resolution and bill respecting the Canadian Forces. Copies of the draft measure had been circulated.

20. The Cabinet approved for introduction in the House of Commons the resolution and bill entitled "Canadian Forces Act, 1953".

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Colombo Plan; projects for India and Pakistan

21. The Minister of National Defence, as Acting Secretary of State for External Affairs, recommended that authorization be given for expenditures on three projects for assistance to India and Pakistan under the Colombo Plan.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, March 24, 1953- Cab. Doc. 84-53).

22. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Minister of Trade and Commerce, and agreed:

(a) that authorization be given for the expenditure of $2.2 million for the provision of 40 locomotive boilers to India under the Colombo Plan; the Indian government to establish a counterpart fund of a size that would be appropriate in the light of arrangements for financing the Indian Railways, and other relevant considerations;

(b) that the hydro-electric project at Warsak, Pakistan, be approved in principle as a suitable project for Canadian Colombo Plan aid, and $3.4 million be allocated out of the 1952-53 vote for provision of electrical equipment for it; the Pakistan government to be informed that additional allotments would be made in subsequent years, within the limits of amounts available to Pakistan out of funds appropriated by Parliament for the Colombo Plan; possible arrangements for a counterpart fund to be made, dependent on considerations as outlined; and,

(c) that authorization be given for the expenditure of Colombo Plan funds, up to $170,000, to provide Beaver aircraft and related equipment to Pakistan to be used in the locust control programme.

International Civil Aviation Organization; Canadian delegation to 7th session of Assembly

23. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a recommendation concerning the Canadian delegation to the 7th session of the Assembly of I.C.A.O. to be held in Brighton, England, beginning on June 16th and lasting approximately three weeks. The session would be the first in three years to deal with the whole range of I.C.A.O.'s activities.

(Acting Minister's memorandum, March 26, 1953- Cab. Doc. 88-53).

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24. The Cabinet noted the recommendation of the Acting Secretary of State for External Affairs and agreed:

(a) that authority be granted to the Minister of Transport and the Secretary of State for External Affairs, in consultation, to designate the officials to compose the Canadian delegation to the 7th session of the I.C.A.O. Assembly, along the lines submitted; and,

(b) that decision be deferred on the question whether the Minister of Transport should be designated as chairman of the Canadian delegation and attend the Assembly meeting.

Canadian Overseas Telecommunication Corporation; capital budget

25. The Minister of Transport recommended that the capital budget of the Canadian Overseas Telecommunication Corporation be approved.

26. The Cabinet approved the recommendation of the Minister of Transport, concurred in by the Minister of Finance, and agreed that the capital budget of the Canadian Overseas Telecommunication Corporation for 1953 be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-469, March 26).

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 27th, 1953

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Items discussed

Sir Robert Borden: statue for Parliament Hill 2.

C.N.R.: investigation of cost of coal purchases 2.

Television: policy respecting private stations 4.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, March 27th, 1953, at 11:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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Sir Robert Borden; statue for Parliament Hill

1. The Prime Minister, referring to discussion at the meeting of March 17th, said he proposed to announce in the House of Commons that the government had approved recommendations of the Board of Trustees of the National Gallery, for the holding of a competition in connection with the previously announced erection of a statue of Sir Robert Borden on Parliament Hill in 1954. The competition would be open to persons normally resident in Canada and, in addition to awarding the contract to the winning competitor, it was intended to award cash prizes of $300 each to the authors of the next six best models. It was estimated that the completed statue and pedestal would cost between $40,000 and $50,000.

A draft statement was submitted and read.

2. The Cabinet noted with approval the draft statement to the House of Commons submitted by the Prime Minister regarding the holding of a competition in connection with the proposed erection of a statue of Sir Robert Borden on Parliament Hill in 1954.

Canadian National Railways; investigation of cost of coal purchases

3. The Minister of Mines and Technical Surveys said that, in order to encourage larger purchases of Canadian coal by the Canadian Pacific and Canadian National Railway Companies, subventions had been granted to the railways by the government in those areas where imported coal could be obtained more cheaply than Canadian coal. Such subventions had originally been based on a flat rate of 3½ mills per ton mile and were increased in 1938 to 5 mills. During the past few years the Canadian National Railways had contended that the specific flat rate was inadequate and had submitted a computation of transportation charges to the Dominion Coal Board which the C.N.R. claimed represented the actual cost of haul to the various coaling stations. On the basis of the figures submitted by the Canadian National Railways, current subventions on Canadian coal would have to be increased substantially.

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Pending an independent investigation of the railway figures to be arranged for by the Dominion Coal Board, it was recommended that the Canadian National Railways be requested to purchase Canadian coal in tonnages as designated by the Dominion Coal Board in all areas where, in the opinion of the Board, it was in the national interest so to do, on the understanding that the results of the investigation would be taken into account in calculating the amount of subvention payable to the railway.

An explanatory note was circulated.

(Minister's memorandum, March 26, 1953- Cab. Doc. 90-53).

4. In the course of discussion the following points emerged:

(a) an independent investigation of the out-of-pocket costs of purchasing Canadian rather than American coal should be made immediately, in order to ascertain whether the margin between such costs was as wide as represented by the Canadian National Railway ;

(b) the President of the Canadian National Railways was prepared to have such an investigation conducted by anyone the government of Canada might wish to designate,but felt that the resulting report should be for the confidential information of the government and the Dominion Coal Board and not of the Board of Transport Commissioners;

(c) the Canadian National Railways was prepared to purchase, for its own use, Canadian coal in such quantities as the government might direct, provided such coal was made available to the railways at no greater cost than imported coal;

(d) unless the railways maintained their purchases of Canadian coal more or less at the levels which obtained in 1952, there was every likelihood that at least some mines would have to close down within a matter of weeks and, in order to avoid unnecessary disruption in the industry with consequent large movements of workers and their families, it might be advisable to agree that the government subsidize the railways for one year only to whatever extent appeared necessary until the result of an independent investigation of the costs was available;

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(e) when the results of such an investigation became known, the government would have to weigh carefully whether the national interest could best be served by continuing to pay an annual subvention on Canadian coal purchases, which might be as high as $1.5 million per annum, or by discontinuing such subsidies entirely and allowing certain marginal coal mines to discontinue operations; and,

(f) an important consideration in reaching a decision in this matter would be whether defence requirements and the over-all employment situation were such as to warrant such expensive government support for an industry which was gradually being displaced by the oil and natural gas industry.

5. The Cabinet agreed,

(a) that the Minister of Transport and the Minister of Mines and Technical Surveys select a suitable person to undertake an independent investigation of the out-of-pocket costs involved in the purchase of Canadian and imported coal for use by the Canadian National Railways; and,

(b) that, pending receipt and consideration of the results of such an investigation, the Canadian National Railways be requested to purchase Canadian coal in such quantities not in excess of the aggregate 1952 purchases and from such mines as the Dominion Coal Board may deem appropriate, on the understanding that the railway would be reimbursed the amount by which such purchases of Canadian coal exceeded the price of similar quantities of imported coal.

Television; policy respecting private stations

6. The Prime Minister, referring to discussion at the meeting on March 25th, suggested that, in order to remove any doubt as to the government's policy regarding private television broadcasting in Canada, the Minister of National Revenue might, at an early date, make a statement in the House or in the Committee, pointing out that it was not the policy of the government to create a monopoly in television or to limit any one area indefinitely to one television station. The principle of one station to an area was intended to apply only until an adequate national television coverage had been achieved. At the rate applications for private stations were being received, it might be possible in the relatively near future for the government and the Canadian

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Broadcasting Corporation to consider permitting two, and in some cases more than two stations in the same area . It was anticipated that, in due course, private stations would be permitted in areas covered by the C.B.C. and the C.B.C. might establish stations in some areas originally covered by private stations.

The ultimate objective of the C.B.C. would be to have at least one station in every province of Canada wherever practicable. However, in the meantime, the government did not want to discourage the immediate establishment of private stations in any of the five provinces where no C.B.C. station was now under way. With this in mind, licences granted to private stations in those provinces will contain a provision that, before establishing a competing station, the C.B.C. would ascertain whether the area was likely to afford adequate financial support for two stations and, if this was not possible, it might offer to purchase the private station at a fair and reasonable price, rather than set up a new one.

A draft statement was submitted and read.

7. In the course of discussion the following points emerged:

(a) a total of 16 applications for private television broadcasting stations would shortly be placed before the Board of Governors of the Canadian Broadcasting Corporation and, in addition, 57 other persons or firms had shown an interest in this matter and had requested application forms;

(b) it was suggested that, unless the Board of Governors of the Canadian Broadcasting Corporation was required by statute to announce their recommendations for licences immediately after they were made, the practice should be discontinued as it seemed improper that such recommendations should be made public before they were submitted to the Minister of Transport and a final decision had actually been reached as to whether or not a licence would, in fact, be granted.

8. The Cabinet approved the draft statement on government policy respecting private television broadcasting submitted by the Prime Minister, and agreed that this statement as revised in discussion, be made in the House of Commons or the Radio Committee early the following week by the Minister of National Revenue.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 31st, 1953

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Television; licences for private stations	2.
Radio broadcasting; grant of licence	2.
C.N.R.; investigation of cost of coal purchases	3.
Women's Christian Temperance Union; request for assistance for international convention	3.
Royal Empire Society; assistance in reconstruction of premises -	3.
Legislation; Public Service Superannuation bill compulsory retirement	4.
Bow River project; land exchange policy; costs of engineering work	4.
Federal District Commission; capital budget and estimates	6.
Appointments; Canadian Pension Commission	7.
South Saskatchewan River project	7.
Highways; provincial request for discussion	9.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Tuesday, March 31st, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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Television; licences for private stations

1. The Minister of Transport, referring to discussion at the meeting of March 25th, recommended that licences be granted for the establishment of seven privately owned television stations for which applications had been approved by the Board of Governors of the Canadian Broadcasting Corporation. Of the eight applications before the Board at its last meeting, only that for a station at Kitchener had been refused. This was for a station to use one of the channels allocated to Toronto and would be of such a range that it would considerably duplicate the service from other stations.

2. The Cabinet approved the recommendation of the Minister of Transport and agreed that licences be issued for the establishment, as approved by the Board of Governors of the Canadian Broadcasting Corporation, of privately owned television stations at Hamilton, Windsor, London, Saint John, Sydney, Quebec and Sudbury.

Radio broadcasting; grant of licence

3. The Minister of Transport recommended that a licence for establishment of a radio broadcasting station at Ville St. Georges be issued to Radio Beauce Inc.

4. In the course of discussion it was suggested that, before giving definite approval to the issuance of a licence, information should be ascertained concerning the applicants.

5. The Cabinet agreed:

(a) that the Minister of Transport ascertain the identity of the applicants for the establishment of a radio broadcasting station at Ville St. Georges; and,

(b) that, subject to further discussion of the application by the Minister with the Minister of Veterans Affairs, after determining the identity of the applicants, approval be given to the issuance of a licence for the establishment of a radio broadcasting station at Ville St. Georges as approved by the Board of Governors of the Canadian Broadcasting Corporation.

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Canadian National Railways; investigation of cost of coal purchases

6. The Minister of Transport, referring to discussion at the meeting of March 27th, submitted a recommendation, following discussion with the Minister of Mines and Technical Surveys, concerning the person to undertake the investigation of the costs of purchasing Canadian and imported coal by the C.N.R.

7. The Cabinet approved the recommendation of the Minister of Transport and agreed that the investigation of the costs to the Canadian National Railways of purchasing Canadian and imported coal be undertaken by Mr. H.J. Darling of the Bureau of Transportation Economics, Board of Transport Commissioners, who should, in carrying out the investigation, work closely with the Deputy Minister of Transport and the Chairman of the Dominion Coal Board.

Women's Christian Temperance Union; request for assistance for international convention

8. The Prime Minister, referring to discussion at the meeting of February 12th, 1953, said he had received a reply from the Women's Christian Temperance Union concerning the outlays that were expected in connection with the international convention. As $3,000 had been granted by the Federal government for a similar convention in 1931, he recommended that $5,000, as an approximate present equivalent, be granted for the 1953 convention.

9. The Cabinet approved the recommendation of the Prime Minister and agreed that a grant of $5,000 be made to the Women's Christian Temperance Union to assist in meeting the expenses of the international convention to be held in Vancouver; Treasury Board to be advised accordingly.

Royal Empire Society; assistance in reconstruction of premises

10. The Minister of Finance reported that, when the premises of the Royal Empire Society had been constructed in London the Canadian government had financed a room with panelling in Canadian wood. The premises had been destroyed during the war and it was now requested that Canada contribute wood for the reconstruction of the room.

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11. The Cabinet agreed that the Minister of Finance be authorized to make provision, to the amount of approximately $5,000, for native wood to be contributed for the reconstruction of the Canadian room of the premises of the Royal Empire Society in London; Treasury Board to be advised accordingly.

Legislation; Public Service Superannuation bill; compulsory retirement

12. The Minister of Finance, referring to the discussion at the meeting of March 5th, said that, after fubther consideration, he recommended that the Public Service Superannuation bill be amended to provide that the Governor in Council may make regulations concerning compulsory retirement from the public service. Decision on the retirement policy to be followed might be deferred until the regulations were submitted for consideration.

An explanatory memorandum had been circulated.

(Minister's memorandum, Mar. 30, 1953-Cab. Doc. 92-53).

13. The Cabinet noted the report of the Minister of Finance, and agreed:

(a) that the Public Service Superannuation bill, as approved for introduction in the House of Commons, be amended to provide that the Governor in Council may make regulations concerning compulsory retirement from the public service; the bill to be reprinted accordingly before first reading; and,

(b) that decision be deferred on the retirement policy to be followed pending submission of the regulations to be made under the new Act.

Bow River project; land exchange policy; costs of engineering work

14. The Minister of Agriculture, referring to discussion at the meeting of April 22nd, 1952, submitted a recommendation concerning the basis of providing land for the resettlement,in the Bow River irrigation project, of farmers from sub-marginal lands .

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It was proposed that land in the Bow River project be exchanged, acre for acre, for land held in sub-marginal areas up to a maximum of 160 acres, of which a maximum of 140 were irrigable. Farmers owning more than 160 acres of dry land would receive a credit of $2 per acre against improvements made by the Federal government on the new land. They would be charged $10 per acre for water rights, payable over a 12-year period with interest at 5 percent. Farmers settling on the irrigated lands would have to construct buildings and fences, level and break the land, dig irrigation ditches, and do other work that would amount to perhaps $20 an acre in cost. If a higher price were charged for the new land it was probable that most of the intended settlers would not be able to undertake the move successfully.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 24, 1953 - Cab. Doc. 86-53).

15. In the course of discussion it was argued on the one hand:

(a) that the cost to the Federal government for the land in the project would amount to about $60 per acre; while the full amount could probably not be recovered, it would be desirable to have the land transferred on a basis that more nearly accorded with its economic value - perhaps somewhere between $30 and $60 an acre; on the proposed basis it would amount to a subsidy of from $3,000 to $7,000 for each family settling in the project;

(b) that, because the land would be acquired at less than the economic value, there would be a risk of sales to try to secure the substantial profit represented by the difference between the cost of acquisition and the economic value; and,

(c) that, in the related project in the East Block of the area, where the government of Alberta was involved, the Federal government should not, as presently proposed, meet the costs of preliminary engineering work.

It was argued on the other hand:

(a) that it would not be feasible to charge a full economic rate for the land on a sale basis and any arrangement for lease or payment over a protracted period would involve the government in lengthy arrangements concerning land tenure and use;

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(b) that the suggested basis of transfer was in accordance with the principles that had been followed in earlier projects and it would be extremely difficult to suggest to the settlers any other manner of proceeding;

(c) that the government could prevent speculative transfers of land through the continuing control over water rights; and,

(d) that the subsidy that would, in effect, be available to settlers would only be realized if they devoted the time and effort that would be necessary to improve the land; it was desirable to provide that incentive if the project were to succeed.

16. The Cabinet agreed:

(a) that land in the Bow River irrigation project be provided to farmers from sub-marginal lands on the basis recommended by the Minister of Agriculture; and,

(b) that the Minister endeavour to have the proposed agreement with the Alberta government concerning the East Block of the Bow River irrigation area provide that, while the Federal government would be willing to undertake preliminary engineering work for the area, the costs of such work as had not already been done would be borne by the government of Alberta.

Federal District Commission; capital budget and estimates

17. The Prime Minister recommended that the capital budget and estimates of the Federal District Commission for the next fiscal year be approved.

18. The Cabinet, on the recommendation of the Prime Minister, approved the capital budget and estimates of the Federal District Commission for the fiscal year ending March 31st, 1954; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-473 and P.C. 1953-474, Mar. 31, 1953).

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Appointments; Canadian Pension Commission

19. The Minister of Veterans Affairs submitted recommendations for reappointments to the Canadian Pension Commission.

20. The Cabinet approved the recommendations of the Minister of Veterans Affairs and agreed:

(a) that Joseph Rene Painchaud, Esq., be reappointed a member of the Canadian Pension Commission for a further period of 10 years from June 17th, 1953; and,

(b) that Howard Lorne Conn, Esq., be reappointed a Commissioner and Deputy Chairman of the Canadian Pension Commission for the term commencing April 1st, 1953 and ending June 30th, 1953 and an ad hoc Commissioner for the term commencing July 1st, 1953 and ending December 31st, 1953;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-503 and P.C. 1953-504, Mar. 31, 1953).

South Saskatchewan River Project

21. The Minister of Agriculture, referring to discussion at the meeting of March 19th, said it was desirable to attempt to reach a decision on the position to be taken by the government about the South Saskatchewan Project.

22. In the course of discussion it was argued on the one hand:

(a) Thermal power equal in quantity to the hydro-electric power that could be developed from the South Saskatchewan Project could be produced at a cost which, when capitalized, amounted to approximately $30 million. If the cost of the dam and reservoir were set at $100 million, which appeared to be conservative, the allocation of $30 million to power would leave $70 million as the capital cost for irrigation. This would amount to about $26,000 per farm. It was, moreover, the cost only of creating an adequate supply of water at a point where additional expenditures would have to be made by the province and farmers to use it in irrigation. The figure seemed extremely large. It could only be reduced by allocating an additional amount of the cost to power, which would make it very costly.

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(b) There did not appear to be adequate justification for heavily subsidizing the development of power in Saskatchewan as an inducement for industry to establish itself there. On the basis of such subsidization, a number of projects in other parts of Canada to attract industry would become equally feasible.

(c) The value of the reservoir of water appeared to be speculative since water for industry could be provided by direct pumping from the river at substantially lower cost.

(d) By means of pumping to maintain the level of Buffalo Pound Lake in the Qu'Appelle Valley, it would be possible to have a constant reservoir of water for industrial and municipal water purposes and also for limited irrigation in the valley.

(e) There was not evidence that the expenditure of some $100 million by the Federal government on the project would result in an equivalent benefit to the immediate area or to the country as a whole.

It was argued on the other hand:

(a) There was considerable difference of opinion as to the cost at which thermal power could be produced on a large scale in Saskatchewan and it might well prove to be substantially more than $30 million.

(b) The variation in flow of the Saskatchewan River was such that it was doubtful whether industry could be attracted to the area on the basis of a supply from the natural flow without a reservoir.

(c) The Saskatchewan River carried such an amount of silt that pumping for industrial or other purposes presented a serious problem unless there was a large settling reservoir of the type that had been proposed.

(d) Other considerations than direct economic advantage had been taken into account in projects of this general character and should be weighed in the present instance.

(e) The Royal Commission had not fully gone into all the information that was available concerning the project and it would be useful to question the engineers and others who had been associated with the plan over many years before taking any definite decision.

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23. The Cabinet agreed that decision on the position to be taken by the government in relation to the South Saskatchewan River project be deferred to a subsequent meeting at which engineers and others connected with the development of the project might be present for questioning.

Highways; provincial request for discussion

24. The Prime Minister said he had received a letter from the Premier of Alberta on behalf of the governments of Alberta, Saskatchewan and British Columbia suggesting a meeting to discuss defence highways and provincial and federal responsibility for them. A draft reply was submitted.

25. The Cabinet approved, as submitted, the draft reply by the Prime Minister to the Premier of Alberta concerning a meeting to discuss defence highways; the reply to indicate that the only specifically defence highway was the Alaska Highway, which was maintained by the Federal government; that, in view of the excellent financial position of the provinces, it was hard to see how the Federal authorities would be justified in undertaking additional responsibility for highways, as they would be useful for defence purposes in the sense only that all improvements in facilities for transportation and communication would add to the capacity of Canada to defend itself; but that, if the provincial governments desired to make representations, arrangements would be made to receive them.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 2nd, 1953

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Armed Forces; payment by the United Kingdom of disability pensions to Canadian airmen having served with the R.A.F. 2.

Civil Service; holiday on Saturday preceding Easter 2.

Freight rates increase; appeal by provinces from decision of Board of Transport Commissioners 3.

Northern development; report of Advisory Committee 3.

Coronation; distribution of medals and medallions 5.

Germany; extradition treaty 6.

German Patents Agreement; Canadian accession 6.

United Nations; Korea; appointment of Secretary General 7.

Defence; modification of Canada-U.S. agreement on aircraft interception 8.

St.Lawrence Seaway and Power Project 9.

Visiting Forces (North Atlantic Treaty) Act; proclamation 10.

Radio broadcasting; private broadcasting station at Ville St. Georges, P.Q. 11.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 2nd, 1953, at 11:00 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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Armed Forces; payment by the United Kingdom of disability pensions to Canadian airmen having served with the R.A.F.

1. The Minister of Finance said that, early in the Second World War, an arrangement had been made with the United Kingdom under which Canada paid Canadian airmen, serving with the Royal Air Force, directly on the understanding that the United Kingdom would reimburse Canada the total amount of pay that would have been forthcoming to this group had they been regular members of the U.K. forces.

This arrangement was altered in 1943 to provide that Canada would bear the full costs of the pay and allowances for these Canadian members of the U.K. forces, on condition that the United Kingdom would, subsequently, reimburse Canada for the amount of disability pension that would have been forthcoming to these individuals or their dependents had they been members of the U.K. forces. Under this arrangement, which still remained in effect, the U.K. government reimbursed Canada annually an amount of approximately $575,000. Australia and New Zealand, who had had similar agreements with the United Kingdom, had waived the United Kingdom's obligations in this matter and now assumed full financial responsibility for disability pensions of their nationals. It had, for some time, been suggested that Canada should take a similar step and it was now recommended that the suggestion be considered favourably.

2. The Cabinet agreed that the Minister of Finance be authorized, on behalf of the government of Canada, to release the United Kingdom government from the obligation to make any outstanding payments under Article 3(b) of the Agreement between the government of Canada and the government of the United Kingdom dated April 20th, 1943, and from all further obligations to provide pensions and other non-effective benefits under said Article 3(b); an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-522, April 2).

Civil Service; holiday on Saturday preceding Easter

3. The Secretary of State reported that representations had been made to the effect that, as Good Friday and Easter Monday would be observed as holidays in the public service, consideration should be given to granting the Saturday morning preceding Easter Sunday as a holiday as well.

4. The Cabinet agreed that the Saturday morning preceding Easter Sunday be not considered as a holiday in the public service.

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Freight rates increase; appeal by provinces from decision of Board of Transport Commissioners

5. The Acting Prime Minister said a petition had been received from all provinces, except Ontario and Quebec, appealing from a recent decision of the Board of Transport Commissioners authorizing an immediate general increase of 7 percent in freight rates.

Before his departure the previous day, the Prime Minister had suggested that Cabinet might consider fixing Friday and Saturday, May 1st and 2nd, as the dates on which the petitioners would be heard.

(Letter, Mar. 30, 1953, C.D. Shepard, Counsel, Government of Manitoba, to Clerk of the Privy Council and enclosed petition; note, Secretary, April 1st, 1953).

6. The Cabinet

(a) noted that a petition had been filed with the Governor in Council by all provincial governments, except Ontario and Quebec, appealing from a recent decision of the Board of Transport Commissioners which had authorized an immediate general increase of 7 percent in railway freight rates; and,

(b) agreed that the petitioners be informed that the government would be prepared to hear their representations on Friday and Saturday, May 1st and 2nd, with an indication that it would not be possible to continue the hearings beyond May 2nd.

Northern development; report of Advisory Committee

7. The Minister of Resources and Development, referring to discussion at the meeting of February 19th, 1953, submitted a report by the Advisory Committee on Northern Development on activities in northern Canada. The report contained a considerable amount of valuable information. It seemed quite clear, however, that if the Advisory Committee were to be really useful, it would be necessary to ensure that all government departments filed information relating to northern Canada with the Department of Resources and Development, which department Cabinet had previously agreed should act as coordinator in this field.

Copies of the report had been circulated.

(Minister's memorandum, March 31, 1953, and attached report of Advisory Committee on Northern Development March 1953-Cab. Doc. 93-53).

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8. The Minister of Mines and Technical Surveys reported that the Standard Oil Company and Imperial Oil Company had indicated that they wished to explore the petroleum producing possibilities of Bathurst and Cornwallis Islands in the Arctic Archipelago. If such surveys were to be successful, the two companies felt that they would require the active cooperation of the Geological Survey Branch of the Department of Mines and Technical Surveys and of the R.C.A.F.

Quite apart from the desirability of increasing Canadian civilian activities in the north, the proposal seemed meritorious as the Islands of Bathurst and Cornwallis were part of the same geological formation which the U.S.S.R. had successfully developed in the Russian Arctic.

It had further been suggested that, as Baffin Island might likely be a source of strategic minerals, the Geological Survey Branch of the Department of Mines and Technical Surveys might, if this were thought desirable, undertake a survey of that area.

9. In the course of discussion it was pointed out:

(a) that, if it were intended to use R.C.A.F. aircraft as transport for the Standard Oil and Imperial Oil Companies, it might be advisable, before granting the required authorization to these two companies, to ascertain whether other firms would be interested in developing the area as well; and,

(b) that, in any event, before the necessary authorization was given to the two oil companies, the whole question might usefully be referred to the Advisory Committee on Northern Development and to the Department of Resources and Development for consideration and report.

10. The Cabinet:

(a) noted the report dated March, 1953 of the Advisory Committee on Northern Development on activities in northern Canada as submitted by the Minister of Resources and Development; and,

(b) deferred decision on the request of the Standard Oil Company and Imperial Oil Company that they be authorized to explore, with the active assistance of the Geological Survey Branch of the Department of Mines and Technical Surveys and the R.C.A.F., the petroleum producing possibilities of Bathurst and Cornwallis Islands in the Canadian Archipelago, pending consideration and report by the Department of Resources and Development and the Advisory Committee on Northern Development.

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Coronation; distribution of medals and medallions

11. The Secretary of State, referring to discussion at the meeting of February 26th, 1953, reported that arrangements were well in hand to procure and distribute three million Coronation medallions to school children in Canada. The actual design of the medallion had not yet been finally approved by Her Majesty.

He also submitted for consideration a suggested distribution of the Coronation medal.

An explanatory memorandum had been circulated.

(Schedule of categories eligible for Coronation Medals, Mar. 2, 1953 - Cab. Doc. 95-53).

12. In the course of discussion, it was suggested:

(a) that consideration might usefully be given to making former provincial Premiers eligible to receive the Coronation medal;

(b) that distribution of the medal should not be restricted to Indians and Eskimos resident in the Northwest Territories and the Yukon but should also be distributed on an appropriate basis to Indians resident in the rest of Canada; and,

(c) that, in order to accommodate the additional categories mentioned above, an effort be made to increase the Canadian quota of Coronation medals from 19,000 to 20,000.

13. The Cabinet noted with approval the report by the Secretary of State on arrangements for the distribution of Coronation medals and medallions and agreed that consideration be given to the possibility:

(a) of including former Provincial Premiers and Indians resident in parts of Canada other than the Northwest Territories and the Yukon Territory in the categories eligible for the Coronation medal; and,

(b) of having the Canadian quota of Coronation medals increased from 19,000 to 20,000.

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Germany; extradition treaty

14. The Secretary of State for External Affairs reported that the extradition treaty of 1872 with Germany had, upon the outbreak of the Second World War, ceased to be applicable as between Canada and the former German Reich. It now seemed desirable to revive this treaty.

If this proposal were approved, Canada would then have to inform the Allied High Commission who would, unless it disapproved, declare that treaty applicable to the Federal Republic of West Germany and binding upon it provided the Federal Republic so desired.

This course of action had been concurred in by the Minister of Justice.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs, January, 1953 - Cab. Doc. 91-53).

15. The Cabinet agreed that the 1872 extradition treaty with Germany be now revived and made applicable to Canada and the Federal Republic of West Germany and that the necessary steps be taken to inform the Allied High Commission accordingly.

German Patents Agreement; Canadian accession

16. The Secretary of State for External Affairs said the Canadian government had been invited by the government of Italy to become a party to the German Patents Agreement which had been signed in Rome on November 29th, 1950, by representatives of the governments of Italy, the United Kingdom, France and the United States. The accession by Canada to this agreement would permit Italian nationals access to German-owned patents in Canada and Canadian nationals access to German-owned patents in Italy under the conditions, limitations and procedures set forth in the International Accord of July 27th, 1946, on German-owned patents.

It was recommended, with the concurrence of the Secretary of State, that Canada accede to the German Patents Agreement, although such accession would provide little advantage to Canadian nationals but Italian nationals might derive some benefit therefrom.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs Mar. 24, 1953-Cab. Doc. 94-53).

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17. The Cabinet approved the recommendation of the Secretary of State for External Affairs, concurred in by the Secretary of State, and agreed that Canada accede to the German Patents Agreement of November 29th, 1950, by notification in writing to the Government of Italy.

United Nations; Korea; appointment of Secretary General

18. The Secretary of State for External Affairs reported that he had received, in his capacity as President of the United Nations General Assembly, a telegram from the Premier and Foreign Minister of the Central People's Republic of China, Chou En-Lai, the previous Monday, setting forth proposals for an armistice in Korea. The only difference between the Chinese proposal and that previously put forward by the United Nations was that Chou En-Lai had suggested that on armistice day, all prisoners of war who wanted to return would be allowed to do so and those who did not would be sent to some agreed neutral country. It would be recalled that the U.N. resolution had stipulated that prisoners of war who did not want to return to their country would be turned over to a special United Nations commission. The United States were anxious that the Western Democracies should not accept the latest Chinese proposal uncritically. He had sent the resolution to General Clark in order that it might be considered by the truce negotiators at Panmunjom before it was debated in the General Assembly.

19. Mr. Pearson also said that the rather difficult question of finding a successor to Mr. Trygve Lie as Secretary General of the United Nations had been solved very quickly when the name of Mr. Dag Hammarskjold, the Deputy Foreign Minister of Sweden, was put forward and accepted immediately by all the members of the Security Council including Mr. Vishinsky.

20. The Cabinet noted the reports by the Secretary of State for External Affairs on recent developments at the United Nations, particularly regarding the improved chances of reaching a basis of agreement on a Korean armistice, and the appointment of Mr. Dag Hammarskjold of Sweden as Secretary General of the United Nations.

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Defence; modification of Canada-U.S. agreement on aircraft interception

21. The Minister of National Defence reported that, at a meeting to be held on April 13th, the Permanent Joint Board on Defence would consider a suggestion put forward by the United States to amend the existing Canada-U.S. agreement on the interception of unidentified aircraft flying over Canadian and U.S. territory. This agreement was contained in P.J.B.D. recommendation 51/4 which had been approved by the Cabinet Defence Committee on May 30th, 1951.

Sub-paragraphs (a) and (b) of P.J.B.D. recommendation 51/4 presently read as follows:

(a) Investigations by U.S. military aircraft over Canadian territory would only occur in the case of an aircraft headed for the Canada-United States border from the Canadian side whose flight plan had not been transmitted to the U.S. authorities; or which was off course, and then only in the event that the actions of the aircraft gave rise to a reasonable interpretation of intention to cross the international boundary; the activities of Canadian military aircraft over U.S. territory would be similarly restricted.

(b) Close investigation with all due precaution, or interrogation, would be performed solely on unidentified multi-engine aircraft for the purpose of obtaining electronic or visual identification. No attempt would be made to order an intercepted aircraft to land, nor to open fire except when the intercepted aircraft was over the national territory of the air force performing the interception.

The U.S. Section of the Permanent Joint Board on Defence had suggested, with the concurrence of the three U.S. services and the State Department, that these sub-paragraphs should be modified as follows:

(a) Investigations of unidentified aircraft by U.S. military aircraft over Canadian territory would only occur when it was not possible for a Canadian military aircraft to carry out the investigation; the activities of Canadian military aircraft over U.S. territory would be similarly restricted. For the purpose of this agreement, an unidentified aircraft was an aircraft which entered or flew within an Air Defence Identification Zone in apparent violation of rules and regulations for operations in such zones, or when pattern of behaviour was sufficiently suspicious to justify a belief that it had hostile intentions.

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(b) Close investigation with all due precaution, or interrogation, would be performed solely on unidentified multi-engined aircraft for the purpose of obtaining electronic or visual identification. The Rules of Engagement of the country over which the interception takes place would apply, with the proviso that the engagement of an aircraft was to be carried out only on orders issued by the Air Defence Commander of the country over which the interception takes place, or an officer who had been delegated the requisite powers.

The Chairman of the Canadian Section of the Permanent Joint Board on Defence had requested some indication as to the stand the Canadian government would wish him to take on this question.

22. The Cabinet deferred decision on a U.S. proposal that current Canada-United States arrangements concerning aircraft interception be modified, pending further consideration of the proposal by the Permanent Joint Board on Defence and submission of a report as to the details of the suggested change .

St.Lawrence Seaway and Power Project

23. The Secretary of State for External Affairs reported that he had written to the U.S. Secretary of State on March 20th setting forth again Canadian views on the early development of power in the International Rapids Section of the St. Lawrence River. He understood that the U.S. State Department was now preparing a memorandum for President Eisenhower based on his letter to Mr. Dulles.

24. In the course of discussion, the following points emerged:

(a) At forthcoming meetings of the Joint Permanent Board on Defence the Chairman of the Canadian Section would attempt to have the Board reaffirm, in the light of recent developments, its previous recommendations for early construction of both the seaway and power project.

(b) It was felt in certain quarters that, even if the Federal Power Commission granted a licence to the Power Authority of the State of New York, U.S. opponents of the project would likely be successful in obtaining court injunctions which might well hold up the whole development for several years. In the circumstances, consideration might be given to supporting a proposal which had recently been made to the effect that a measure be introduced in Congress authorizing the New York State Power Authority to proceed with development of the U.S. share of the power in the International Rapids Section. This could presumably be done by a simple amendment to the Wiley bill which had already been introduced in the U.S. Senate.

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(c) The two resolutions now before Congress which were most likely to get favourable consideration envisaged construction of the canal in the International Rapids Section on the U.S. side of the boundary. As the St. Lawrence River had been for more than 100 years developed exclusively by Canada serious consideration should be given to this matter before it was agreed that the deep waterway in the International Rapids Section should now be in U.S. territory. It would be preferable, from a Canadian point of view, if it could be agreed that the deep waterway in the Lake Erie-Port of Montreal area would be developed exclusively by Canada on a self-liquidating basis and that the United States would continue the development of the Upper Lakes where U.S. interest was, in any event, greater.

(d) It was suggested that this whole question should be discussed by the Minister of Trade and Commerce and Secretary of the Treasury Humphrey during the talks they proposed to have shortly in Cleveland and that the Prime Minister might seek the active cooperation of President Eisenhower during the former's visit to Washington in May.

25. The Cabinet noted the reports on recent developments regarding the St. Lawrence seaway and power project.

Visiting Forces (North Atlantic Treaty) Act; proclamation

26. The Minister of National Defence mentioned that, on February 10th, 1953, the Cabinet Defence Committee had agreed to delay for some time Canadian ratification of the North Atlantic Treaty Status of Forces Agreement but had not discussed the question of proclaiming the Visiting Forces (North Atlantic Treaty) Act without ratifying the agreement.

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In accordance with a recommendation of the Permanent Joint Board on Defence, made in March 1950, Canada had undertaken to apply Part IV of the act (security provisions) to the United States as soon as possible. This could not be done until the act was proclaimed and U.S. representatives had informally reminded the Department of External Affairs that this obligation had not yet been discharged. Proclamation would also enable certain parts of the act to be applied to Belgium and France which would be an advantage to Canada in view of the stationing of Canadian troops in those countries.

It was, therefore, recommended that the act be now proclaimed in force except Section 3, Part III and Paragraph (a) of Section 27 which could not be brought into force until the North Atlantic Treaty Status of Forces Agreement had been ratified by Canada.

27. The Cabinet agreed that the Visiting Forees (North Atlantic Treaty) Act, with the exception of Section 3, Part III and Paragraph (a) of Section 27 thereof, be now proclaimed in force; an Order in Council to be passed accordingly.

Radio broadcasting; private broadcasting station at Ville St. Georges, P.Q.

28. The Minister of Transport, referring to discussion at the meeting of March 31st, submitted a recommendation for the granting of a private commercial broadcasting station licence.

29. The Cabinet agreed that a private commercial broadcasting station licence be granted to Radio Beauce, Incorporee, for the establishment and operation of a radio broadcasting station at or near Ville St. Georges, P.Q.; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-526, April 2).

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 9th, 1953

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Items discussed

Railway freight rates; hearing of appeal	2.
International Wheat Agreement; power to sign	2.
Appointments; National Research Council	2.
Royal prerogative of mercy; amnesty on the occasion of the Coronation	3.
Emergency Measures; report of the Cabinet Committee	3.
War claims; settlement under Treaties of Peace with Hungary and Roumania	5.
Intergovernmental Committee for European Migration; continued Canadian participation	6.
International Plant Protection Convention; ratification	7.
Income Tax Regulations; provisions with respect to members of the Armed Forces	8.
Defence; modification of Canada-U.S. agreement on aircraft interception	8.
Canadian Broadcasting Corporation International Service; broadcasts to Poland	10.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 9th, 1953, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.
Mr. Paul Pelletier, Privy Council Office.

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Railway freight rates; hearing of appeal

1. The Acting Prime Minister, referring to discussion at the meeting of April 2nd, submitted a draft letter, to be signed by the Secretary, concerning the hearing of representations from the petitioners on freight rates.

2. The Cabinet agreed that a letter be sent by the Secretary, as submitted, advising that the government would be prepared to hear representations on behalf of the eight provinces appealing the decision of the Board of Transport Commissioners on the increase in railway freight rates, at 3:00 p.m. on Friday, May 1st, in the Railway Committee Room of the Centre Block.

International Wheat Agreement; power to sign

3. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a recommendation for authorization to sign the proposed new International Wheat Agreement.

4. In the course of discussion it was stated that it was not certain whether a new agreement would be made or not. All countries but the United Kingdom appeared willing to accept a maximum price of $2.05 but the U.K. showed signs of preferring to have no agreement.

5. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Minister of Trade and Commerce, and agreed that M.W. Sharp, Esq., be authorized to sign on behalf of the government of Canada, subject to acceptance, the prcposed new International Wheat Agreement to replace the 1949 Agreement; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-556, April 9).

Appointments; National Research Council

6. The Acting Prime Minister submitted a recommendation for appointments to the National Research Council.

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7. The Cabinet approved the recommendation of the Acting Prime Minister and agreed that the following be appointed members of the National Research Council for a period of three years expiring March 31st, 1956:

Dr. C.W. Argue, Fredericton, N.B.
Dr. A.G. McCalla, Edmonton, Alta.
Dr. G.M. Shrum, Vancouver, B.C.
Dr. R.F. Farquharson, Toronto, Ontario,
E.G.D. Murray, Esq., Montreal, Que.
Dr. D.L. Thompson, Montreal, Que.;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-555, April 9)

Royal prerogative of mercy; amnesty on the occasion of the Coronation

8. The Minister of Justice, referring to discussion at the meeting of March 17th, 1953, reported that it appeared that an amnesty on the occasion of the Coronation would not cause any difficulty in relation to persons held in provincial institutions. He recommended that an amnesty be proclaimed as submitted.

9. The Cabinet approved the recommendation of the Minister of Justice and agreed that a proclamation be issued of an amnesty, in accordance with rules and conditions as submitted, in respect of all persons who, having been convicted of an offence under any Act of Parliament and having, on or before May 29th, 1953, been sentenced to a definite term of imprisonment of six months or more, are on that date in prison, provided that no remission be granted in respect of a person serving a life sentence, or an indeterminate sentence, or who is at large on bail pending the hearing of his appeal; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-559, April 9)

Emergency Measures; report of the Cabinet Committee

10. The Minister of Justice reported concerning matters discussed by the Cabinet Committee on Emergency Measures at a meeting on March 27th. With regard to national registration, the Committee had decided that, pending a review of the whole question early in 1954, only administrative and organizational work should be carried on. It recommended that approval be given to the reconstitution of the Security Panel and establishment of a Sub-Panel, and to certain measures in connection with censorship planning.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 7, 1953 - Cab. Doc. 96-53).

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11. The Cabinet noted with approval the report of the Minister of Justice concerning matters discussed by the Cabinet Committee on Emergency Measures at a meeting on March 27th and agreed:

(a) that the Security Panel be reconstituted on a deputy minister level, on the basis recommended by the Committee, to deal with questions of policy only, and that a Sub-Panel be established, as recommended, to handle working problems on security and with authority to deal with all interdepartmental security problems other than those involving major policy decisions or particularly difficult security cases; and,

(b) that, in respect of censorship planning:

(i) civilian personnel be selected and trained to provide a skeleton staff on the understanding that they would serve in peace time without remuneration other than reimbursement for out-of-pocket expenses;

(ii) appointments be made, on a consultative basis and without remuneration, to senior positions in the shadow organization as follows:

Chief Postal Censor (ad interim) -
J.L.A. Gagnon, Esq.,
Chief Telecommunications Censor -
R.C.J. Ingraham, Esq.,
Deputy Chief Telecommunications Censor
(Cable and Wireless-Telegraph Division) -
R.A.H. Wilkinson, Esq.,
Deputy Chief Telecommunications Censor
(Telephone Division) -
Col. R.D. Huestis;

(iii) a contract be entered into with the Bell Telephone Company or the Northern Electric Company, or both, for the manufacture of equipment as outlined to permit monitoring of international telephone calls, at an estimated cost of $25,900;

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(iv) the Committee on Censorship Planning conclude an informal agreement with Canadian National and Canadian Pacific telegraphs for the leasing of teletype circuits in the event of a war, at a rental figure in time of war not to exceed $8,080 per month, with no financial commitment until the facilities were actually needed; and,

(v) an appropriation of $5,000 be secured as a contingency fund for supplies and expenses connected with censorship planning;

Treasury Board to be advised that provision should be made for the necessary expenditures.

War claims; settlement under Treaties of Peace with Hungary and Roumania

12. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a recommendation by the Interdepartmental Committee on War Claims on the use of Hungarian and Roumanian assets in Canada for the settlement of claims against those countries.

Under the Treaties of Peace, Hungary and Roumania were to pay compensation to United Nations nationals for nationalization, pre-war debt and war damage losses. The obligations under the Treaties had not been carried out. The provisions of the Treaties would allow the use of assets seized in Canada during World War II to pay claims on the two countries. It was not desirable to denounce the Treaties, as more friendly governments might, at a later date, agree to settle claims as originally provided.

This recommendation was approved by the Minister of Finance and himself.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Interdepartmental Committee on War Claims, April 8, 1953 - Cab. Doc. 98-53).

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13. The Cabinet approved the recommendation of the Interdepartmental Committee on War Claims, as approved by the Minister of Finance and the Acting Secretary of State for External Affairs, and agreed:

(a) that the War Claims Regulations be amended to enable claimants, entitled to compensation from the governments of Hungary or Roumania, pursuant to the Treaties of Peace with those countries, to receive payment in accordance with the War Claims Rules; an Order in Council to be passed accordingly; and,

(b) that, for the purpose, Hungarian and Roumanian assets seized in Canada during World War II and now vested in the Custodian be applied, without being pooled in the general War Claims Fund with German and Japanese assets; an item to be inserted in the Supplementary Estimates for 1953-54 to permit the Custodian to transfer Hungarian and Roumanian assets and asset proceeds to the Minister of Finance.

(Order in Council P.C. 1953-554, April 9).

Intergovernmental Committee for European Migration; continued Canadian participation

14. The Minister of Citizenship and Immigration, referring to discussion at the meeting of September 13th, 1952, said the Fifth Session of the Intergovernmental Committee for European Migration , which was the new name of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe, would be held at Geneva beginning April 16th. He submitted recommendations for instructions to the Canadian delegation.

An explanatory memorandum was circulated.

(Minister's memorandum, April 7, 1953- Cab. Doc. 97-53).

15. In the course of discussion it was suggested that the Canadian delegate make it clear that it was the desire of the government that 1954 be the last year of Canadian participation.

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16. The Cabinet approved the recommendation of the Minister of Citizenship and Immigration and agreed that the Canadian delegate to the Fifth Session of the Intergovernmental Committee for European Migration be instructed:

(a) to indicate that Canada was prepared to continue its membership in I.C.E.M. during 1954 on the same basis as in 1952-53;

(b) to discourage any attempt to widen the organization's scope of activities and not to agree to the assumption by the organization of any new function which would duplicate other existing international facilities or increase Canada's financial commitments, without referring the matter back for direction; and,

(c) if a majority of the principal member governments, including the United States, supported a three to five year term in place of the present year to year basis, to indicate that Canada would be prepared to agree to the longer term on the understanding that Canadian membership would be reviewed each year; the delegate to intimate to the United States delegation that the government hoped that 1954 would be the last year of participation by Canada.

International Plant Protection Convention; ratification

17. The Minister of Agriculture said that by Order in Council P.C. 6549 of December 4th, 1951, signature of the F.A.O. Convention on International Plant Protection had been authorized. It was recommended that the Convention be ratified.

An explanatory memorandum was circulated.

(Minister's memorandum, April 7 - Cab. Doc. 99-53).

18. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that the International Plant Protection Convention, adopted by the Food and Agriculture Organization of the United Nations in December, 1951 and signed on behalf of Canada, be now ratified.

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Income Tax Regulations; provisions with respect of members of the armed forces

19. The Minister of National Revenue submitted a recommendation for the amendment of the Income Tax Regulations with respect to members of the armed forces.

20. The Cabinet approved the joint recommendation of the Ministers of Finance and National Revenue and agreed that the Income Tax Regulations applicable to members of the armed forces be amended in accordance with the submission; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-558, April 9).

Defence; modification of Canada- U.S. agreement on aircraft interception

21. The Minister of National Defence, referring to discussion at the meeting of April 2nd, pointed out that, because of the manner in which the Canada-U.S. integrated air defence scheme had been set up and because of the limitation in Canadian manpower and aircraft, it was not possible at the present time for Canadian military authorities to undertake, themselves, the task of intercepting enemy aircraft along the Canada-U.S. border in western Ontario and the three prairie provinces. As a result, U.S. military authorities felt that the restrictions contained in the current agreement relating to interception of enemy aircraft on the Canada-U.S. border as set forth in the Permanent Joint Board on Defence Recommendation 51/4, which had been approved by the Cabinet Defence Committee in May 1951, were such as to make it virtually impossible to provide effective air defence for certain large U.S. industrial centres, such as Detroit, which were located on or near the border in the mid-west.

The most important change in the modification to Recommendation 51/4, as recommended by U.S. military authorities, would enable the Canadian Air Defence Commander located at St. Hubert, P.Q., to delegate his powers to U.S. commanders responsible for the defence of that area bordering on western Ontario and the three prairie provinces.

The suggested modification was without doubt desirable from a purely military point of view. It was for consideration whether the proposal was politically and otherwise acceptable.

An explanatory memorandum was circulated.

(Memorandum, National Defence, April 9, 1953-Cab. Doc. 100-53).

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22. In the course of discussion, it was pointed out:

(a) that the R.C.A.F. had nine fighter squadrons located at various points in eastern Canada and British Columbia but none in western Ontario or the three prairie provinces;

(b) that the United States had 20 fighter squadrons (F-84 s), many of which were located within reach of the Canadian boundary, in that portion of the United States lying south of western Ontario and the three prairie provinces;

(c) that, although radar information as to the movements of hostile aircraft was passed on immediately to the Canadian Air Defence Commander at St. Hubert, P.Q., and the U.S. Air Defence Commander at Denver, Colorado, the Canadian commander did not have at his disposal the aircraft required to intercept hostile aircraft in the area under discussion;

(d) that indiscriminate delegation to U.S. military personnel of the powers of the Canadian Air Defence Commander might possibly lead to regrettable incidents involving Canadian aircraft;

(e) that the large expenditures involved and the lack of manpower and equipment made it impractical to consider, at this time, providing adequate Canadian air defences in western Ontario and the three prairie provinces; and,

(f) that, in the circumstances, it would be difficult to refuse to have existing aircraft interception arrangements modified to enable U.S. aircraft to intercept hostile aircraft over Canadian territory under certain specified conditions.

23. The Cabinet agreed that the Chairman of the Canadian Section of the Permanent Joint Board on Defence be informed by the Minister of National Defence of the points raised in the discussion of the proposed modification of existing Canada-U.S. arrangements respecting aircraft interception (P.J.B.D. Recommendation 51/4) and be advised that, while the Canadian government wished to meet the American points substantially, every precaution should be taken to safeguard Canadian interests.

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Canadian Broadcasting Corporation-International Service; broadcasts to Poland

24. Dr. McCann reported that the Under Secretary of State for External Affairs had, at Mr. Pearson's request and in the latter's absence, raised the question of the desirability of having the International Service of the Canadian Broadcasting Corporation operate Polish language broadcasts. This had been strongly urged for some time by Canadian Polish groups who felt that C.B.C.-I.S. should give the same service to Poland that had for some time been given to the Czecks, the Slovaks, the Ukrainians and the Russians.

If the proposal were approved, it was suggested that it be announced immediately and that necessary provision be made in the Supplementary Estimates to cover the costs of the new service.

(Letter, April 8, 1953, Under Secretary of State for External Affairs to Dr. McCann).

25. The Cabinet approved the proposal put forward by Dr. McCann that the International Service of the Canadian Broadcasting Corporation initiate Polish language broadcasts and agreed,

(a) that a suitable announcement concerning the establishment of the new C.B.C.-I.S. service be made by the Minister of Citizenship and Immigration to the Polish community of Canada at an early opportunity; and,

(b) that an appropriate item be included in the Supplementary Estimates to provide for funds required to operate the new service.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 13th,1953

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Items discussed

International Wheat Agreement; ratification by Canada	2.
Parliament; legislation	2.
Transport; airfields at Prince Rupert and Rimouski	2.
Labour; strike in Vancouver elevators	3.
South Saskatchewan project	4.
Legislation; extension of Prairie Farm Rehabilitation Act	4.
War claims; additional personnel	4.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201 of the House of Commons, on Monday, April 13th, 1953, at 12:00 noon.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Secretary of State
(Mr. Bradley),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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International Wheat Agreement; ratification by Canada

1. The Minister of Trade and Commerce recommended that Canada ratify the International Wheat Agreement whether the United Kingdom decided to sign or not. It seemed probable that the United Kingdom were of the opinion that Canada would not ratify the agreement if they did not come into it. The coverage of the agreement was, however, sufficient to make it effective.

2. The Cabinet approved the recommendation of the Minister of Trade and Commerce and agreed that resolutions be introduced in the House of Commons and Senate approving Canadian participation in the new International Wheat Agreement.

Parliament; legislation

3. The Secretary submitted certain draft legislation.

4. The Cabinet approved the following for introduction in the House of Commons:

resolution and bill to amend The Canadian Broadcasting Act, 1936;

bill to amend The Radio Act, 1938; and

bill entitled "An Act respecting Co-operative Credit Associations".

Transport; airfields at Prince Rupert and Rimouski

5. The Minister of Transport recommended that the government proceed, during the current fiscal year, with surveys of Digby Island, British Columbia, to ascertain whether it would be suitable for establishment of an airport to serve the Prince Rupert area. If the results were satisfactory, work on the airfield could proceed at a later date.

It was also recommended that the government improve the airfield at Rimouski, Quebec. The local authorities were prepared to expropriate the necessary land and to operate the airport once established.

6. In the course of discussion it was suggested:

(a) that the airfields in question were of importance for the economic development of the country; and,

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(b) that, in the next few years, there would have to be substantial expenditure on the development of airfields and it was desirable, from the point of view of the Federal government, to have adequate provision for such developments which were entirely a matter of Federal responsibility, rather than concentrate on assistance to the provinces in carrying out development work that was a provincial responsibility.

7. The Cabinet agreed:

(a) that there would be no objection to the Department of Transport having a survey made of Digby Island, British Columbia, to ascertain whether it would be a suitable location for establishment of an airport in the Prince Rupert area; and,

(b) that the Minister of Transport be authorized to initiate arrangements for the extension of the airfield at Rimouski, Quebec.

Labour; strike in Vancouver elevators

8. The Minister of Labour reported that no action had been taken thus far to invite representatives of the union and of the elevator companies involved in the strike in Vancouver to come to Ottawa. It was thought that such a step would not be productive. The best course appeared to be for the Department of Labour to carry on with the measures it had been taking to bring the strike to an end without calling the parties down for consultation.

9. In the course of discussion it was suggested:

(a) that a summons to Ottawa would probably be interpreted by the union as meaning that a settlement in their favour was likely and would probably stiffen them in their position;

(b) that, if the strike resulted in a wage increase, it was probable that unions at the lakehead would take action to get similar rates there; and,

(c) that, if the strike was not settled at an early date, consideration might have to be given to the government taking over the elevators and having the points of dispute submitted to arbitration.

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10. The Cabinet noted with approval the report of the Minister of Labour concerning the handling of the strike in the grain elevators at Vancouver.

South Saskatchewan project

11. The Minister of Agriculture, referring to discussion at the meeting of April 2nd, said that, pursuant to the decision at that time, he had asked the Prairie Farm Rehabilitation Act experts on the South Saskatchewan project to be in Ottawa later in the week for possible questioning by the Cabinet.

12. In the course of discussion it was suggested that it would be desirable for the P.F.R.A. representatives to prepare an agenda of material on which they might be examined, which could be available for advance consideration by the members of the Cabinet.

13. The Cabinet agreed that the South Saskatchewan project be considered at a meeting on Thursday, April 16th, at 3:00 p.m. at which Prairie Farm Rehabilitation Act representatives would be available for questioning on an agenda of material to be submitted by them in advance.

Legislation; extension of the Prairie Farm Rehabilitation Act

14. The Minister of Agriculture, referring to discussion at the meeting of November 19th, 1952, reported that legislation to provide for the extension of the Prairie Farm Rehabilitation Act was now ready. He recommended that consideration be given to initiating the steps toward its passage at an early date.

15. The Cabinet agreed that decision be deferred on the legislation to extend the area covered by the Prairie Farm Rehabilitation Act until further consideration had been given to the South Saskatchewan River project.

War claims; additional personnel

16. The Minister of Justice, referring to discussion at the meeting of February 26th,1953, recalled that, thus far, two persons had been appointed to assist Chief Justice Campbell with the handling of war claims. There were five other positions that the Commissioner wished to have filled to provide necessary assistance: one in Quebec, one in Ontario, one on the prairies, one in British Columbia, and a fifth with general power to act anywhere as needed. He suggested names of possible appointees.

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17. The Cabinet noted with approval the report by the Minister of Justice on possible appointments to assist in the handling of war claims, and agreed that appointments be considered further after the Minister had reviewed points raised in the course of discussion.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 14th,1953

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Items discussed

Electricity and Fluid Exportation Regulations; amendment re gas exports; licence for Westcoast Transmission Company Limited 2.

Canadian coal; government subventions on C.N.R. purchases 3.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201 of the House of Commons, on Tuesday, April 14th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General,
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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Electricity and Fluid Exportation Regulations; amendment re gas exports; licence for Westcoast Transmission Company Limited

1. The Minister of Trade and Commerce pointed out that regulations, made under Sections 3 and 6 of the Electricity and Fluid Exportation Act, provide that every licence to export electricity, petroleum or natural gas shall terminate on the last day of March next following its effective date, unless an earlier date of termination is specified in the licence.

In accordance with these regulations, an Order in Council (P.C. 4324 of October 23rd, 1952) had been passed authorizing the issue of a licence to the Westcoast Transmission Company Limited of Calgary, Alberta, to export surplus natural gas from Canada to the northwestern states of the United States during the fiscal year ending March 31st, 1955.

There was now some indication that the U.S. Federal Power Commission, from whom the Company had to obtain a licence in order to operate within the United States, might refuse to grant the licence on the grounds that it was impossible to operate an undertaking of this character efficiently, unless there was some guarantee that the gas supply would remain available for several years. If the Commission took this course of action and refused the licence, there was every indication that the gas required in the American northwest would be obtained from New Mexico and this market would thus be lost to Canadian producers.

The Electricity and Fluid Exportation Act had originally been aimed primarily at exports of electricity and petroleum. The year to year basis continued to be desirable in respect of these two commodities but was not practical for gas pipeline companies, who could not be expected to make the large capital expenditures involved unless they had reasonable assurances that gas supplies would remain available at least as long as required to amortize the investment.

In the circumstances, and particularly in view of the fact that the proposed contract contained a clause stipulating that surplus gas only could be exported and that domestic requirements must have priority, it was recommended that the Electricity and Fluid Exportation Regulations be amended to provide that, in the case of natural gas, every licence shall be valid for such period as may be specified by the Governor in Council and that, under the amended regulations, a 22-year licence be granted to the Westcoast Transmission Company. It was noted that the Province of Alberta had already issued a permit to this Company for a period of 22 years and that this course of action had been fully endorsed by the Province of British Columbia.

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2. In the course of discussion it was pointed out that, unless the Westcoast Transmission Company obtained the required Canadian and U.S. authorizations to proceed, the Province of British Columbia would probably be denied access to this source of natural gas as it would be uneconomical to construct a pipeline to carry the limited quantities required in that Province. It was estimated that for some years to come only about 25 percent of the gas to be carried in the Company's pipeline would be for consumption in British Columbia.

3. The Cabinet agreed,

(a) that the regulations under the Electricity and Fluid Exportation Act be amended to provide that, in the case of natural gas, every licence shall be valid for such period as may be specified by the Governor in Council; an Order in Council to be passed accordingly;

(b) that, under the amended regulations, Order in Council P.C. 4324 of October 23rd, 1952, be amended to authorize the Westcoast Transmission Company Limited of Calgary, Alberta, to export in specified quantities surplus natural gas from Canada for 22 years from the date of the first removal of gas from the Province of Alberta and/or the Province of British Columbia; an Order in Council to be passed accordingly; and,

(c) that the Minister of Trade and Commerce make a statement in the House of Commons the following day, announcing the changes in the Electricity and Fluid Exportation Regulations and in the licence previously granted to the Westcoast Transmission Company.

(Orders in Council, P.C. 1953-562 and 563, Apr. 14).

Canadian coal; government subventions on C.N.R. purchases

4. The Minister of Transport, referring to discussion at the meeting of March 31st, 1953, said the President of the Canadian National Railways had, on April 9th, 1953, indicated in writing that the Company was willing and anxious to cooperate with the government in the fulfillment of its policy to assist Canadian coal operators on the basis suggested by Cabinet, but that, in order to facilitate the implementation of such a programme, the Canadian National Railways would like to have a complete understanding with both the government and the Coal Board as to the conditions under which 1953 purchases would be made. Mr. Gordon had specifically

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suggested that Railway purchases of Canadian coal during 1953 might be governed by the following four conditions:

(a) That the Railway, for 1953, shall purchase the maximum quantity of coal warranted under the subsidy, and the Railway shall determine, in its discretion, the allotment of that aggregate quantity among the various appropriate points of consumption;

(b) That the Canadian coal shall meet Railway standards as to quality, the Railway to be the sole judge thereof;

(c) That the subsidy or subvention to be paid to the Railway shall be equal to the difference between the laid down cost of Canadian coal and the laid down cost of imported coal at the various points of consumption;

(d) That such difference between the laid down cost of Canadian coal and that of imported coal shall, for the time being, be determined and paid on the basis of the standard formula or method established by the Railway for computing transportation or O.C.S. charges on coal and the quality differential in value between such Canadian and imported coal shall also be taken into account in arriving at the difference. (To make a workable arrangement for this, a simple formula will have to be established.)

If the four conditions suggested by the President of the Canadian National Railways were accepted, an Order in Council should be passed giving authority to the Coal Board to pay the C.N.R. the difference between the laid -down cost of Canadian coal and that of imported coal, such difference to be calculated on the basis of the C.N.R. on-company-service charges. It would be understood that any necessary adjustments in these subventions would be made after the investigation now being made of the Railways' O.C.S. costs had been completed and submitted to the government.

An explanatory memorandum was circulated.

(Minister s memorandum, April 13, 1953- Cab. Doc. 196-53).

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5. In the course of discussion, it was pointed out,-

(a) that the differential between the laid-down cost of Canadian and of imported coal, as established by the Railway, seemed unduly wide;

(b) that the government had directed that an independent investigation be made of the Canadian National Railway's figures in this matter;

(c) that, in the circumstances, it would seem inadvisable for the government to pay subventions on Railway purchases of Canadian coal in excess of the rate authorized the previous year until such time as the independent investigation had been completed; and,

(d) that, in any event, such an arrangement should clearly be for a period of one year only, by which time the whole question should be reviewed, in the light of the results of the investigation, in order to determine the nature and extent of future government subventions, if any, on C.N.R. purchases of Canadian coal.

6. The Cabinet,

(a) noted the suggestions put forward by the President of the Canadian National Railways as to the conditions which might govern the payments of government subventions in respect of the 1953 purchases of Canadian coal by the Canadian National Railways; and,

(b) agreed that the Minister of Transport inform the C.N.R. Management that the government was not prepared to grant subventions to the Railways in respect of purchases of Canadian coal during 1953 on the basis of the Railways' on-company-service charges, but that it was prepared to grant such subventions for one year only on the same basis as in 1952, on the clear understanding that any necessary adjustments upwards would be made by the government following completion of the current investigation of the Railways' figures on the differential between the laid-down cost of Canadian and of imported coal.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 16,1953

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Items discussed

Northwest Territories Power Commission; capital budget	2.
Highways; provincial request for discussion	2.
Appointments; External Affairs; Exports Credits Insurance Corporation	2.
Sir Robert Borden monument	3.
Proposed dam on the North Saskatchewan River near Prince Albert	3.
Agricultural exhibitions; grants in certain cases	4.
Fisheries; assistance for aquarium at Vancouver	5.
Bow River irrigation project; conditions with respect to land transactions	5.
Civil Service salaries	6.
Armed Forces; increase in allowances	6.
Canadian coal; government subventions on C.N.R. purchases	7.
South Saskatchewan River project	8.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, April 16th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
and Acting Minister of Mines and Technical Surveys
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

Also present (for discussion recorded in Paragraphs 27 and 28):

Officers of the Prairie Farm Rehabilitation Administration:

Mr. L.B. Thomson, Director
Mr. Gordon L. MacKenzie, Chief Engineer
Mr. G.N. Munro, Associate Chief Engineer
Mr. J. Gordon Watson, Engineer.

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Northwest Territories Power Commission; capital budget

1. The Minister of Resources and Development recommended that the capital budget of the Northwest Territories Power Commission for the year ending March 31st, 1954 be approved.

2. The Cabinet, on the recommendation of the Ministers of Resources and Development and Finance, approved the capital budget of the Northwest Territories Power Commission for the fiscal year ending March 31st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-591 of April 16).

Highways; provincial request for discussion

3. The Prime Minister, referring to discussion at the meeting of March 31st, 1953, said he had now received a further letter from the Premier of Alberta stating that the western provinces still wished to have a delegation make representations concerning defence highways. They suggested a date toward the end of April or in the first week of May.

4. The Cabinet agreed that the Prime Minister advise the Premier of Alberta that there was no possibility of adding to expenditure for highways during the present session of Parliament and it would, in any event, be extremely difficult to arrange to receive a delegation, before the end of the present session, to make representations concerning "defence highways", and that, in the circumstances, a date could not be fixed before that time.

Appointments; External Affairs; Exports Credits Insurance Corporation

5. The Secretary of State for External Affairs submitted a recommendation for appointment of an Ambassador to Brazil.

6. The Minister of Trade and Commerce submitted a recommendation for appointments to the Advisory Council of the Export Credits Insurance Corporation.

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7. The Cabinet approved the recommendations of the Secretary of State for External Affairs and the Minister of Trade and Commerce and agreed that appointments be made as follows:

(a) S.D. Pierce, Esq., to be Ambassador to Brazil, vice E.H. Coleman, Esq.; and,

(b) Leon J. Koerner, Esq., and K.F. Wadsworth, Esq., to be members of the Advisory Council to advise the Board of Directors of the Export Credits Insurance Corporation; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-596 of April 16).

Sir Robert Borden monument

8. The Prime Minister said draft regulations had been prepared concerning the competition for design of the Sir Robert Borden monument. As they stood, they required that the design be a full-length portrait statue. It might be desirable to modify the regulations so that other designs could be submitted. It might also be desirable not to be quite as specific about the arrangement of the monument on the proposed site as the draft regulations now were.

9. The Cabinet agreed that the regulations concerning submissions for the monument to Sir Robert Borden be modified so as to permit designs other than for full-length portrait statues to be submitted and, while mentioning the site west of the West Block, to be less specific with regard to the details of orientation.

Proposed dam on the North Saskatchewan River near Prince Albert

10. The Minister of Agriculture recommended that construction of a weir on the North Saskatchewan River near Prince Albert be authorized as part of the water storage programme under the Prairie Farm Rehabilitation Act, and that an expenditure of $500,000 in the fiscal year 1953-54 be provided for in the Supplementary Estimates.

A weir had been constructed in 1937-38 but had later been damaged beyond repair. It was now considered less costly to build a new structure than repair the old one. The estimated total cost was $1.5 million.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 10,1953 Cab.-Doc. 105-53).

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11. In the course of discussion it was suggested:

(a) that, if the project were entered into, it should be under an arrangement for local participation, as had been the case in 1937-38, or, alternatively, under the new legislation with regard to water conservation; and,

(b) that, as one of the purposes of the reservoir was to provide a landing pool for pontoon-equipped aircraft, and as a runway was being built at Prince Albert, it might be desirable to defer the project for the time being.

12. The Cabinet agreed that no action be taken at the present time for construction of a submerged weir on the North Saskatchewan River near Prince Albert.

Agricultural exhibitions; grants in certain cases

13. The Minister of Agriculture said that, under the provisions of Order in Council P.C. 4602 of December 22nd, 1952, regulations had been established respecting financial assistance to agricultural exhibitions and fairs in the form of building grants. Applications had been received for special assistance in five cases which did not entirely meet the new regulations. It appeared to be desirable to grant the applications and it was recommended that provision be made accordingly in the Supplementary Estimates.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 14, 1953- Cab. Doc. 104-53).

14. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that, while no general waiver be made of the regulations concerning building grants to exhibitions, special provision be made through a dollar item in the estimates, to enable assistance to be accorded, as submitted, in respect of the applications from the Charlottetown Driving Park and Provincial Exhibition Association, Charlottetown, Prince Edward Island; the Central Nova Scotia Exhibition, Truro, Nova Scotia; the Elmira and Woolwich Agricultural Society, Elmira, Ontario; the Pacific National Exhibition, Vancouver; and the Chilliwack Agricultural Association, Chilliwack, B.C.

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Fisheries; assistance for aquarium at Vancouver

15. The Minister of Fisheries said it was desirable to establish an aquarium in Vancouver for assistance in certain fisheries studies. The University of British Columbia and the Department of Fisheries would both have considerable use for it. In addition to its uses in such studies, the Vancouver Park Commissioners were also anxious to have such an aquarium for display of ocean life and as a public park utility. The City of Vancouver had made arrangements to contribute $100,000, and the Province of British Columbia was prepared to contribute a similar amount if matched by the Federal government. The building to house the aquarium would include offices which could be used by Department of Fisheries and University of British Columbia research workers. The title would vest in the Vancouver Parks Board. Construction of a national aquarium had been recommended by the Massey Commission. It was recommended that an item of $100,000 be included in the Supplementary Estimates to enable a grant to be made.

16. The Cabinet approved the recommendation of the Minister of Fisheries and agreed that an item be included in the Supplementary Estimates to enable the Federal government to contribute one-third of the cost of construction of an aquarium in Vancouver, British Columbia; the contribution not to exceed $100,000 and to be conditional on similar contributions by the City of Vancouver and the Province of British Columbia, and on the arrangement of acceptable conditions regarding the use of facilities and space in the aquarium by the Fisheries Research Board.

Bow River irrigation project; conditions with respect to land transactions

17. The Minister of Agriculture, referring to discussion at the meeting of March 31st, 1953, submitted a recommendation concerning the principles to govern the exchange of lands, leases and other matters with respect to settlement in the Bow River irrigation project.

18. The Cabinet approved the recommendation of the Minister of Agriculture concerning the policy with regard to the exchange of lands, priority of settlement trial leases and other matters in connection with settlement in the Bow River irrigation project, and agreed that Order in Council P.C. 2168 of August 2nd, 1939, be amended to enable the Minister to make expenditures and to carry out negotiations under the Prairie Farm Rehabilitation Act for the movement of settlers, the entry into water agreements and agreements for the exchange, sale and lease of lands, and other matters connected with the Bow River irrigation project, in accordance with the terms and conditions submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-570, of April 16).

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Civil Service salaries

19. The Minister of Finance said the Civil Service Commission had submitted a memorandum concerning Civil Service salaries. The memorandum indicated that, since December 1951, when the last general Civil Service adjustment had been made, the average of wages and salaries paid by good employers generally had gone up by about 6 percent - 8 percent.

He did not entirely accept the conclusions of the memorandum. It did not take into account certain factors that had special application to the Civil Service, such as the automatic grant of annual increases and the absence of unemployment insurance deductions. It appeared, moreover, that, with the exception of certain groups, the Civil Service was not having difficulty in attracting and holding personnel. A general increase for the Civil Service and for the Armed Forces would cost $65-$75 million per year and he was not prepared to recommend that such an increase be made. It would, however, be desirable to make adjustments for certain groups, such as engineers and geologists, where it was not possible to secure suitable employees at present salary rates.

20. The Cabinet noted with approval the report of the Minister of Finance concerning Civil Service salaries and agreed:

(a) that there be no general increase in Civil Service salaries at the present time; and,

(b) that consideration be given to the adjustment of salaries of certain categories within the Civil Service where it was becoming increasingly difficult to attract and hold qualified personnel at present salary levels.

Armed Forces; increase in allowances

21. The Associate Minister of National Defence said it was not proposed to recommend any general increase in the pay and allowances of the Armed Forces at the present time. Difficulties in attracting and holding sufficient manpower were appearing, however, particularly in the army. The situation was indicated in the following figures for increases in strength over and above wastage:

	1951-52	1952-53
Navy	2,200	1,800
Air Force	8,000	6,700
Army	12,500	- 650

A principal source of trouble in the army was in the position of married personnel who could not be provided with married quarters. It appeared desirable to provide an increase in subsistence allowance for such persons.

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An increase would probably have three effects: it would permit a reduction in the number of married quarters to be provided; it would reduce the high rate of wastage, which was costly; and it would have a desirable effect on recruiting by leading men in the Armed Forces to encourage others to join. It was accordingly recommended that subsistence allowances to married members of the Armed Forces living out be increased on a sliding scale up to and including the rank of captain. The increase for privates would be from $61 a month to $91 a month, with other ranks at adjusted rates.

As two-thirds of the subsistence allowance was taxable, it was recommended that an increase be made also in the ration allowance. This would raise the allowance for privates from $51 a month to $71 a month, with adjusted rates up to the rank of captain. The total effect would be to increase the overall net pay and allowances for married privates living out from $189 a month to $229 a month, with somewhat smaller net increases for other ranks affected. The estimated cost from May 1st, 1953 to March 31st, 1954 was $13.5 million.

22. The Cabinet approved the recommendation of the Associate Minister of National Defence and agreed that subsistence allowances and ration allowances of married members of the Armed Forces, between the ranks of private and captain in the army and equivalent ranks in the other forces, who were not provided with married quarters, be increased in accordance with the rates submitted.

Canadian coal; government subventions on Canadian National Railways purchases

23. The Minister of Resources and Development, as Acting Minister of Mines and Technical Surveys, referring to discussion at the meeting of April 14th, said he had been advised that it was urgent to implement the programme of C.N.R. purchases of Canadian coal. Certain mines in Nova Scotia were in a difficult position and extra purchases by the C.N.R. to the extent of about 1,000 tons a week, would make a substantial difference.

24. The Minister of Transport reported that, pursuant to the decision of April 14th, 1953, he had been in communication with the management of the Canadian National Railways and there appeared to be some difficulties in having purchases made on the basis that had then been suggested.

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25. The Acting Minister of Mines and Technical Surveys (at a later stage in the meeting) reported, that, following further discussion, it appeared that an arrangement for purchases of Canadian coal could be worked out satisfactorily between the Coal Board and the Canadian National Railways, without further reference of the matter to the Cabinet until the arrangement was concluded.

26. The Cabinet noted the report of the Acting Minister of Mines and Technical Surveys that it was anticipated that arrangements, under which the Canadian National Railways would purchase quantities of Canadian coal in 1953 for their own use, would be worked out between the management of the Canadian National Railways and the Coal Board in discussions on April 20th.

South Saskatchewan River Project

27. The Prime Minister and other Ministers questioned the director and engineers of the Prairie Farm Rehabilitation Administration with respect to several aspects of the South Saskatchewan River Project.

28. The Cabinet,

(a) noted the answers given by the director and engineers of the Prairie Farm Rehabilitation Administration to questions relating to the South Saskatchewan River Project and, after discussion adjourned further consideration to the following day; (a full report on the discussion relating to the South Saskatchewan Project will be found with the conclusions for the meeting of April 17th, 1953); and,

(b) agreed that the Saskatchewan Rivers Development Association be informed that the Prime Minister and other members of the Cabinet would be prepared to meet representatives of the Association in Ottawa on May 4th.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 17th, 1953

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South Saskatchewan River project 2.

World Health Organization; Canadian participation in Sixth World Health Assembly 7.

Canadian registered vessels; licensing of sailings to Chinese mainland and North Korea 7.

Stationing of Canadian forces in Belgium; ratification of General Agreement 9.

N.A.T.O.; Canadian Mutual Aid programme; 1953-54; modification in Canadian contribution to infrastructure 9.

Canadian loan to Indonesia; release of Netherlands guarantee 10.

Legislation; C.N.R. Financing and Guarantee bill 11.

Legislation; North Pacific Halibut Fishery Convention bill 12.

Baie Comeau airport; additional payment to North Shore Construction Company 12.

Armed Forces; increase in authorized strength 13.

Newfoundland bait depots; transfer to Provincial government 13.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, April 17th, 1953, at 11:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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South Saskatchewan River Project

1. The Minister of Agriculture, referring to discussion at the meeting of April 16th, submitted comments by the Administration of the P.F.R.A. on the report of the Royal Commission on the South Saskatchewan Project. The Administration contended that, notwithstanding the findings of the Royal Commission, the project was economically sound. It was argued that the direct value of agricultural returns and the sale of water for hydro-electric power were greater than the project costs and that, therefore, the "Multiple-purpose" nature of the project made it economically feasible. It was further argued that the sale of water for power development could contribute approximately $20,000,000 to the cost of the dam over and above all other costs directly attributable to power development and distribution.

P.F.R.A. engineers and other officials were of the opinion,

(a) that sufficient investigation had now been made to conclude that the South Saskatchewan River project would provide for the best use of land and water resources involved and would not conflict with overall basin planning, upstream or downstream;

(b) that the project would provide, incidentally, an excellent means of effective flood control downstream;

(c) that the flow of the South Saskatchewan was sufficient to develop the project to the extent visualized, after making full allowance for international obligations and the irrigation of some 1.7 million acres in Alberta;

(d) that the water used by the project would only be 7 percent of the natural flow of the Saskatchewan River at the Manitoba boundary;

(e) that the engineering feasibility of the project had been established;

(f) that the soil and climate in the area concerned were suitable for irrigation;

(g) that the margin between Prairie Farm Assistance payments and total contributions received under that Act would be reduced, as the project would enable many farmers from crop failure areas to be satisfactorily resettled; and,

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(h) that the project would permit substantial savings in Federal expenditures on provision of adequate water supply for the Cities of Regina and Moose Jaw.

An explanatory memorandum had been circulated.

(Findings and Conclusions - South Saskatchewan River Project, April 15, 1953 - Cab. Doc. 113-53).

2. Mr. Gardiner also submitted a recommendation,

(a) that it be agreed that the South Saskatchewan dam and reservoir, in so far as it would promote irrigation, general farm improvement and provide water supply for the drought area, might properly be considered under the terms of Order in Council P.C. 2298 of June 19th, 1947;

(b) that the power aspect of the project should not properly be given Federal assistance;

(c) that, as a consequence, during any subsequent discussions with the government of Saskatchewan, the Minister of Agriculture should take the position that, if financial support was to be given by the Federal government, that part of the total costs of the project properly attributable to power should be paid back to the Federal Treasury from funds collected through the sale of power by the Saskatchewan Power Commission; and,

(d) that no agreement should be entered into to proceed with construction until further consideration had been given to the whole question by Cabinet.

An explanatory memorandum was circulated.

(Minister s memorandum, April 9, 1953 - Cab. Doc. 114-53).

3. During the course of discussion, it was pointed out,

(a) that the Royal Commission had estimated the total cost of the dam at approximately $140 million as opposed to a P.F.R.A. estimate of approximately $80 million;

(b) that P.F.R.A. officials were of the view that revenues from the sale of power and of irrigation water would be sufficient to amortize, over a period of years, the costs of the power development and the irrigation distribution system but that the capital expenditures on the main dam would not be recoverable.

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It was argued on the one hand:

(a) that, as there were only some 2,700 to 3,000 farms in the area to be irrigated, the project would represent an investment of some $20,000 to $35,000 per individual farm;

(b) that, as crops were normally good in that area, except in dry years, it might be difficult, for some time to come, to convince farmers to convert from dry to wet farming;

(c) that, despite P.F.R.A. contention that the total cost of the dam would be approximately $80 million (1953 prices), there appeared to be no valid reason to cast any doubt on the estimate of approximately $140 million supplied to the Royal Commission by Mannix Limited of Calgary after a careful investigation of the project;

(d) that there appeared to be no possibility of amortizing the capital expenditures on the main dam and serious doubt as to whether even the costs of the power development and the irrigation distribution system could be amortized for some considerable time, if ever, from the sale of power to consumers and the sale of irrigation water to farmers;

(e) that the project would not irrigate the hard-core of the drought area which was located further west in the vicinity of the Saskatchewan-Alberta boundary;

(f) that, in view of the very large capital investment involved and of the negative nature of the Royal Commission's report, the Federal government should not even consider participating in the project unless,

(i) the Saskatchewan Power Commission paid a fair share of the cost of the dam in consideration of the head of water supplied to it ($20 million plus);

(ii) the Provincial government gave details as to how it proposed to distribute the water and as to who would pay for the cost of the distribution system;

(iii) the firm cost of the dam was determined before any commitment was made or, alternatively, a firm ceiling was placed on any Federal share in such project;

(g) that even on the strength of P.F.R.A. estimates, it would be difficult to defend a Federal expenditure of $80 million on an irrigation project which might possibly be of benefit to a maximum of 3,000 farms;

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(h) that, as an alternative to this project, consideration might usefully be given to increasing Federal participation in a variety of smaller and patently desirable projects under P.F.R.A.;

(i) that, in view of the negative nature of the Royal Commission report and the fact that the project included a power development, consideration might also be given to suggesting to Saskatchewan that the Federal government might be prepared to participate financially only to the extent envisaged under the Water Conservation Act now before Parliament (37½ percent Federal share) on the understanding that the balance of the expenditures and all the functional responsibilities would be assumed by the Provincial authorities; and,

(j) that, as the government of Saskatchewan had stated that it was prepared to proceed with the project notwithstanding the report of the Royal Commission, the Federal government could not contemplate participating in the project unless the Provincial authorities agreed to take the major risk and could certainly not agree to any form of open-ended commitment.

It was argued on the other hand:

(a) that P.F.R.A. engineers were the only real experts in this matter and that, therefore, their estimate of $80 million was more likely to be right than the figure of $140 million quoted by the Royal Commission;

(b) that not only would the project enable more than 3,000 farms to be irrigated but would also make it possible to ensure an area of 12 million acres and approximately 30,000 farms against drought feed shortages;

(c) that the creation of this lake of 140 miles in length in the centre of Saskatchewan with its irrigation, power and all other ancillary benefits, would prevent a recurrence of the severe conditions prevalent in the 1930's when the Federal government was called upon to pay $36 million in relief alone in one year;

(d) that this project, like any other P.F.R.A. or irrigation project, should not be looked at purely from the point of view of potential economic returns but rather as an undertaking, designed to rehabilitate lands and those who farm them, which would result in benefits accruing to the whole country;

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(e) that, in any event, the social and other benefits to be derived from the project were at least as great if not greater, than the economic benefits, although such benefits could obviously not be measured;

(f) that it was not anticipated that any resistance would be found among the farmers in this area since it was not intended that the irrigation scheme be aimed at a specialty crop economy but rather at a cattle economy;

(g) that, although the hard core of the Palliser Triangle was located farther west on the Saskatchewan-Alberta boundary, it had been ascertained that the average levels of ground in this area were so high (600 feet) above the river as to make any irrigation scheme completely uneconomical; and,

(h) that the site selected for the South Saskatchewan Project was by far the most in need of irrigation apart from the hard core of the triangle.

It was further suggested that the basis of any further Federal approach to the Provincial authorities in this matter might be set out in writing, possibly by the Prime Minister, for further consideration by Cabinet before the matter was discussed with the government of Saskatchewan.

4. The Cabinet deferred decision on the South Saskatchewan River Project but agreed that, in any discussions he might subsequently have with the Saskatchewan Provincial authorities, the Minister of Agriculture make it perfectly clear, in the light of the negative nature of the report of the Royal Commission on the South Saskatchewan Project and in view, further, of the divergence of opinion as to the total ultimate cost of the project and as to its economic and other merits,

(a) that the Federal government's further discussion of the project must not be taken to involve, at this time, any commitment whatever as to Federal participation in the project;

(b) that any proposal involving any element of Federal subsidy for power development would be unacceptable; and,

(c) that, furthermore, before the Federal government could even consider Federal participation it would require to be furnished with,

(i) a firm cost figure for the whole project or, alternatively, a firm ceiling on any Federal share in such project and,

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(ii) a detailed scheme showing how the Provincial authorities proposed to distribute the water for irrigation and how the capital and current costs of water distribution were to be met, with some indication that a reasonable part of the water would, in fact, be used for irrigation.

World Health Organization; Canadian participation in Sixth World Health Assembly

5. The Minister of National Health and Welfare submitted a recommendation as to the composition of the Canadian delegation to the Sixth World Health Assembly of the U.N. World Health Organization which was to be held at Geneva,Switzerland, beginning May 5th.

6. In the course of discussion, it was suggested that a Member of Parliament might usefully be added to the Canadian delegation.

7. The Cabinet, -

(a) approved the recommendation of the Minister of National Health and Welfare that a Canadian delegation attend the Sixth World Health Assembly of the United Nations World Health Organization to be held at Geneva beginning May 5th; the Canadian delegation to consist of the following:

Dr. G.D.W. Cameron,Deputy Minister of Health
(Head of the delegation)
Dr. O.J. Leroux, National Health and Welfare
Dr. M.R. Elliott, Deputy Minister of Health, Manitoba
Mr. Bruce Williams, External Affairs
Mr. T.J. Giles, National Health and Welfare;and,

(b) agreed that the Minister of National Health and Welfare and the Secretary of State for External Affairs decide, in consultation, as to the advisability of including a Member of Parliament on the Canadian delegation.

Canadian registered vessels; licensing of sailings to Chinese mainland and North Korea

8. The Secretary of State for External Affairs said that, following recent U.S.-U.K. discussions in Washington, it had been announced that the U.K. government had decided to introduce a new system of licensing vessels registered in the United Kingdom and Colonies, which would prevent strategic materials from non-British sources being transported to China in British ships. This decision had been taken to overcome the

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apparent anomaly which allowed U.K. and Colonial ships to carry strategic goods to China from non-U.K. and non-Colonial ports while export controls prevented shipment of strategic goods from U.K. and Colonial ports.

The U.S. and U.K. governments had sought the cooperation of other maritime and trading nations in measures designed to exclude the shipment of strategic materials to the mainland of China.

After considering this proposal, the Interdepartmental Committees on External Trade Policy and Merchant Shipping Policy had recommended that a system of control over foreign-going ships of Canadian registry be established, which would be comparable in effect to the ship licensing system in force in the United Kingdom, such control to be put into operation under the provisions of the Emergency Powers Act.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Interdepartmental Committee on External Trade Policy, April 15, 1953 - Cab. Doc. 108-53).

9. During the course of discussion it was pointed out that, although this measure appeared temporarily desirable in view of the international situation, it would seem inadvisable to establish such restrictions on a permanent basis by an amendment to existing legislation and, as a consequence, this seemed to be an entirely appropriate instance in which resort should be had to the Emergency Powers Act.

10. The Cabinet agreed that, under authority of the Emergency Powers Act, a system of control over foreign-going ships of Canadian registry be established, under which licences for voyages to Communist China and North Korea would be granted, on conditions which would render the master and persons having management of a ship liable to penalties if the ship carried to Communist China and North Korea commodities contained in Schedules 1 and 2 of the Canadian Export and Import Permit Regulations; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-604, April 17).

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Stationing of Canadian forces in Belgium; ratification of General Agreement

11. The Secretary of State for External Affairs referred to a Cabinet decision of March 19th,1953, authorizing the signature by Canada of the General Agreement between Canada and Belgium concerning the transit through and the stationing in Belgium of Canadian forces.

He now recommended that the execution and deposit of the Canadian instrument of ratification of this agreement be authorized.

An explanatory memorandum had been circulated.

(Memorandum, Acting Minister, April 10, 1953 -Cab. Doc. 102-53).

12. During the course of discussion it was pointed out that, as it had not been the practice to seek Parliamentary approval for relatively unimportant international agreements, it would not seem to be necessary to do so in this instance.

13. The Cabinet agreed that the Canadian instrument of ratification of the General Agreement between Canada and Belgium, signed March 30th, 1953, concerning the transit through and the stationing in Belgium of Canadian forces be now executed and deposited; it being understood that no steps would be taken to secure Parliamentary approval of such ratification.

North Atlantic Treaty Organization; Canadian Mutual Aid Programme 1953-54; modification in Canadian contribution to infrastructure

14. The Prime Minister reported on several items of the Canadian Mutual Aid Programme for 1953-54 which had been approved by the Cabinet Defence Committee at recent meetings. The items so approved were valued at $293,900,796 out of a total budgetary provision for Mutual Aid in 1953-54 of $324 million.

An explanatory memorandum had been circulated.

(Memorandum, Minister of National Defence, April 15, 1953 - Cab. Doc. 109-53).

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15. The Secretary of State for External Affairs reported that, at the present time, Canada assumed 7 percent of total N.A.T.O. infrastructure costs on the understanding that 3 percent would come out of Mutual Aid. Current contributions to infrastructure by member countries fell slightly short of total requirements. To fill the gap, the United States had agreed to increase its share from 42 percent to 42.86 percent and it had been suggested that Canada increase its quota from 7 percent to 7.13 percent. It was understood that Canada could take this increase out of its Mutual Aid Programme thus causing no increase in overall Canadian N.A.T.O. commitments.

16. The Cabinet:

(a) approved the various items of the Canadian Mutual Aid Programme for 1953-54 as submitted by the Prime Minister; and,

(b) agreed that the Canadian contribution to the N.A.T.O. infrastructure be increased from 7 percent to 7.13 percent provided the increase over the appropriate Canadian proportion could be taken out of Canadian Mutual Aid and provided, further, such an increase was concurred in by the Minister of National Defence and the Minister of Finance.

Canadian loan to Indonesia; release of Netherlands guarantee

17. The Secretary of State for External Affairs, referring to discussion at the meeting of January 22nd, 1953, submitted a recommendation that, in view of recent developments, the Cabinet reconsider its earlier decision and approve the granting to the Netherlands government of a release of the guarantee it assumed in 1945 on a Canadian loan to Indonesia in the event that a joint request was received from the Netherlands and Indonesian governments, the terms of which would specify that the government of Indonesia assumed full responsibility for the loan and for the schedule of payments on interest and capital as outlined in the agreement of October 9th, 1945.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 11, 1953-Cab. Doc. 110-53).

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18. In the course of discussion it was argued, on the one hand,-

(a) that, since its establishment as an independent state, Indonesia had given encouraging signs of continuing stability and had, in any event, paid all the installments on the loan, both on capital and on interest;

(b) that, in view of the independent status now enjoyed by Indonesia, it would be politically difficult for the Netherlands government to exert any pressure on Indonesia if the latter should, at any time, default on its payments; and,

(c) that, if the Netherlands government were now to be released from its guarantee, this would be evidence of Canada's faith in the integrity of the Indonesian government and would greatly strengthen Canada s prestige in Indonesia and place our recently appointed Ambassador in a better position tc carry out his duties on both the trade and political side.

On the other hand it was argued,-

(a) that the fact that Indonesia would not wish to be placed in the humilating position of having the Netherlands make good any Indonesian default was perhaps the best guarantee Canada had that all the installments would in fact continue to be met on time by the Indonesian government; and,

(b) that, if the Netherlands government were now to be released from its guarantee, the Canadian public would presumably react unfavourably if at some future date there was in fact default on any installment due.

19. The Cabinet agreed that no steps be taken at this time to release the Netherlands government from its October, 1945, guarantee of the Canadian loan to Indonesia, on the understanding that if the Canadian Ambassador to Indonesia found, after experience, that such a release would be beneficial to Canadian interests, the matter would be reconsidered by Cabinet.

Legislation; C.N.R. Financing and Guarantee bill

20. The Minister of Finance reported that the capital budget of Canadian National Railways had now been approved by the Governor in Council and by the Railways and Shipping Committee of the House of Commons. It was proposed therefore to introduce the annual bill to authorize the Railways to make capital expenditures.

(Minister's memorandum, April 14, 1953).

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21. The Cabinet approved in principle the proposal of the Minister of Finance for introduction of a measure to be entitled "Canadian National Railways Financing and Guarantee Act, 1953"; a draft bill to be prepared accordingly.

Legislation; North Pacific Halibut Fishery Convention bill

22. The Minister of Fisheries, referring to the discussion at the meeting of March 19th, 1953, submitted a draft resolution and bill to approve ratification and implement a convention between Canada and the United States for the preservation of the Pacific halibut fishery.

23. The Cabinet approved for introduction in the House of Commons the resolution and bill entitled "Northern Pacific Halibut Fishery Convention Act".

Baie Comeau Airport; additional payment to North Shore Construction Company

24. The Minister of Transport referring to discussion at the meeting of November 17th,1952, said the Department of Transport had at no time issued special orders to the North Shore Construction Company with a view to having the Company rush completion of the Baie Comeau Airport nor had the call for tenders omitted any items. The major cause of loss appeared to have been that the contractor's unit prices on excavation had been too low.

It might be noted that the Department had estimated that 209,000 cubic yards of excavation would be required whereas, in actual fact, 296,000 yards had been excavated. Although the departmental estimates were not binding and the contractor was expected to make his own estimates, it was suggested that the contractor might be allowed the difference between the unit price and the actual cost of the excavation in respect of the amount of excavation carried out over and above the estimate contained in the call for tenders. This would involve an additional payment of approximately $57,700.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 13, 1953-Cab. Doc. 107-53).

25. In the course of discussion, it was pointed out,

(a) that the expression "ex gratia payment " in respect of payments of this nature seemed undesirable; and,

(b) that, in any event, there might be some doubt as to whether the government was legally empowered to make such payments without Parliamentary approval.

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26. The Cabinet agreed that North Shore Construction Company Limited be allowed the difference between its unit price and the actual cost of the excavation done at Baie Comeau Airport over and above the amount of excavation contained in the Department of Transport's call for tender, involving an additional payment of approximately $57,700; it being understood that the Department of Justice should consider the comments made in respect of "ex gratia payments" generally and ascertain whether the approved additional payment to North Shore Construction Company could be described in some other suitable manner.

Armed Forces; increase in authorized strength

27. The Secretary submitted a recommendation of the Minister of National Defence seeking an increase in the authorized strength of officers and men of the Regular Forces.

28. The Cabinet agreed that the maximum numbers of officers and men in the Royal Canadian Navy be increased from 16,300 to 18,580, in the Canadian Army Active Force from 51,715 to 52,560 and in the Royal Canadian Air Force (Regular) from 42,000 to 47,083; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-652, April 17).

Newfoundland bait depots; transfer to Provincial government

29. The Minister of Fisheries reported that, at the time Newfoundland entered Confederation, the bait depots in that Province had become an exclusively Federal responsibility under sections 31 and 33 of the Terms of Union. The government of Newfoundland had now proposed that the bait depots be turned back to the Province for a consideration and had suggested a capital payment of $1.5 million now and an annual grant of $50,000 for ten years to recoup the Province for undertaking a responsibility placed on the Federal government by the Terms of Union. It was understood that the Provincial government might use some of these depots, particularly in distressed areas, for the freezing of fish for market after renovations and mechanical adjustments had been made to the depots.

There were 21 depots in Newfoundland and one large refrigeration ship which moved bait where required. These depots all contained refrigeration and cold storage and were distributed along the whole coastline of the Province. During the first three years after Confederation, Federal losses in respect of both operational and capital expenditures had averaged $177,000 per annum. These losses had been reduced to $140,000 in 1952-53 but there seemed little likelihood that they could be reduced further, particularly in view of the fact that, under the Terms of Union, the Federal government was required to operate the service without fundamental change thus making it difficult, if not impossible, to close down any of the depots.

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It now seemed likely that the Provincial government would succeed in having a private fishery concern operate at least some of the depots, both as bait depots and as freezing plants for the processing of low grade small cod into large fillets of the best quality for marketing in the United States.

It was recommended therefore, that the Minister of Fisheries be authorized to negotiate with the Province of Newfoundland with a view to transferring the bait service for a lump sum payment of not more than $1.5 million, with no annual grant. Any such lump sum payment would be in discharge of all the responsibilities that the Federal government might have for the operation of the bait service under the Terms of Union. It was understood that a payment of less than $1.5 million might be acceptable to the Province.

An explanatory memorandum was circulated.

(Minister's memorandum, April 16, 1953 - Cab. Doc. 112-53).

30. The Cabinet deferred decision on the proposal that the Minister of Fisheries be authorized to negotiate with the Province of Newfoundland to transfer the bait depot service back to the Province for a consideration of a lump sum payment of not more than $1.5 million, pending further consideration by the Minister of Fisheries and the Secretary of State in consultation.

Income tax; policy re incorrect calculations by taxpayers

31. The Minister of National Revenue pointed out that the Cabinet decision of March 19th, 1953, with respect to incorrect calculations of income tax, did not quite fit the facts. Because of the manner in which the tax table was set up in the income tax T-1 Short Form, taxpayers may underestimate their tax liability by fixed amounts of $1, $2 or $3. In any event, the amounts involved were never less than $1.

It was, therefore, recommended that the decision be amended to provide that no action be taken to assess the additional tax resulting from a taxpayer's incorrect tax calculation on the T-1 Short Form for 1952, whenever such an assessment would result in the creation of a collection account of $3 or less.

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It was further suggested that Cabinet might wish to consider and approve a standing instruction which had been issued by the Taxation Division of the Department of National Revenue to the effect that the taxpayer's calculation should not be amended unless the amount of tax increase or decrease was at least $4. Another standing instruction was to the effect that, where a taxpayer correctly indicated that he owed the Department or the Department owed him less than $1, the Notice of Assessment should be issued to read "Nil".

An explanatory memorandum had been circulated.

(Minister's memorandum, April 9, 1953- Cab. Doc. 103-53).

32. The Cabinet,-

(a) agreed that the Cabinet decision of March 19th, 1953, be amended to provide that no action be taken to assess the additional tax resulting from a taxpayer's incorrect tax calculation on the T-1 Short Form for 1952, whenever such an assessment resulted in the creation of a collection account of $3 or less; and,

(b) approved in principle the standing instructions issued by the Taxation Division of the Department of National Revenue relating to incorrect tax calculations of less than $4 and to unpaid balances or refunds of less than $1; it being understood that no publicity should be given to such instructions.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 20th, 1953

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Items discussed

External Affairs; Acting Ministers	2.
Newfoundland bait depots	2.
Newfoundland fisheries development; action on report	3.
Newfoundland agriculture; technical assistance	4.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, April 20th, 1953, at 12:00 noon.

Present:

The Prime Minister
(Mr. St-Laurent), in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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External Affairs; acting ministers

1. The Prime Minister suggested that, as the Secretary of State for External Affairs and the Acting Secretary of State for External Affairs were frequently absent at the same time, it was desirable to make provision for a minister to serve on such occasions.

2. The Cabinet agreed:

(a) that, in the absence of Mr. Pearson, Mr. Claxton be authorized to act as Secretary of State for External Affairs; and,

(b) that, in the event of the absence of both Mr. Pearson and Mr. Claxton, Mr. Martin be authorized to act as Secretary of State for External Affairs;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-605, of April 20).

Newfoundland bait depots

3. The Minister of Fisheries, referring to discussion at the meeting of April 17th, said he had now discussed further, with the Secretary of State, arrangements under which the bait depots in Newfoundland might be turned back to the province. It was understood that any arrangement the province might make for the commercial use of any of the depots would not be exclusive and would be available on an equal basis to competing firms.

4. The Cabinet approved the recommendation of the Minister of Fisheries and agreed:

(a) that he be authorized to begin negotiations with the government of Newfoundland for the transfer of the bait service to the province for a consideration of a lump sum payment by the Federal government but with no annual grant; and,

(b) that an item be included in the Supplementary Estimates when the amount of the grant, not to exceed $1.5 million, had been settled through negotiation.

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Newfoundland fisheries development; action on report

5. The Minister of Fisheries recalled that the Newfoundland Fisheries Development Committee had been established in January, 1951, to examine the fisheries resources available to Newfoundland and the methods of fishing and processing, with a view to recommending on their fullest utilization. The Committee had now made a report setting forth a number of recommendations. The general purpose of these was to bring about a development of the fisheries in Newfoundland so as to raise them to a level comparable with that in the other maritime provinces. At present, catches were extremely low and fishermen operated on a marginal basis. The scattered character of the fishery settlements, lack of capital and inadequate education prevented the changes that were needed in the industry. The recommendations suggested certain lines of action by the Federal government and certain ones by the Provincial government. Federal responsibility was suggested for investigation of new methods of fishing and processing, exploration of new grounds, improvement of dry-dock and repair facilities, and other matters. Problems relating to road access, schools, and health, and the social problem involved in the movement of fishermen from many of the small villages to larger centres would be mainly provincial. There was at the present time $250,000 in the Industrial Development Vote of the Department of Fisheries and it was recommended that an additional $1 million be provided for the current year.

It was also recommended that an interdepartmental committee be established, with representatives of the departments most directly concerned, to analyse the proposals of the Committee and report to the Cabinet.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 16, 1953- Cab. Doc. 111-53).

6. The Cabinet approved the recommendation of the Minister of Fisheries and agreed:

(a) that an interdepartmental committee be established of senior officials of the Departments of Finance, Fisheries, Labour, Transport, Mines and Technical Surveys, Public Works, and Resources and Development, with a Secretary from the Privy Council Office, to analyse the proposals of the Newfoundland Fisheries Development Committee and to prepare a report for the Cabinet thereon; and,

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(b) that, subject to the concurrence of the Department of Finance, an item of $1 million be included in the Supplementary Estimates for the Industrial Development Vote of the Department of Fisheries to meet expenditures relating to the recommendations of the Fisheries Development Committee during the current year; the vote not to be limited in its terms to projects in Newfoundland.

Newfoundland agriculture; technical assistance

7. The Minister of Agriculture reported that the Premier of Newfoundland had requested the services of Mr. A.M. Shaw, the present chairman of the Agricultural Prices Support Board, to act as chairman of a committee to investigate the development of agriculture in Newfoundland. It was proposed that Mr. Shaw's services be made available and that, as he would shortly reach the retirement age, he be given an extension of one year for the purpose, with the intention that an extension for a second year would be provided when the first had expired.

8. The Cabinet noted with approval the report of the Minister of Agriculture and agreed that the services of Mr.A.M. Shaw, of that Department, be made available to the government of Newfoundland to provide assistance in the investigation of agricultural development in the province, and noted that extension of Mr. Shaw's term in the Civil Service for a year, and thereafter possibly for a second year, would be sought for the purpose.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 22nd, 1953

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Items discussed

Legislation; C.N.R. Financing and Guarantee bill	2.
Supplementary Estimates; items for transfer of bait depots to Newfoundland; implementation of Fisheries Development Committee report	2.
Unemployment insurance; benefits during incapacity	2.
I.C.A.O.; chairman of Canadian delegation	3.
Annual and Revised Statutes of Canada; free distribution	3.
Old St.Henri Postal Station, Montreal; sale by Crown Assets Disposal Corporation	4.
Atomic Energy of Canada Limited; capital budget 1953-54	4.
South Saskatchewan River Project	5.
Construction contracts; failure of Lunam Construction Company	6.
Immigration; exclusion of certain persons	6.

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No. 39-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, April 22nd, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

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Legislation; C.N.R. Financing and Guarantee bill

1. The Secretary submitted certain draft legislation.

2. The Cabinet approved for introduction the resolution and bill entitled "Canadian National Railways Financing and Guarantee Act, 1953".

Supplementary Estimates; items for transfer of bait depots to Newfoundland; implementation of Fisheries Development Committee Report

3. The Minister of Fisheries, referring to discussion at the meeting of April 20th, reported that the Newfoundland government had now agreed to take over the bait depots in Newfoundland in consideration of a lump sum payment of $1.25 million by the Federal government.

The Department of Finance had also agreed that an item of $1 million be included in the Supplementary Estimates to meet expenditures relating to the recommendations of the Fisheries Development Committee during 1953-54.

4. The Cabinet agreed,-

(a) that an item of $1.25 million be included in the Supplementary Estimates to provide for the transfer to Newfoundland of the bait depot service in that Province; and,

(b) that a further item of $1 million be included in the Supplementary Estimates to provide the funds required in connection with the recommendations of the Fisheries Development Committee during 1953-54; it being understood that the vote would not be limited in its terms to projects in Newfoundland.

Unemployment insurance; benefits during incapacity

5. The Minister of Labour, referring to discussion at the meeting of March 26th, 1953, said that a draft section to amend the Unemployment Insurance Act had been prepared by the Department of Justice to provide for the payment of unemployment insurance benefits to insured persons who, while otherwise unemployed and entitled to benefit, became incapacitated for work by reason of illness, injury or quarantine. This draft had subsequently been revised by the Prime Minister.

The revised draft was submitted and read.

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6. The Cabinet agreed that a resolution and draft bill be prepared along the lines suggested by the Prime Minister to provide for the payment of unemployment insurance benefits to insured persons who, while otherwise unemployed and entitled to benefit, became incapacitated by reason of illness, injury or quarantine

International Civil Aviation Organization; chairman of Canadian delegation

7. The Prime Minister, referring to discussion at the meeting of March 26th, 1953, said that, although there was still some doubt as to whether the Minister of Transport could actually attend the Seventh Session of the Assembly of the International Civil Aviation Organization to be held in Brighton, England, beginning June 16th, it was felt, nonetheless, that Mr. Chevrier should officially be designated as Chairman of the Canadian delegation to this meeting.

8. The Cabinet agreed that the Minister of Transport be designated as Chairman of the Canadian delegation to the Seventh Session of the Assembly of the International Civil Aviation Organization to be held in Brighton, England, beginning June 16th, 1953.

Annual and Revised Statutes of Canada; free distribution

9. The Prime Minister referred to the meeting of February 26th, 1953, when it was agreed that the free distribution list for the Revised Statutes and the Annual Statutes of Canada should be reviewed and reported on by appropriate officials of the government departments most immediately concerned.

The Ad Hoc Interdepartmental Committee set up for the purpose had now submitted a revised distribution list for consideration.

10. In the course of discussion it was suggested,-

(a) that Members of Parliament ought to be allowed to receive free copies of the Statutes in both languages if they so wished; and,

(b) that the Department of External Affairs should be consulted as to the free distribution of Annual and Revised Statutes outside Canada.

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11. The Cabinet approved the suggested free distribution list for the Annual and Revised Statutes of Canada and Part II of the Canada Gazette as submitted by the Ad Hoc Interdepartmental Committee; an Order in Council to be paseed accordingly; in this connection it was understood,-

(a) that paragraph numbered 3 in the list attached to the Order in Council would be revised to read "each Member of Parliament (Senate and House of Commons)"; and,

(b) that the Secretary of State would make sure that the Secretary of State for External Affairs was consulted on all matters pertaining to the free distribution of Statutes and Canada Gazette outside of Canada.

(Order in Council P.C. 1953-609, April 22).

Old St. Henri Postal Station, Montreal; sale by Crown Assets Disposal Corporation

12. The Secretary submitted a recommendation of the Minister of Defence Production for the sale of the old St. Henri Postal Station, Montreal, to La Caisse Populaire de Saint-Henri de Montreal by Crown Assets Disposal Corporation for the sum of $26,000.

13. The Cabinet approved in principle the sale of the old St. Henri Postal Station in Montreal, by Crown Assets Disposal Corporation, to La Caisse Populaire de Saint-Henri de Montreal for the sum of $26,000; an Order in Council to be passed accordingly if and when approved by the Postmaster General.

Atomic Energy of Canada Limited; capital budget for 1953-54

14. The Secretary submitted a joint recommendation of the Minister of Trade and Commerce and the Minister of Finance seeking approval of the capital budget of the Atomic Energy of Canada Limited for the year 1953-54.

15. The Cabinet approved the capital budget of Atomic Energy of Canada Limited for 1953-54 as submitted by the Minister of Trade and Commerce and the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-603, April 22).

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South Saskatchewan River Project

16. The Minister of Agriculture said that, in accordance with a suggestion made at the meeting of April 17th, he had attempted to set out in a draft letter to the Premier of Saskatchewan what might form the basis of the Federal approach to the whole question of the South Saskatchewan River Project at this time. If this letter met with approval, he proposed to forward it to Premier Douglas within the next few days and also to read it in the House of Commons during discussion of his departmental estimates.

A draft statement to the House of Commons and letter to Premier T.C. Douglas of Saskatchewan was submitted and read.

(Copies of draft statement and draft letter, as revised during the course of discussion, attached as an Appendix to these Conclusions).

17. During the course of discussion, it was pointed out,-

(a) that the main purpose of the proposed letter from the Minister of Agriculture to the Premier of Saskatchewan was to indicate that, in view of the nature of the report of the Royal Commission on the South Saskatchewan Project and for other reasons, the Federal government was not prepared, at this stage, to make any commitment one way or another on Federal participation in the project, but that, since the government of Saskatchewan had publicly stated that it disagreed with the Royal Commission s findings and was prepared to proceed with its share of the project, it was now for the Provincial authorities to demonstrate on what precise basis the Federal government could justifiably participate in the project and that, in any event, the Federal government could not even consider any such participation until such time as agreement had been reached between the three provinces concerned, as to the uses to be made of the South Saskatchewan waters and unless it was clearly understood that Federal participation must not involve any form of Federal subsidization of the projected power development, and that a firm price for the whole project would have to be obtained in advance or, alternatively, a firm ceiling placed on the Federal share in any such project; and,

(b) that, notwithstanding the cost figures quoted by the Royal Commission, it was thought that certain reputable contractors in Western Canada would probably be prepared to submit firm bids for construction of the dam at or about $72 million.

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18. The Cabinet approved the draft letter to the Premier of Saskatchewan relating to the South Saskatchewan River Project, subject to certain changes being made as suggested during the course of discussion, and agreed that it be forwarded to the Premier of Saskatchewan and read in the House of Commons as recommended by the Minister of Agriculture.

Construction contracts; failure of Lunam Construction Company

19. The Minister of Citizenship and Immigration said his department had placed three contracts for construction of Indian schools with the Lunam Construction Company, which recently had failed financially. The projects had been completed by the department and, in the case of two, deposits and other funds available were more than sufficient to complete the work. In the case of the third there was a substantial deficit. It was for decision whether the three projects should be considered as a unit and the surpluses of the two used to meet the deficit on the third or whether the projects should be considered separately. In that case, the surpluses would be available for creditors of the Lunam Construction Company and the government would have to meet the deficit in the third case.

20. In the course of discussion it was argued that it would be undesirable for the government to use its special status to give itself a preferred position over and above the creditors of the Lunam Construction Company generally. Private parties would not be able to treat the projects as a unit and the government should not do so.

21. The Cabinet noted the report of the Minister of Citizenship and Immigration concerning three construction projects that had been placed with the Lunam Construction Company, and agreed that the projects be treated separately and no attempt be made to allocate surplus funds available, in the case of two projects, to meet the deficit arising in the third.

Immigration; exclusion of certain persons

22. The Minister of Citizenship and Immigration reported that it was intended to prohibit the entry of two women who were planning to come to Canada to participate in meetings being arranged by Communist front organizations. This was in accord with the general policy that had been adopted.

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23. The Cabinet noted with approval the report of the Minister of Citizenship and Immigration concerning the exclusion of certain persons intending to come to Canada for participation in the work of Communist front organizations.

J.W. Pickersgill,
Secretary to the Cabinet.

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APPENDIX

STATEMENT OF ESTIMATES
RELATED TO LARGER IRRIGATION PROJECTS

I am afraid the Opposition have made it most difficult for us to debate some questions properly under the rules. They forced a full dress debate on the South Saskatchewan River project and carried it to a vote. The question has, therefore, been debated during this session. To state the case is to indicate how useless it is to call such a division and how much damage it could do if the rules were strictly enforced.

However, there is an item in the estimates entitled "Major Irrigation and Reclamation Projects in the Prairie Provinces $7,893,420." Included in this item is the South Saskatchewan River Development. Under this item it would be possible to finance work on the project.

It is, therefore, important for me to state the present position of the project. After considering thoroughly the information compiled and the views expressed in the report of the Hogg Commission as well as the comments on it by the Saskatchewan Government, this Government has decided that we should be prepared to review and continue our discussions with the Government of Saskatchewan on the feasibility of the project as set up by P.F.R.A. and the willingness and ability of the Provincial Government to assume costs of what we would consider provincial obligations.

In order to place before the committee the attitude we have assumed toward further discussions with the Provincial Government, I ask leave to read into Hansard a letter I delivered to the Premier of Saskatchewan on Friday, the 24th of April, 1953, which is as follows:-

O t t a w a,
April 24, 1953.

Hon. Thomas C. Douglas, M.A.,
Premier of Saskatchewan,
REGINA, Sask.

Dear Premier Douglas:

My files indicate that following the receipt of a report from our engineers to the effect that it is possible to construct a dam on the South Saskatchewan River at Coteau Creek I asked for and had an interview with your government on June 24th, 1950.

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It was my opinion that because the resources were under the control of the Provinces this information should be made known officially to your government.

We appointed a committee of top officials and engineers associated with the Department of Agriculture to compile the information. Before this report was made public, I again reported to the Provincial Government on February 2, 1951, indicating that the committee agreed with our engineers that a dam could be built creating a reservoir and that the direct results from such a construction could be irrigation and power generation.

I indicated that the estimated cost of the project would be approximately $101,000,000 on a basis of 1950 costs, divided as follows: $68,000,000 for the dam, $25,000,000 for irrigation and $8,000,000 for power installations. My memory is that you contended that the Federal Government had left the impression that this was to be a Federal undertaking financed by Ottawa. I pointed out that it had been nothing more than a proposal to assist in rehabilitating the drought area and that the only large projects which had been undertaken up to that time, namely, the St. Mary's and Bow River projects, were purely irrigation and the responsibility for financing them was three-way - the Federal Government stored or made available the water, the Province distributed the water over the area and the farmers formed irrigation districts under provincial legislation to distribute the water to the land and administer the districts. I also pointed out that a very considerable part of the return from this development could be from power which would be utilized by the provincial power commission. You were still of the opinion that the Federal Government should pay the whole cost of the dam and I indicated that you might put your views in writing which you did on February 10th.

The Committee of officials reported on April 2nd, 1951. This report was made public and tabled in the House. There was some discussion in the House after which I answered your letter on June 26th,1951, to indicate that all the information was being referred to a committee of experts. This turned out to be a Royal Commission which reported on January 19th, 1953.

The report has been tabled in the House of Commons and has given rise to very diverging views about the soundness of the project. Your government has prepared a document which is quite critical of the report and you have written the Prime Minister that your government feels the project should be proceeded with notwithstanding the report of the Royal Commission.

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Since this is your view, the Federal Government is prepared to consider a definite proposal from the Provincial Government for co-operation in the project and I am authorized by my colleagues to discuss such a proposal with you once the question of water rights has been settled among the three Prairie Provinces and agreement reached that the water would be available for the project.

Any proposal put forward by the Province should make it clear what contribution to the cost of the dam itself the Province is prepared to make to remove any element of Federal subsidy for the production of power since power development could obviously not be subsidized in one province unless the Federal authorities were prepared to provide similar subsidies in all provinces and Federal subsidies for power development are contrary to present government policy.

You will appreciate that any Federal contribution would also have to be limited, as in the St.Mary's and Bow River projects, to works for the conservation of the water and that we could not justify the expenditure of money raised from taxes all over Canada until the provincial authorities had prepared a practical scheme for the distribution system which gave reasonable evidence that the water would actually be used for irrigation on a scale which would justify the expenditure of national funds.

Any proposal would, of course, have to include some satisfactory means of determining in advance what the total cost of the project would be, and what the Federal share of the cost would be. This would be essential so that there was no open-ended commitment which might result in the final costs being far greater than anything either government would regard as reasonable.

On these conditions as prerequisites the Federal Government is prepared to discuss the project further with the Government of Saskatchewan.

Yours sincerely,

(Sgd.) James G. Gardiner.

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CABINET CONCLUSIONS

Meeting

April 29th, 1953

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Items discussed

Coronation; distribution of medals	2.
South Saskatchewan River Project	2.
Lieutenant-Governor, British Columbia; leave of absence; appointment of Administrator	3.
War claims; appointment of Deputy Commissioners	3.
Central Mortgage and Housing Corporation; increase in salary of Vice-President	4.
Imperial Oil Limited; tax exemption on deep test-well in Alberta	4.
Unemployment Insurance Act amendment; extension of coverage to incapacitated unemployed employables	5.
Radio and television; licences for private stations	5.
War veterans allowances; proposals for increase in rates	6.
Parliament; Speech from the Throne	6.
Ontario-Manitoba boundary; request for early legislative action by Parliament	7.

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No. 40-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, April 29th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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Coronation; distribution of medals

1. The Secretary of State, referring to discussion at the meeting of April 2nd, submitted a recommendation that Coronation medals be allocated to all former provincial premiers and to the chiefs of Indian bands in Canada. This could be achieved by removing municipalities having a total population of between 1,000 and 2,000 from the list of authorized categories and re-allocating the medals thus made available to former provincial premiers, to chiefs of the various Indian bands and to the reserve. It was further suggested that, for various reasons, it would be inadvisable at this time to ask Her Majesty to increase the Canadian quota from 19,000 to 20,000 medals. In any event, the suggested re-allocation would increase the reserve to 1,156 medals and in view of this substantial increase, it was also suggested that consideration be given to granting one medal to each municipality having a total population of between 1,500 and 2,000. A draft letter to Lieutenant-Governors informing them of the forthcoming issuance of the medal was also submitted.

(Memorandum, Chairman Coronation Committee, April 23, 1953-Cab. Doc. 115-53; and draft letter to Lieutenant-Governors.).

2. The Cabinet agreed that the Coronation medal be distributed to former provincial premiers and to the Indian population of Canada; it being understood that the question of distribution would be further discussed by the Minister of Citizenship and Immigration with the Secretary to the Prime Minister and the Department of Secretary of State; it was also agreed that the letter, with modifications in the appendix concerning the municipalities, be despatched to Lieutenant-Governors.

South Saskatchewan River Project

3. The Prime Minister, referring to discussion at the meeting of April 22nd, submitted a telegram dated April 28th, which he had received from the Premier of Saskatchewan in reply to a letter addressed to the Premier on April 24th, by the Minister of Agriculture, on the Federal government's present position in regard to the South Saskatchewan River Project. He also submitted and read a draft reply to Premier Douglas pointing out that Mr. Gardiner's letter of April 24th did not ask the Provincial government to submit proposals but simply stated that the Federal government was prepared to consider a definite proposal from the Provincial government for cooperation in the project on certain conditions and that, before deciding whether and to what extent there should be Federal participation in such a project, the Federal government required to know, precisely, what was involved and to what extent the Provincial authorities were willing to accept the conditions set out in Mr. Gardiner's letter of April 24th.

(Copies of the telegram and draft reply were circulated.

(Secretary's Memorandum, April 29, 1953 - Cab. Doc. 116-53).

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4. The Cabinet noted the telegram of April 28th addressed to the Prime Minister by the Premier of Saskatchewan in reply to the Minister of Agriculture's letter of April 24th on the South Saskatchewan River Project and approved, with a slight revision, the draft reply submitted by the Prime Minister.

Lieutenant-Governor, British Columbia; leave of absence; appointment of Administrator

5. The Secretary of State submitted a recommendation that leave of absence be granted to the Lieutenant-Governor of British Columbia during the months of May and June and that an Administrator be appointed to act in his place during that time.

6. The Cabinet agreed that Colonel Clarence Wallace, Lieutenant-Governor of British Columbia, be granted leave of absence from May 3rd to June 28th, 1953, and that Chief Justice Sloan of British Columbia be appointed to administer the government of the province during such absence; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-649, April 29).

War claims; appointment of Deputy Commissioners

7. The Secretary of State reported that the Chief War Claims Commissioner had named four additional Deputy Commissioners and recommended that they be granted, under section 11 of the Inquiries Act, the same powers as the Chief War Claims Commissioner.

8. The Cabinet agreed that the Honourable Henry Ian Bird, the Honourable Fernand Choquette, the Honourable James D. Hyndman and Mr. James Francis, who had been named as Deputy War Claims Commissioner by the Honourable Thane A. Campbell, Chief War Claims Commissioner, be granted, under section 11 of the Inquiries Act, the same powers as the Chief Commissioner in respect of such claims as might be referred to them; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-651, April 29).

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Central Mortgage and Housing Corporation; increase in salary of Vice-President

9. The Minister of Resources and Development submitted a recommendation for an increase in the salary of the Vice-President of Central Mortgage and Housing Corporation.

10. The Cabinet agreed that the salary of P.S. Secord, Vice-President of Central Mortgage and Housing Corporation, be increased from $12,000 to $13,500 effective April 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-650, April 29).

Imperial Oil Limited; tax exemption on deep test-well in Alberta

11. The Minister of Mines and Technical Surveys referring to discussion at the meeting of February 26th, 1953, submitted a recommendation that Imperial Oil Limited be granted the benefits available under section 53 (5) of chapter 25 of the Statutes of 1949 (Second Session) in respect of its Imperial Zama Lake No. 15-22-115-10 well to be drilled in the Province of Alberta.

(Minister's Submission to Council April 19th, 1953).

12. In the course of discussion it was suggested,-

(a) that the benefits available under section 53(5) of chapter 25 of the Statutes of 1949 (Second Session) had originally been intended to encourage the development of new petroleum producing areas by granting a measure of tax relief for deep test drilling in such areas and that there was some doubt that these benefits should be granted for deep test drilling in already proven areas as appeared to be the case in the present instance; and,

(b) that as this was primarily a question of taxation, it was for consideration whether recommendations of this nature should be concurred in by the Minister of National Revenue before being submitted by the Minister of Mines and Technical Surveys.

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13. The Cabinet deferred decision on a recommendation that benefits available under section 53 (5) of chapter 25 of the Statutes of 1949 (Second Session) be granted to Imperial Oil Limited in respect of its Imperial Zama Lake No. 15-22-115-10 well in Alberta, pending further consideration by the Minister of National Revenue and the Minister of Mines and Technical Surveys in the light of the suggestions made during the course of discussion.

Unemployment Insurance Act amendment; extension of coverage to incapacitated unemployed employables

14. The Minister of Labour submitted a resolution and bill to amend the Unemployment Insurance Act to provide for the payment of unemployment insurance to insured persons who, while otherwise unemployed and entitled to benefit, became incapacitated by reason of illness, injury or quarantine. The proposed amendment had been discussed at a recent meeting of the Unemployment Insurance Advisory Committee, at which time labour representatives had expressed themselves as satisfied with the proposal although they would naturally prefer benefits to be paid as well to insured persons who became unemployed because of illness.

The new provision, as incorporated in the printed bill, would only become operative after an insured person had served the full waiting period of seven days while capable of and available for work. The result might well be, in certain cases, that an incapacitated claimant might have to wait several months before being entitled to benefit if the incapacity began during the seven day waiting period.

15. The Cabinet approved for introduction the resolution and bill to amend the Unemployment Insurance Act as submitted by the Minister of Labour.

Radio and television; licences for private stations

16. The Minister of Veterans Affairs said the Minister of Transport had asked him in his absence, to indicate that early consideration should be given to applications for private radio and television broadcasting stations at Edmonton, Alberta, Chicoutimi, P.Q. and St-Joseph d'Alma, P.Q., if these applications were to be forwarded in time for consideration at the next regular meeting of the Board of Governors of the Canadian Broadcasting Corporation.

17. The Cabinet noted the report by the Minister of Veterans Affairs on applications for private radio and television broadcasting stations at Edmonton, Alberta, Chicoutimi, P.Q., and St-Joseph d'Alma, P.Q., and agreed that the matter be discussed further with the Minister of Transport.

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War veterans allowances; proposals for increase in rates

18. The Minister of Veterans Affairs reported that increasing pressure was being brought to bear upon him and his department by various veterans organizations to increase the benefit rates under the War Veterans Allowance Act. Particularly strong representations had been made by the British Columbia veterans assocations. It was to be noted that out of a total of 40,300 W.V.A. recipients in Canada in February 1953, 9,500 were normally resident in the larger urban centres of British Columbia.

In reply to such representations, it had been pointed out that rates of benefit had been increased in 1952 from $40 to $50 a month for single persons and from $70 to $90 a month for married recipients and, for that reason and because it was felt inadvisable that benefits under this legislation should be too far out of line with payments under old age security legislation, the Federal government was not likely to consider any further increase in the basic rates at this time. A further suggestion had been that, even though the basic rates remained unchanged , the government might consider relaxing the means test which had to be met in order to be eligible for additional payments out of the War Veterans Allowance Assistance Fund.

When the basic rates had been increased in 1952, the circumstances of all those in receipt of assistance fund payments had been reviewed and as a result the total number entitled to additional benefits had been sharply reduced.

19. The Cabinet authorized the Minister of Veterans Affairs to relax the means-test standards in respect of additional payments out of the War Veterans Allowance Assistance Fund whenever such a course of action appeared to be required to meet bona fide hardship cases.

Parliament; Speech from the Throne

20. The Prime Minister submitted and read a draft Speech from the Throne for the closing of the current session of Parliament.

21. In the course of discussion, it was suggested that copies of the draft speech might usefully be circulated to Ministers for comment and return.

22. The Cabinet,-

(a) noted the draft Speech from the Throne for the closing of the current session of Parliament as submitted by the Prime Minister; and,

(b) agreed that copies of the draft, as revised during the course of discussion, be circulated immediately to all Ministers for comment and return.

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Ontario-Manitoba boundary; request for early legislative action by Parliament

23. The Minister of Mines and Technical Surveys, said the Manitoba Legislature would shortly be undertaking its regular decennial revision of provincial statutes. In the circumstances, provincial authorities had suggested that it would be helpful if the required Federal legislation on the Ontario-Manitoba surveyed boundary could be passed during the current session of Parliament.

24. The Cabinet agreed that the Minister of Mines and Technical Surveys inform the provincial authorities of Manitoba that, in view of the short time remaining before prorogation of Parliament and because of the substantial volume of Parliamentary business yet to be dealt with, it would not be possible to introduce legislation respecting the Ontario-Manitoba boundary during the current session.

J.W. Pickersgill,
Secretary to the Cabinet.

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Cabinet Conclusions

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Décisions du Cabinet

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5 May 1953 to 29 December 1953

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CABINET CONCLUSIONS

Meeting

May 5th, 1953

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Wheat for Pakistan	2.
Library of Parliament; contract for construction	3.
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Service electors; lists by constituencies	5.
Legislation; Criminal Code amendment	6.
Restriction on the importation of oats from Canada into the United States; possible action	6.
Transport; application by Canadian Pacific Airlines for establishment of an air cargo service	7.
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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, May 5th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote).

The Assistant Secretary to the Cabinet
(Mr. Robertson),

Also present in connection with
the discussion on The Speech from
the Throne:

Mr. W.R. Martin, Privy Council Office.

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Wheat for Pakistan

1. The Secretary of State for External Affairs said he had been advised that Pakistan would submit, within the next few days, an urgent request for an amount equivalent to its full share of Colombo Plan funds in the current year (about $9 or $10 million) to be used for the purchase of wheat to meet the serious food shortage. The government of Pakistan had already asked the United States government for a long term loan of $100 million to buy 1 million tons of wheat. Australia and New Zealand were expected to give assistance, probably under their Colombo Plan programmes. Pakistan expected to purchase $30 million worth of wheat, probably in large part from Canada, but it would still have a deficit of 300,000 to 800,000 tons. For humanitarian reasons and to promote political stability in Pakistan it was desirable for Canada to provide assistance.

If Colombo Plan funds were used for wheat purchases, some projects involving capital equipment would probably have to be sacrificed. In the circumstances, it was recommended that Parliament be asked to approve a special vote of $5 million to grant wheat to Pakistan.

The Premier of Saskatchewan had written indicating the desire of the government of Saskatchewan to contribute, either jointly with the Federal government or independently, to the wheat requirements of Pakistan and India.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 2, 1953 - Cab. Doc. 118-53).

2. In the course of discussion it was suggested:

(a) It would be desirable to try to provide some wheat in the present circumstances but with the session of Parliament so close to an end, it would be best to avoid the introduction of a special appropriation if that could be done. The preferable course would be to have $5 million of Colombo Plan funds used for the purchase of wheat for Pakistan, on the understanding that Parliament would be asked, at the next session, to make up the amount.

(b) While it would be suitable to use Colombo Plan funds originally, it would be preferable not to have the amount left permanently as a charge against the Colombo Plan operation. In the economic circumstances of Pakistan, it would be preferable to have the assistance by gift rather than loan.

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(c) It was possible that even a temporary charge against the Colombo Plan appropriation might delay development projects. If such would be the result, it would be desirable to have a special appropriation.

3. The Cabinet agreed:

(a) that, if it would not seriously hamper development projects under the Colombo Plan in the current year, $5 million of the appropriation for Pakistan be allocated for the purchase of wheat, on the understanding that the government would recommend to Parliament, at its next session, that the amount be made up by funds then to be appropriated for the purpose; and,

(b) that, if a temporary diversion of funds from the Colombo Plan vote for wheat for Pakistan would seriously hamper development projects, a special appropriation of $5 million be inserted in the further Supplementary Estimates for consideration at the present session of Parliament to make a gift of wheat to Pakistan.

Library of Parliament; contract for reconstruction

4. The Prime Minister, referring to discussion at the meeting of February 26th, 1953, said a memorandum from the Deputy Minister of Public Works set forth the firm bids that had been received from four nationally known contractors as to the fixed fees they would charge for the reconstruction of the Library of Parliament on a cost plus fixed fee basis.

The bids were:

E.G.M. Cape & Company	$27,500
Foundation Co. of Canada Ltd.	25,000
Anglin Norcross Ontario Limited	22,500
Angus Robertson Limited	20,000

The Department of Public Works had asked the two lowest tenderers to state fixed amounts for which they would be prepared to provide heavy equipment. The Angus Robertson Company were prepared to provide heavy

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equipment,as required and without detailed specification for $16,500. Anglin Norcross were prepared to provide a specific list of equipment for $10,000. Mr. Murphy was of the opinion that the general provision by the Angus Robertson Company of all equipment as needed at $16,500 was comparable with the more limited undertaking by Anglin Norcross at the lower figure. The former company was currently engaged on stone work in the Ottawa area and had trained men immediately available. In the circumstances he advised that the contract be given to that company.

(Letter, Deputy Minister of Public Works and attached memorandum, April 30, 1953)

5. The Cabinet noted the report by the Department of Public Works concerning bids from contractors for the execution of the work of reconstruction of the Library of Parliament and agreed that the contract be given to Angus Robertson Limited for a fixed fee of $20,000 and an equipment fee of $16,500.

National Gallery; proposed site

6. The Minister of Citizenship and Immigration reported that the competition for design of the National Gallery had now narrowed down to three architects. It was important for the further stages in the competition to have more definite information concerning the site. Thus far it had been assumed that the site would be Cartier Square but it seemed doubtful whether the Department of National Defence would be able to make it available for quite some time. If the alternative site on Sussex Street were to be used, it would affect the competition. Before a definite decision on it was taken, the Department of Public Works would have to make borings and other tests.

7. In the course of discussion it was suggested:

(a) It would be unfortunate if the National Gallery were placed on the Sussex Street site as that would remove it from the centre of the city where it would be most readily available for people to visit.

(b) If Cartier Square could not be made available for a long time it would not be desirable for that reason to hold up indefinitely the construction of a National Gallery.

(c) As the Sussex Street site would be used for some purpose once it was made available by the removal of the present railway tracks and warehouses, it would be desirable in any event for the Department of Public Works to make the necessary tests and surveys.

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8. The Cabinet agreed:

(a) that the Department of Public Works undertake such tests and surveys of the site on Sussex Street, for possible use by the National Gallery, as would be necessary to determine its characteristics and suitability for construction of the Gallery or of another Federal building; and,

(b) that the question of the site for the National Gallery be further considered after the tests by Public Works had been completed.

Service electors; lists by constituencies

9. The Minister of National Defence said there were 104,000 officers and men in the services who were entitled to vote if they had their names placed on the appropriate lists. 82,000 had filed declarations at present and further declarations could be taken under the new amendment up to the date of dissolution of Parliament. After that, service electors could still vote by appearing at the polls and declaring their place of enlistment at that time. Handling of the service vote was going to be a complicated and difficult matter.

Representatives of the Progressive Conservative and C.C.F. parties had asked that lists of service electors be provided by constituencies. This would involve going through all the forms individually, relating addresses to constituencies and preparing separate lists. It was estimated that it would involve 23,000 man-hours of work. There would almost certainly be a large number of errors as it would have to be done in a short period of time. On the whole, it would be impractical to try to meet this request.

10. In the course of discussion it was argued that it was not the function of the Department of National Defence to provide lists of voters in the manner suggested. If the request were pressed, records could be made available to the Chief Electoral Officer, but he would undoubtedly consider it impractical to undertake the project.

* 11. The Cabinet agreed that, if requests were pressed for the provision of lists of service electors by constituencies, the position be taken that, as the Department of National Defence was not a part of the national electoral machinery, it could not undertake to provide the lists, but that it would be prepared to make its records available to the Chief Electoral Officer for such listing as he might consider necessary and desirable.

*(See Cabinet Conclusions, June 12, 1953 - afternoon meeting)

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Legislation; Criminal Code amendment

12. The Minister of Justice submitted a draft bill to amend the Criminal Code to provide that, after January 1st, 1954, and until other appropriate arrangements were made, the penitentiary operated by the Province of Newfoundland would continue to be the place of confinement for persons in that province sentenced to terms of less than two years. This legislation would be required if, as was probable, the Criminal Code revision now before the House was not finally disposed of.

13. The Cabinet approved the bill to amend the Criminal Code as submitted by the Minister of Justice for introduction in the House of Commons and for action if decision were taken to defer final action on the Criminal Code revision to a later session.

Restriction on the importation of oats from Canada into the United States; possible action

14. The Minister of Trade and Commerce said consideration had been given to the desirability of having a legislative amendment introduced before the end of the present session of Parliament that would enable retaliatory action to be taken if the United States imposed restrictions on importations of Canadian oats.

15. In the course of discussion it was pointed out that it appeared to be possible, under the Customs Tariff Act, for the Governor in Council to apply the general tariff on a discretionary basis. Restoration of general tariff rates to certain U.S. products would be adequate retaliatory action if restrictions were imposed.

16. The Cabinet noted the report by the Minister of Trade and Commerce concerning possible action by the United States to restrict imports of Canadian oats and agreed that, in view of the existing provisions of the Customs Tariff Act to enable general tariff rates to be applied on a discretionary basis, no amendment be introduced during the current session of Parliament to provide additional powers under which possible retaliatory action could be taken.

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Transport; application by Canadian Pacific Airlines for establishment of an air cargo service

17. The Minister of Transport reported that the Air Transport Board had thus far held up its report on the application by Canadian Pacific Airlines for establishment of an air cargo service. As the matter had been pending for some time, action by the Board would shortly be necessary unless it were asked to defer the matter further.

18. In the course of discussion it was stated:

(a) The investigation of the application by the Board indicated a need for the service. Granting of the application by Canadian Pacific Airlines would, however, constitute a departure from government policy and this might not be desirable at the present time.

(b) It was not entirely clear whether the Board could grant a licence on its own authority in response to the application by Canadian Pacific Airlines or whether its powers, in such a case, were limited to recommending action by the Governor in Council.

19. The Cabinet noted the report of the Minister of Transport concerning the application by Canadian Pacific Airlines and agreed that further consideration be given to the course to be followed after the powers of the Air Transport Board, in relation to an application of such a character, had been determined.

Transport; disposition of telephone facilities in British Columbia

20. The Minister of Transport, referring to discussion at the meeting of March 18th, 1952, said the British Columbia Telephone Company had made an initial offer of $1 for the government's telephone facilities in British Columbia and, when it had been made clear that that was quite impossible, they had raised the offer to $400,000; the amount to be payable over a period of 20-25 years. The officials in the Department of Transport thought that at least $1 million ought to be secured for the telephone facilities. It was desirable to negotiate further in the hope of securing that amount. The Canadian National Railways were willing to pay $750,000 for the telegraph facilities.

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21. The Cabinet noted the report of the Minister of Transport concerning negotiations for the sale of government-owned telephone facilities in British Columbia, and agreed that he continue negotiations in an effort to secure a better price than had been offered thus far.

Speech from the Throne

22. The Prime Minister, referring to discussion at the meeting of April 29th, 1953, submitted a revised draft of the Speech from the Throne.

23. The Cabinet agreed that the Speech from the Throne be further modified in accordance with suggestions made in the course of discussion.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 11, 1953

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, May 11th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Public Works
(Mr. Fournier),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. Paul Pelletier, Privy Council Office.

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Canada Elections Act; appointment of returning officer

1. The Secretary of State submitted a recommendation for the appointment of a returning officer at Iles-de-la-Madeleine, P.Q.

2. The Cabinet agreed that Mr. Felix Chevrier be appointed returning officer for the electoral district of Iles-de-la-Madeleine, P.Q., vice Mr. Willie Chevrier, resigned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-735, May 11).

Canadian Arsenals Limited; capital budget for 1953-54

3. The Minister of Defence Production and the Minister of Finance submitted a recommendation for approval of the capital budget of Canadian Arsenals Limited for 1953-54.

4. The Cabinet approved the capital budget of Canadian Arsenals Limited for 1953-54, as submitted by the Minister of Defence Production and the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-739, May 11).

Canadian Farm Loan Board; capital budget for 1953-54

5. The Minister of Finance submitted a recommendation for approval of the capital budget of the Canadian Farm Loan Board for the current fiscal year.

6. The Cabinet approved the capital budget of the Canadian Farm Loan Board for the fiscal year ending March 31st, 1954, as submitted by the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-738, May 11).

Newfoundland fisheries development; report of Interdepartmental Committee

7. The Minister of Fisheries, referring to discussion at the meeting of April 20th, 1953, submitted a report of the Interdepartmental Committee established to consider the recommendations contained in the Walsh Report on Newfoundland fisheries development.

An explanatory note was circulated.

(Memorandum, Interdepartmental Committee on Newfoundland Fisheries Development, May 9, 1953 - Cab. Doc. 121-53).

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8. The Cabinet noted the report of the Interdepartmental Committee established to study the recommendations of the Walsh Report on Newfoundland fisheries development as submitted by the Minister of Fisheries.

Agricultural Products Co-operative Marketing Act; Ontario Cheese Agreement 1953

9. The Secretary submitted a recommendation of the Minister of Agriculture for authority to enter into an agreement with the Ontario Cheese Producers Association Limited of Belleville, Ontario, for the marketing of 1953 cheddar cheese produced in the Province of Ontario. The agreement was similar to that entered into in 1952 and provided for the payment of an advance on the basis of 24 cents per pound for first grade cheddar cheese, 23 cents for second grade and 22 cents for third grade f.o.b. factory. These prices were approximately 80 percent of average prices during the last three years: The agreement also provided that processing, carrying and selling costs would not exceed 2 3/8 cents per pound.

The Association now held a balance of approximately 5 million pounds of 1952 cheese. Total stocks of cheddar cheese on hand in Canada at April 1st, including that held by the Association, were 26.2 million pounds as compared with approximately 25 million pounds at this time last year. Cheese consumption had increased in Canada by about 2 million pounds last year, and it was considered that the Association would have no difficulty in disposing of their holdings.

(Memorandum, Deputy Minister of Agriculture, April 30, 1953).

10. In the course of discussion, it was pointed out,-

(a) that it was understood the Province of Ontario would probably discontinue the supplement of 6 cents a pound paid to cheddar cheese producers in addition to the Federal advance of 24 cents a pound on first grade cheddar;

(b) that the Department of Agriculture estimated the average prices for first grade 1953 cheddars would be approximately 26 cents a pound;

(c) that, if the Provincial subsidy of 6 cents were withdrawn and commercial prices for first grade cheese were in fact at or about 26 cents a pound, dairy farmers would presumably re-direct a larger proportion of their milk to butter which would be more profitable with the butter support price at 58 cents; and,

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(d) that it might be in the public interest not to encourage cheese production and to allow a greater proportion of Canadian milk to go into butter production.

11. The Cabinet deferred decision on the proposed agreement with the Ontario Cheese Producers Association for the marketing of 1953 cheddar cheese produced in Ontario, pending further consideration by the Minister of Agriculture in consultation with Ministers from the Province of Ontario.

Westcoast Transmission Company Limited; licence for export of additional surplus natural gas

12. The Minister of Trade and Commerce reported that, by Orders in Council P.C. 4323 and P.C. 4324 of October 23rd, 1952, licences had been issued to the Westcoast Transmission Company Limited of Calgary, Alberta, to construct a gas pipe line and to export through that line certain specified quantities of surplus natural gas to the United States. A further application had now been submitted by the Company for the construction of a branch line to supply surplus natural gas to an additional market area lying between the Rocky Mountains and the Cascade Mountains in the United States.

He was of the view that the construction of the proposed branch line and the exportation of additional surplus natural gas by the Company was in the best interests of Canada and recommended that licences be granted accordingly.

13. The Cabinet agreed that the Westcoast Transmission Company Limited of Calgary, Alberta, be granted licences to construct a branch line to supply additional surplus natural gas to a market area lying between the Rocky Mountains and the Cascade Mountains in the north-west United States; Orders in Council P.C. 4323 and P.C. 4324 of October 23, 1952, to be amended accordingly.

(Orders in Council P.C. 1953-742 and 743, May 11).

Imperial Oil Limited; tax exemption on deep test-well in Alberta

14. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of April 29th, 1953 said that he and the Minister of National Revenue had reached agreement on a recommendation that Imperial Oil be granted certain tax exemptions for a new deep test-well in the Province of Alberta.

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15. The Cabinet agreed that benefits available under section 53 (5) of chapter 25 of the Statutes of 1949 (second session) be granted to Imperial Oil Limited in respect of its Imperial Zama Lake No. 15-22-115-10 well in the Province of Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-740, May 11)

Baie Comeau Airport; additional payment to North Shore Construction Company

16. The Minister of Justice, referring to discussion at the meeting of April 17th, suggested that the additional payment to the North Shore Construction Company Limited for certain work done at the Baie Comeau Airport could be described more appropriately as an "allowance for wholly unforeseen circumstances" rather than an "ex gratia" payment.

(Letter, May 6, 1953, Minister of Justice to Secretary).

17. The Cabinet, noted with approval the recommendation of the Minister of Justice that the additional payment of approximately $57,700 to be made to North Shore Construction Company Limited for certain work done at the Baie Comeau Airport be described as an "allowance for wholly unforeseen circumstances"; Treasury Board to be advised accordingly.

Quebec North Shore and Labrador Railway; status for income tax purposes

18. The Minister of Defence Production submitted a recommendation that the Quebec North Shore and Labrador Railway Company be deemed not to be the property of a railway system for the purposes of the Income Tax Regulations. Under these regulations, trackage, ties and fill that were the property of a railway company were not eligible for depreciation, whereas such items could be depreciated in the normal manner if they belonged to other than a railway system.

This recommendation was now being advanced because the Quebec North Shore and Labrador Railway was being built exclusively as part of a mining operation and could not be considered a common carrier and because the Company needed to depreciate its railway assets in order to facilitate further financing requirements.

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19. In the course of discussion, it was pointed out,-

(a) that special treatment would be difficult to defend in the case of this Railway as it would likely become a common carrier in the relatively near future; and,

(b) that, although such action might constitute something of a precedent, it was nonetheless common practice for the Federal government to subsidize railway extensions serving new mining developments in other parts of Canada.

20. The Cabinet agreed that, pursuant to section 106 of the Income Tax Act and for the purposes of paragraph (h) of Class I in Schedule B to the Income Tax Regulations, that part of the railway track of Quebec North Shore and Labrador Railway Company, the capital cost of which did not exceed $55 million, be deemed not to be the property of a railway system; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-741, May 11)

Fisheries Prices Support Board; appointment of Chairman

21. The Minister of Fisheries submitted a recommendation for the appointment of a Chairman of the Fisheries Prices Support Board.

22. The Cabinet agreed that Ian S. McArthur be appointed Chairman of the Fisheries Prices Support Board with a salary of $10,000 per annum effective May 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-736, May 11)

External Affairs; Commonwealth-Italian War Graves Agreement

23. The Secretary of State for External Affairs said that provisional agreement had now been reached upon the text of the proposed Agreement between the governments of the United Kingdom of Great Britain and Northern Ireland, Canada, Australia, New Zealand, the Union of South Africa, India and Pakistan on the one hand and the government of Italy on the other, regarding the war graves in Italian territory of the Armed Forces of the British Commonwealth,

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The Imperial War Graves Commission could find nothing objectionable to any of the Commonwealth countries in the proposed Agreement,which had also been approved by the Department of Veterans Affairs.

A Protocol to the Agreement, which was to be signed simultaneously with the latter, specified the Commonwealth war cemeteries in Italian territory to which the Agreement would apply.

An explanatory note was circulated.

(Minister's memorandum, April 27, 1953- Cab. Doc. 119-53).

24. The Cabinet, after discussion, agreed that the Canadian Ambassador in Rome be authorized to sign, on behalf of Canada, the Agreement, Protocol and Note relating to the war graves in Italian territory of the Armed Forces of the British Commonwealth.

Judicial retirement and appointment

25. The Minister of Justice submitted recommendations for a judicial retirement and appointment.

26. The Cabinet,-

(a) agreed that His Honour Edwin Whyte Clement, Judge of the County Court for the County of Waterloo, Ontario, be retired effective June 1st, 1953, and approved payment to himself and to his wife of annuities as recommended; and

(b) agreed that D.S. Charlton, Esq., Q.C., of the City of Galt, Ontario, be appointed Judge of the County Court of Waterloo, Ontario, effective June 1st, 1953; an Order in Council to be passed accordingly.

(Orders in Council P.C. 1953-732 and 733, May 11)

National Advisory Council on Manpower; appointment

27. The Prime Minister, submitted a recommendation for an appointment to the National Advisory Council on Manpower.

28. The Cabinet agreed that Mrs. Allan Turner Bone, President of the National Council of Women of Canada, be appointed a member of the National Advisory Council on Manpower as a representative of the women of Canada vice Mrs. R.J. Marshall resigned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-734, May 11)

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North Atlantic Council; migration policy

29. The Secretary of State for External Affairs reported that, in February 1952, the North Atlantic Council had adopted a resolution recommending "that North Atlantic Treaty governments review their immigration policies and regulations where necessary with the aim of facilitating labour mobility in and between N.A.T.O. countries; and that to the same end North Atlantic Treaty Governments consider what further practical steps they can take to make more effective their co-operation in other international bodies in this field of which they are members...; and that the North Atlantic Council keep this matter under review."

This was followed in September, 1952, by a communication to member governments requesting, in effect, that they consider on a high political level whether they might do more than they had been doing in the past to make possible maximum emigration from N.A.T.O.'s over-populated areas.

Within the North Atlantic Treaty Organization, pressure for the adoption of measures to promote migration came principally from Italy which had a large "hard core" of unemployed which constituted worrisome breeding grounds for communism.

A draft reply to the Council's communication was submitted.

He recommended, with the concurrence of the Minister of Citizenship and Immigration, the Minister of Labour, the Minister of Finance and the Minister of Defence Production, that he be authorized to communicate this reply to the Secretary General of the North Atlantic Treaty Organization.

An explanatory note was circulated.

(Minister's memorandum, May 9, 1953-Cab. Doc. 120-53)

30. The Cabinet approved the draft reply, as submitted by the Secretary of State for External Affairs to the communication to member governments regarding migration policy approved by the North Atlantic Council on December 3rd, 1952, and agreed that it be communicated to the Secretary General of the North Atlantic Treaty Organization.

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Privy Council; appointments

31. The Prime Minister submitted recommendations for the appointment to the Queen's Privy Council for Canada of the Chief Justice of Canada, the Speakers of the Senate and House of Commons and the Leader of the Opposition.

32. In the course of discussion, it was pointed out,-

(a) that the four suggested appointees would be attending the Coronation and it seemed appropriate that they be appointed to the Queen's Privy Council for Canada before June 2nd;

(b) that the Chief Justice was already a member of the Queen's Privy Council for the United Kingdom;

(c) that it had been the custom for some time to appoint Speakers of both Houses as members of the Privy Council upon their ceasing to hold office as Speakers and that, as the current Parliament would soon be dissolved, it seemed appropriate that these two appointments be made somewhat earlier in view of the Coronation on June 2nd; and,

(d) that it seemed appropriate that the Leader of the Opposition who held an important Parliamentary position recognized both in law and in practice should be made a member of the Privy Council.

33. The Cabinet agreed that it be recommended to the Governor General that the following be appointed members of the Queen's Privy Council for Canada:

The Right Honourable Thibaudeau Rinfret,
Chief Justice of Canada;
The Honourable Elie Beauregard, Speaker of the Senate;
The Honourable William Ross Macdonald,
Speaker of the House of Commons; and
George Alexander Drew, Esq., Leader of the Opposition

(Orders in Council P.C. 1953-728,729,730 and 731, May 11)

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Maritime Provinces; proposed enquiry into economic situation

34. The Minister of Resources and Development said that he, together with the Leader of the Government in the Senate, the Minister of Labour and the Secretary of State, had recently received delegations requesting that the Federal government establish a Royal Commission to enquire into the economic ills of the Maritime Provinces. Strong representations had been made to the effect that the present freight rate structure was a formidable barrier to the economic development of the Maritimes and that this question should be studied with particular care by any Royal Commission that might be established.

35. In the course of discussion, it was suggested that it would probably be inadvisable to establish a Royal Commission of this sort at the present time and that, in any event, the nation-wide survey now being made in connection with the freight rate equalization programme by the Board of Transport Commissioners might well result in certain re-adjustments being made which would be of advantage to the Maritimes generally.

36. The Cabinet agreed that the proposal that a Royal Commission be established to enquire into and report on the economic situation in the Maritime Provinces could not be considered favourably at this time.

Canadian coal industry; C.N.R. purchases from Dominion Coal Company Limited

37. The Minister of Mines and Technical Surveys reported that prior to the Cabinet decision of April 14th, 1953, the Dominion Coal Company Limited had offered to supply 200,000 tons of coal to the Canadian National Railways at Quebec at a price of $12.78 a ton. The Dominion Coal Board had found, after study of this offer, that the assistance necessary to meet the cost of imported coal at the points of consumption would be more than the $3 ceiling on authorized Federal subventions. In view of this the Dominion Coal Company had, on April 1st, revised its bid and offered to supply the Railways with the 200,000 tons at a reduced price of $12.35 per ton, at which rate most of the coal could be moved under the $3 ceiling.

When it became known, however, that the Federal government had requested the C.N.R., pending the results of an investigation into the cost to the Railways of moving coal for their own consumption, to accept delivery of the same tonnage of Canadian coal as had been accepted during 1952 on the understanding that the Federal government would pay the difference between the actual laid-down cost of Canadian as opposed to imported coal, Dominion Coal withdrew its offer of $12.35 a ton and reinstated the earlier price of $12.78 a ton. On the basis of this latter price, it was estimated that Federal assistance on the 200,000 tons would have to vary between $3.27 and $3.92 a ton.

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Since the Dominion Coal Company had made no sales to the C.N.R. in 1952, the Dominion Coal Board was limited by the Cabinet decision to the maximum subsidy of $3 per ton as prescribed by Order in Council P.C. 3253 of June 11th, 1952. The Company had indicated that, unless the price of $12.78 a ton were met, one of the Company's more important collieries would have to be closed for six weeks.

(Memorandum, Chairman Dominion Coal Board, May 11, 1953)

38. Mr. Prudham also reported that Dominion Coal Company had requested acceptance of certain transhipments of coal from the ports of Quebec and Three Rivers to ultimate destinations closer to the port of Montreal then to the former two ports. The total amount of Federal subventions involved in these claims was approximately $30,000, whereas, if the shipments concerned had been made from Montreal, total subventions would have been only $14,000.

As the Company had previously been informed by the Board that acceptances would not be issued on shipments made from ports other than the port closest to ultimate destination, the Board felt that it had ample authority under the terms of Order in Council P.C. 3253 of June 11th, 1952, for refusing to issue acceptances in this particular instance.

(Memorandum, Chairman, Dominion Coal Board May 11, 1953).

39. The Cabinet noted the reports by the Minister of Mines and Technical Surveys on,-

(a) the offer by Dominion Coal Company Limited to supply the Canadian National Railways with 200,000 tons of coal at $12.78 a ton which would involve a rate of Federal subvention in excess of the maximum permissible under Order in Council P.C. 3253 of June 11th, 1952; and,

(b) the request by the Dominion Coal Company that the Dominion Coal Board issue acceptances on transhipments of coal from the ports of Three Rivers and Quebec to the market area of Montreal involving Federal subventions of $30,000 instead of $14,000 as would have been the case had this coal been transhipped from Montreal.

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External Affairs; appointment of Supreme Commander of N.A.T.O. Forces in Europe; recent developments re Korean armistice

40. The Secretary of State for External Affairs said the resignation of General Ridgeway as Supreme Commander of the Allied Forces in Europe would soon be announced. It was likely that General Ridgeway would be replaced as Supreme Commander by General A.M. Gruenther, presently Chief of Staff of the Allied Forces in Europe.

41. Mr. Pearson reported further that India and the United Kingdom had requested that Canada might usefully, at this time, exert pressure on the government of the United States in order that the latest Soviet proposal respecting an armistice in Korea might be accepted without further delay by the United Nations' negotiators at Panmunjom. The only substantial point of difference between this Soviet proposal and the earlier U.N. suggestion was the ultimate disposition of prisoners of war who did not wish to return to their own countries. As a decision in this matter, however, need not be reached for some months following the signing of an armistice, he thought the Canadian Ambassador at Washington might usefully be asked to discuss the matter with the State Department with a view to achieving an early armistice in Korea on the basis of the Soviet proposal.

42. The Cabinet, -

(a) noted the report by the Secretary of State for External Affairs on the impending resignation of General Ridgeway as Supreme Commander of Allied Forces in Europe and the likelihood that he would be succeeded by General A.M. Gruenther, presently Chief of Staff of Allied European Forces; and,

(b) concurred in the view taken by India and the United Kingdom that the latest Soviet proposal for an armistice in Korea should be accepted and agreed that the Canadian Ambassador at Washington make immediate representations to the U.S. State Department with a view to achieving early acceptance of the proposal by U.N. negotiators at Panmunjom.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 13th, 1953

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, May 13th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Minister of Transport
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Secretary of State
(Mr. Bradley),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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Transport; air service agreement with Mexico

1. The Prime Minister submitted a recommendation by the Minister of Transport for authorization to sign a bilateral agreement with the government of Mexico on air services.

2. The Cabinet approved the recommendation of the Minister of Transport, concurred in by the Secretary of State for External Affairs, and agreed that J.R. Baldwin, Esq., be authorized to sign, on behalf of Canada, a bilateral agreement with Mexico to provide for the establishment of air services between Canada and Mexico, under which direct air connections on a reciprocal basis would be authorized between Vancouver and Mexico City and between points in eastern Canada and Mexico City; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-772, May 13)

Thanksgiving Day 1953

3. The Secretary of State submitted a recommendation for the proclamation of Thanksgiving Day.

4. The Cabinet approved the recommendation of the Secretary of State and agreed that a proclamation be issued appointing Monday, October 12th, 1953, as Thanksgiving Day; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-769, May 13)

Appointments; External Affairs

5. The Secretary of State for External Affairs submitted a recommendation for appointment of an Ambassador to Switzerland.

6. Mr. Pearson reported on discussions with the Prime Minister concerning other very senior appointments in the Department of External Affairs.*

7. The Cabinet:

(a) approved the recommendation of the Secretary of State for External Affairs and agreed that Victor Dore, Esq., at present Minister to Switzerland, be appointed Ambassador to Switzerland with effect from March 18th, 1953; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-749, May 13)

(b) noted with approval the report of the Secretary of State for External Affairs concerning probable recommendations for certain appointments in the Department of External Affairs.

* These contemplated the appointment of Mr. Wilgress as Canadian representative to N.A.T.O., Mr. Wrong as Under-Secretary of State for External Affairs and Mr. Heeney as Ambassador to the United States at Washington.

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Cheese; agreement with the Ontario Cheese Producers Association

8. The Prime Minister, referring to discussion at the meeting of May 11th, submitted for further consideration the recommendation of the Minister of Agriculture that he be given authority to enter into an agreement with the Ontario Cheese Producers Association for the marketing of 1953 cheddar cheese produced in Ontario.

9. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that, under section 3 of the Agricultural Products Co-operative Marketing Act, he be granted authority to enter into an agreement, in the terms of the draft submitted, with the Ontario Cheese Producers Association for the marketing of cheddar cheese produced in Ontario during 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-745, May 13)

Export credits; wheat for Spain

10. The Minister of Trade and Commerce reported that the government of Spain wished to purchase a maximum quantity of 150,000 tons of wheat valued at about $15 million, paying 25-50 percent cash, the balance to be paid within one year of delivery. Insurance covering such an export would impose a liability on the Export Credits Insurance Corporation in excess of what it would normally undertake in relation to any one exporter or country. Authority of the Governor in Council was sought for entry into the necessary contracts of insurance with a maximum liability of $11.25 million.

(Minister's submission, May 13, 1953)

11. In the course of discussion it was argued on the one hand that the government of Spain was an excellent credit risk and that there would be no substantial danger of loss in extending the insurance. It was argued on the other hand that:

(a) Approval of the arrangement would create difficulty since a similar request from Pakistan had been turned down.

(b) The policy of the government was against the sale of wheat for credit. If an arrangement were permitted in the case of Spain it would be very difficult to turn down future requests from other sources.

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(c) In terms of general relations and international political considerations there was no reason why Spain should be given special treatment.

12. The Cabinet agreed that authority be not granted for the entry into contracts of insurance under the Export Credits Insurance Act to cover shipments of wheat to Spain.

Claims against Canada in relation to Gut Dam

13. The Secretary of State for External Affairs, referring to discussion at the meeting of January 22nd, 1953, said there had been further discussion between Canadian and United States officials, on April 10th, relating to the claims by U.S. property owners of damage resulting from the construction and operation of the Gut Dam. A press report of April 29th said the U.S. claimants had rejected Canadian proposals for arbitration. Possible courses of action were: direct negotiations with the claimants to bring about a method of settlement outside the courts; further discussion with the State Department; and continuance of legal action in the courts. If the first were done, it should be entirely with regard to a method of settlement. Further discussions with the State Department were unlikely to be fruitful. If legal proceedings were pursued, the government should be prepared to fight the immunity issue. A number of recommendations were submitted, including one for the issuance of a press release on the government's position.

An explanatory memorandum was circulated.

(Minister's memorandum, May 13, 1953, and attached draft press release - Cab. Doc. 123-53)

14. In the course of discussion it was suggested that:

(a) The government should continue to contend that Canada was immune from processes in the U.S. courts and should be prepared to take the contention to the highest possible level.

(b) There might be argument that, apart altogether from the agreement of 1903, the government of Canada was liable for damage as an owner of property in the United States which had been used in such a fashion as to cause injury to other property owners.

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15. The Cabinet approved the recommendations of the Secretary of State for External Affairs and agreed:

(a) that a press release be issued before May 15th, in accordance with the draft submitted, setting forth the Canadian position in relation to claims by United States property owners of damage resulting from the construction and operation of the Gut Dam;

(b) that, if the claimants wished to discuss matters with Canadian officials, the Department of External Affairs be authorized to enter into such discussions on the basis of seeking some agreed method of settlement, but precluding any reference to compensation the government might pay direct to claimants without an adjudication of claims;

(c) that the State Department be kept fully informed about the Canadian position and if it seemed desirable, the question of a reference to the International Court of Justice be explored; and,

(d) that, if legal action in the United States were pursued, counsel for Canada be authorized to defend Canadian interests by all legal means and, in particular, to contest the immunity issue in whatever courts the proceedings might make necessary.

International Wheat Agreement; Instrument of Acceptance

16. The Minister of Trade and Commerce said authority had been granted by Order in Council P.C. 1953-695 of May 7th to execute the Instrument of Acceptance of the International Wheat Agreement. It was for consideration when it should be executed and deposited in Washington.

17. The Cabinet agreed that the Instrument of Acceptance of the International Wheat Agreement be executed as of Monday, May 18th, 1953, and deposited immediately thereafter in Washington.

Trans-Atlantic telephone cable; discussions concerning arrangements

18. The Minister of Trade and Commerce, as Acting Minister of Transport, referring to discussion at the meeting of March 9th, 1953, submitted a report concerning discussions with representatives of the United Kingdom General Post Office and the American Telephone and Telegraph Company about the construction of a trans-Atlantic telephone cable.

Copies of the memorandum were circulated.

(Minister's memorandum, May 12, 1953- Cab. Doc. 122-53).

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Among other things, it had been agreed with the United Kingdom representatives that Canadian ownership of a share of the cable would be desirable; that Canada and the United Kingdom should have the right to exclusive use of up to five telephone circuits between Canada and the United Kingdom; and that all trans-oceanic telephone calls originating in Canada be handled by the Canadian Overseas Telecommunication Corporation. Talks with the American Telephone and Telegraph Company showed insistence on their part on having their Canadian subsidiary, the Eastern Telephone and Telegraph Company, install, own, maintain and operate, the repeaters and terminal stations in Newfoundland and Nova Scotia and the land cable to the Canada-United States border. Canadian acceptance of the conditions laid down by the Company would permit its subsidiary to operate and maintain facilities on Canadian territory which would have the effect of taking over from the Canadian Overseas Telecommunication Corporation the control of Canadian trans-Atlantic telecommunications. Alternatives were to permit construction on the terms indicated, or, to face the possible consequences of refusing the terms in order that external telecommunication services might remain under the control of the C.O.T.C. There were sufficient advantages in construction of a cable via Newfoundland that it appeared desirable to take a strong stand.

19. In the course of discussion it was argued on the one hand that, as long as adequate facilities were made available for Canadian purposes, there was no sufficient advantage in partial Canadian ownership to justify the expenditure that would be involved or the risk of having facilities established over the Azores route.

It was argued on the other hand:

(a) that it would not be desirable to have the control of the facilities in Canada and of Canadian external telecommunications services vested in a subsidiary of a United States company; and,

(b) that, in the event negotiations broke down and the United States company seriously proposed construction of a cable via the Azores, Canada could then review its position.

20. The Cabinet noted the report concerning discussions with representatives of the United Kingdom General Post Office and of the American Telephone and Telegraph Company concerning the construction of a trans-Atlantic telephone cable, and agreed that, in pending negotiations with the Company, Canadian representatives maintain the position that Canada must exercise control over telecommunication facilities crossing Canadian

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territory, both for the protection of Canadian carriers and in the interests of the Canadian Overseas Telecommunication Corporation, on the understanding that, if negotiations broke down, the position might be subject to review after the return of ministers from the Coronation.

Jacques Cartier Bridge; claims against the Province of Quebec

21. The Prime Minister, referring to discussion at the meeting of March 26th, 1953, said an opinion by the Department of Justice on claims against the Province of Quebec in relation to the Jacques Cartier Bridge had been received. It did not deal, however, with the question whether the Harbours Board had a status that would enable it to seek a fiat permitting action against the Quebec government. If the Board had such status, it would be preferable for it to seek a fiat and to take action to withhold payments to Quebec only if the fiat were refused. If the Board had no such status the question of withholding payments would have to be considered separately.

(Letter, Minister of Justice to Secretary, May 6, 1953)

22. The Cabinet agreed that the Minister of Justice ascertain whether the status of the Harbours Board would permit it to seek a fiat allowing action against the government of Quebec in respect of claims relating to the Jacques Cartier Bridge.

United Kingdom interest-free loan; basis of settlement

23. The Minister of Finance mentioned that, under the terms of the 1942 interest-free loan to the United Kingdom, the outstanding amount was to be reduced by sales to non-residents of Canadian securities held by United Kingdom owners. Some offsets had subsequently been agreed to. The interest-free provision, originally limited to the duration of the war, had been extended by Parliament to December 31st, 1953. The United Kingdom was anxious to find a means of allowing investors to switch Canadian securities and had informally outlined a basis of settlement of the balance now outstanding. On March 31st, 1953, this balance was approximately $196 million as compared with the original amount of $700 million.

The plan was that the United Kingdom government pay $46 million outright - possibly by June 1st. The balance of $150 million would be paid by quarterly instalments of $7.5 million beginning March 1st, 1954 and ending December 1st, 1958. The annual rate of payment of $30 million would be slightly more than the present rate.

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Altogether, the arrangement appeared to be a desirable one. It would probably be necessary to get the approval of Parliament for the extension beyond December 31st, 1953, but it would not be necessary to seek authority to permit switching of securities since the limitation was based on an administrative arrangement .

It was recommended that approval be given in principle to the plan, on the understanding that when it was finally proposed and agreed to,a press release would be issued. A draft release was submitted.

24. In the course of discussion it was suggested that the press release should include reference to Parliamentary approval of the extension of the loan.

25. The Cabinet noted with approval the report of the Minister of Finance concerning a possible basis of settlement by the United Kingdom of the outstanding balance of the 1942 interest-free loan, and agreed that, if a formal proposal for such an arrangement were made by the United Kingdom, it be approved and a press release issued in accordance with the draft submitted, but with modification to make it clear that the plan would be subject to Parliamentary approval of the extension beyond December 31st, 1953, of the interest-free arrangement on outstanding amounts of the loan.

Canadian deep-sea shipping and shipbuilding; future policy

26. The Prime Minister, referring to discussion at the meeting of November 13th, 1952, said a report had now been received from the Interdepartmental Committees on External Trade Policy and Merchant Shipping Policy, which had been considering, jointly, the question of future policy in relation to the Canadian deep-sea shipping and shipbuilding industries.

Copies of the report had been circulated.

(Report, Under-Secretary of State for External Affairs, May 1, 1953 - Cab. Doc. 117-53)

The report dealt with the difficulties facing the Canadian merchant marine because of obsolescence and the differential in operating costs. Modernization was essential if a merchant marine were to be retained. The shipbuilding industry had costs about 40 percent above those of United Kingdom yards. At present it was employing some 19,000 persons as compared with the 7,000 persons which it had been decided, on March 31,1949, was the essential nucleus required in Canada for strategic reasons. The majority of members of the Committee were of the opinion that a deep-sea fleet could not be justified

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on economic grounds and that for the same reasons support should not be given to the shipbuilding industry until there were indications that it might fall below the minimum level. A number of questions were submitted for decision by the Cabinet.

27. In the course of discussion it was stated that:

(a) Assistance for the shipping or shipbuilding industries would be a protectionist measure and could not be justified economically.

(b) It was in the Canadian interest, generally, to enable the United Kingdom and other countries which could operate shipping and shipbuilding industries on an economic basis to earn Canadian dollars.

(c) In discussions with the United States, criticism had been directed at the "Buy America" Act and other protectionist features of U.S. policy, and it would be inconsistent for Canada to adopt a protectionist position on shipping and shipbuilding.

(d) The Maritime Commission figure of 50 deep-sea vessels, as essential for strategic requirements, appeared high. It was quite possible that most of Canadian essential needs would be taken care of by non-Canadian vessels.

(e) With the shipbuilding industry at a level so far above the strategic minimum, it was not desirable that construction should be directed to it by the government in view of the high costs involved.

28. The Cabinet noted the report of the Interdepartmental Committees on External Trade Policy and Merchant Shipping Policy concerning the Canadian deep-sea shipping and shipbuilding industries, and agreed:

(a) that, in the light of the report, approval could not be given to the recommendations by the Canadian Maritime Commission for subsidization and assistance for the Canadian shipping and shipbuilding industries; and,

(b) that, in the absence of the Minister of Transport, no final decision be taken on future policy with regard to the industries.

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International Joint Commission; remedial works at Niagara Falls

29. The Secretary of State for External Affairs said the International Joint Commission had made an unanimous report on remedial works to preserve and enhance the scenic beauty of the Niagara Falls and River. The recommendations included a pool control structure from the Canadian shore about a mile above the falls and certain works at either end of the Horseshoe Falls. The cost of the works had been estimated in July 1952, at $17.5 million plus $100,000 per annum for operation and maintenance. The Canadian share would be borne by Ontario in accordance with the agreement of March 27th, 1950. It was recommended that the report be approved subject to consultation with the government of Ontario. A draft letter to the Premier was submitted.

An explanatory memorandum was circulated.

(Minister's memorandum, May 13, 1953-Cab. Doc. 124-53).

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

(a) that Canada approve the report of the International Joint Commission for remedial works to preserve and enhance the seenic beauty of the Niagara Falls and River, subject to consultation with the government of Ontario as provided in Article II of the Agreement of March 27, 1950; and,

(b) that a letter be sent by the Prime Minister to the Premier of Ontario in terms of the draft submitted.

War claims; prisoner-of-war claims for maltreatment

31. The Minister of Veterans Affairs, referring to discussion at the meeting of March 5th, 1953, said he and four other Ministers had met with representatives of the prisoners-of-war on April 30th. The delegation had argued that men who had been prisoners-of-war in German camps should receive maltreatment awards on the same automatic basis as men who had been in Japanese camps. The argument was that the German camps had not been under military control and had been conducted in such a way that they justified automatic payment of awards. He and his colleagues had initially been unsympathetic to the claim but the evidence had seemed substantial. It had not been before Chief Justice Ilsley when he made his recommendation. The plan worked out by him had been based on information concerning German camps for U.K. and U.S. personnel. The committee were, on the whole, of the opinion that consideration ought to be given to the contention of the prisoners-of-war.

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32. In the course of discussion, it was suggested that:

(a) It would not be possible to reverse the recommendation of Chief Justice Ilsley on the basis of arguments and evidence put forward in an interview.

(b) If new evidence was available that had not been before Chief Justice Ilsley in making his report, the best course would be to inform him of the fact and to ascertain whether he would be prepared to receive it and consider it in order to determine whether his original recommendation ought to be varied. If he could not undertake the task, the Chief Commissioner could then be asked to consider the evidence.

33. The Cabinet agreed:

(a) that the Ministers of Justice and Veterans Affairs communicate with the Chief Justice of Nova Scotia to advise him that it was alleged that new evidence was available concerning maltreatment of Canadian prisoners-of-war in German camps which had not been available to him in formulating his original recommendations, and to ascertain if he would be willing to receive such evidence with a view to determining whether his recommendation against automatic maltreatment awards in such cases ought to be modified; and,

(b) that, if Chief Justice Ilsley were not able to receive the evidence, the Chief Commissioner on War Claims be asked to consider it.

Housing; financial provision

34. The Minister of Resources and Development reported that construction of housing was going forward at a good rate at present but the availability of mortgage money was becoming an increasing problem. Joint loans had been arranged for 30,000 houses and it appeared probable that this would involve more government money than the present capital budget of the Central Mortgage and Housing Corporation would provide. It might become necessary to recommend that the capital budget be increased from $90 million to $105 million.

In the long term the shortage of mortgage money might be capable of solution only by getting the banks into the mortgage field. Funds available to institutions presently involved were drying up.

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35. The Cabinet noted the report of the Minister of Resources and Development concerning the possible necessity of increasing the capital budget of the Central Mortgage and Housing Corporation for the current year in order to meet the need for government funds to sustain the present level of house building and approved in principle an increase of the budget from $90 million to about $105 million should it become necessary to prevent a slowing down in house construction.

Service regulations; prohibition of political activities

36. The Minister of National Defence pointed out that the Queen's Regulations applying to all three Services at present prohibited political activities by men and officers and also political activities in service establishments. With the construction of housing in various service districts, the regulations would exclude political activities from quite large residential areas. If, however, any modification were made in the Regulations it would be extremely difficult to draw a line as establishments were of so many different types.

37. The Cabinet noted the report of the Minister of National Defence and agreed that no change be made in the Service Regulations prohibiting political activities in establishments of the Armed Service.

Television; use of facilities for political purposes

38. The Minister of National Defence felt that a question that would arise in the next election campaign was whether the television facilities of the Canadian Broadcasting Corporation ought to be available for political purposes.

39. The Cabinet agreed that Dr. McCann ascertain from the Chairman of the Board of Governors of the Canadian Broadcasting Corporation whether consideration had been given to the policy to be followed on the use of television facilities for political purposes in the next election campaign; the matter to be considered at the next meeting of the Cabinet.

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Korea; exchange of prisoners

40. The Secretary of State for External Affairs said that the United States had, without consulting any other Powers, put forward certain new prisoners-of-war proposals in the discussions in Korea. These contained elements that went beyond the Indian plan which had been approved by the United Nations. They might have the result of bringing negotiations to an end. A telegram had been sent to the Ambassador in Washington advising that Canada could not be associated with the new proposals until more was known concerning them.

41. The Cabinet noted the report of the Secretary of State for External Affairs concerning new proposals put forward by the U.S. government in the negotiations in Korea relating to the exchange of prisoners-of-war.

J.W. Pickersgill,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meetings

May 18th, and
May 19th, 1953

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber on Monday, May 18th,1953, at 3:00 p.m. and on Tuesday, May 19th, 1953, at 10:00 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Agriculture
(Mr. Gardiner),(for Monday meeting only)
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton), (for Monday meeting only)
The Minister of Transport
(Mr. Chevrier),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State
(Mr. Bradley),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office

Mr. Paul Pelletier, Privy Council Office.

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Ministry; appointment of Acting Ministers

1. The Prime Minister submitted recommendations for the appointment of an Acting Prime Minister during his absence at the Coronation ceremonies in London, England.

He also submitted recommendations for the appointment of certain Acting Ministers.

2. The Cabinet agreed,-

(a) that, until the return to Ottawa of the Prime Minister or the Right Honourable C.D. Howe, the Honourable Brooke Claxton or the next senior Minister present in Ottawa be authorized to act as Prime Minister and President of the Privy Council;

(b) that, effective May 29th, 1953, the Honourable James J. McCann be authorized to act as Minister of Trade and Commerce and Minister of Defence Production until the return to Ottawa of the Minister of Trade and Commerce; and,

(c) that,in the absence from Ottawa of the Minister of Public Works, the Honourable Lionel Chevrier be authorized to act as Minister of Public Works and that in the simultaneous absence from Ottawa of the Minister of Public Works and the Honourable Lionel Chevrier, the Honourable W.E. Harris be authorized to act as Minister of Public Works;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-805,806, and 807, May 18)

House of Commons; by-elections

3. The Prime Minister submitted a recommendation for the issue of a writ for the election of a new member for the electoral district of Victoria, B.C.

4. The Cabinet agreed that a writ do issue for the election of a new member for the electoral district of Victoria, B.C., the writ to be dated May 18th, 1953, and the day of polling to be Monday, November 9th, 1953; an Order in Council to be passed accordingly.

(Order in Council, P.C. 1953-804,May 18).

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Wheat; domestic price

5. The Prime Minister said that, under Section 6 of the Canadian Wheat Board Regulations for the 1952-53 crop year, the Canadian Wheat Board sold wheat to millers, processors, manufacturers, dealers and others for domestic requirements in Canada at the same prices as the Board sold wheat to persons purchasing under the International Wheat Agreement. Under these regulations, wheat was being sold domestically at $1.80 a bushel.

The new International Wheat Agreement would, however, place the price of No. 1 Northern at $2.05 a bushel. Although this Agreement would not come into effect until August 1st, 1953, it was thought that millers and bakers between now and then might possibly stock-pile large quantities of wheat at $1.80 in anticipation of a 25 cent rise in prices on August 1st.

In order to prevent such an occurrence, the Minister of Trade and Commerce had recommended that the Canadian Wheat Board Regulations be amended so that wheat might be sold immediately at $2.05 a bushel for domestic consumption.

6. In the course of discussion, it was pointed out that the suggested course of action might result in the price of bread being increased by one cent earlier than would have been the case had the domestic price of wheat been allowed to remain at $1.80 a bushel until August 1st.

It was argued, on the other hand, that the current International Wheat Agreement kept the domestic price of wheat artificially low and that the suggested immediate increase would not, in any event, cause any real hardship to consumers.

7. The Cabinet agreed that, effective at 15 minutes past 1 o'clock Central Daylight Saving Time, in the afternoon of May 19th, 1953, the Canadian Wheat Board Regulations be amended to provide that the Canadian Wheat Board sell wheat of No. 1 Manitoba Northern grade to millers, processors, manufacturers, dealers and others for domestic requirements in Canada at $2.05 a bushel or at the price wheat sells for export to persons who do not purchase under the International Wheat Agreement, whichever is the lesser; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-803, May 18).

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Television; use of facilities for political purposes

8. Dr. McCann, referring to discussion at the meeting of May 13th, reported that, during the course of the week, representatives of the Federal political parties were meeting with the Board of Governors of the Canadian Broadcasting Corporation for the purpose of reaching agreement on the use of sound broadcasting facilities for political purposes during the coming general election. It was not anticipated that any serious difficulties would be encountered and that much the same formula as had been used in the past would again prevail during the coming campaign.

Insofar as television was concerned, he understood that the C.B.C. would be prepared, if this were desired by the various political parties, to allocate 12 periods of approximately 15 minutes each for political purposes during the election campaign. It was for consideration, however, whether it was advisable, in view of the present limited coverage of television in Canada, to make any use of television for political purposes during the coming campaign.

9. In the course of discussion, it was pointed out,-

(a) that present Canadian television facilities were restricted to the Central Provinces where certain political parties had little foothold at the present time and that the allocation of television time for political purposes might be considered, depending on the view point, to be either an advantage or a disadvantage to such political groups; and,

(b) that, although Canadian television had a very restricted coverage at the moment, the government might be accused of unduly restricting the uses to which existing facilities could be put if it were to prevent television broadcasts of a political character during the coming campaign.

10. The Cabinet, agreed that the government party should not press for the allocation of television time for political purposes during the coming electoral campaign but that, if the other political parties represented in the House of Commons favoured the use of television for political purposes, the government party would naturally accept its proper allocation of time, presumably on somewhat the same basis as was the case in sound broadcasting.

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Television; reallocation of channels

11. The Minister of Transport, referring to discussion at the meeting of March 31st said it had been ascertained that, by reallocating certain television V.H.F. and U.H.F. channels, it would be possible, without in any way violating the terms of the Canada-U.S. Television Agreement, to provide television facilities for Kitchener and Kingston in the Province of Ontario and for Sherbrooke in the Province of Quebec.

12. The Cabinet agreed to the reallocation to Kitchener of No. 13 television channel presently assigned to Hamilton; to Hamilton and Kingston of channel No. 11 presently allocated to Toronto and Ottawa; and to Sherbrooke of channel No. 7 presently allocated to Montréal, in order that television facilities may be made available to Kingston and Kitchener in the Province of Ontario and to Sherbrooke in the Province of Quebec in accordance with the National policy of providing the most widespread single station coverage possible before permitting duplication; the Department of Transport to advise the licencees at Hamilton and the applicants for Kitchener as soon as possible, and to inform the Canadian Broadcasting Corporation of the new allocation of channels.

Edmonton, Alberta; private radio broadcasting licence

13. The Minister of Transport, referring to discussion at the meeting of April 29th, 1953, reported that after further discussing the matter with the Minister of Mines and Technical Surveys, it was recommended that the application made some time ago for a private radio broadcasting station in Edmonton, Alberta, be considered favourably.

14. The Cabinet approved the recommendation of the Minister of Transport that a current application for a private radio broadcasting station at Edmonton, Alberta, be considered favourably and that a licence be issued accordingly.

National Gallery; location

15. The Prime Minister, referring to discussion at the meeting of May 5th, said that the Department of Public Works had submitted an interim report on the suggested Sussex Street site for the National Gallery.

(Memorandum, Deputy Minister of Public Works, May 12, 1953, and enclosure).

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16. In the course of discussion, it was pointed out,-

(a) that the Cartier Square area appeared to be a better site for the purposes of the National Gallery than the Sussex Street location;

(b) that there was a possibility that the Drill Hall site on the eastern edge of Cartier Square might be made available for the National Gallery within a reasonable period of time; and,

(c) that final decision on the eventual location of the Gallery might, therefore, be withheld, although the Department of Public Works might usefully continue its tests on the Sussex Street site as it would be required in any event for other public buildings.

17. The Cabinet,-

(a) deferred decision on the location of the National Gallery in view of the possibility that a suitable portion of Cartier Square might, within a reasonable period of time, be made available for that purpose; and,

(b) agreed that the Department of Public Works continue its tests and surveys on the Sussex Street-King Edward Avenue site as this area would, in any event, be required eventually for other public buildings.

International Rapids Power Development Act; coming into force

18. The Minister of Transport reported that the examiner of the U.S. Federal Power Commission had, on May 12th, filed his decision ordering the issuance of a fifty-year licence to the New York State Power Authority for the development of the U.S. share of power in the International Rapids Section of the St. Lawrence River. There was a possibility that the Federal Power Commission might make this Order final on or about June 11th.

In the circumstances, he recommended that a proclamation be issued bringing the International Rapids Power Development Act into effect on May 20th, 1953. It would then be possible for the Ontario Hydro-Electric Power Commission to proceed with its share of the project as soon as final action had been taken by the Federal Power Commission on the U.S. share.

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19. The Cabinet agreed that a proclamation be issued bringing the International Rapids Power Development Act into force on May 20th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-810, May 18).

Historic Sites and Monuments Board; appointments

20. The Secretary submitted a recommendation of the Minister of Resources and Development for certain appointments to the Historic Sites and Monuments Board of Canada.

21. The Cabinet agreed that the following be appointed members of the Historic Sites and Monuments Board of Canada; an Order in Council to be passed accordingly:

(a) for a period of five years from May 18th, 1953:

Professor Fred Landon,(Ontario) Chairman
Professor D.C. Harvey, (Nova Scotia)
Professor W.N. Sage (British Columbia)

(b) for a period of three years from May 18th, 1953:

Professor A.G. Bailey,(New Brunswick)
Campbell Innes,(Saskatchewan)
Reverend A. d'Eschambault,(Manitoba)

(c) for a period of one year from May 18th, 1953:

The Honourable Thane A. Campbell (Prince Edward Island)
The Honourable A. Fabre-Surveyer,(Quebec)
Professor M.H. Long, (Alberta)

(Order in Council P.C. 1953-808, May 18)

Canada Elections Act; appointment of returning officers

22. The Secretary of State submitted recommendations for the appointment of certain returning officers under the Canada Elections Act.

23. The Cabinet agreed that the following be appointed returning officers under Section 8 of the Canada Elections Act, an Order in Council to be passed accordingly;

(a) Gordon Rutherford for the electoral district of Northumberland, Ontario;

(b) Nelson Charlebois for the electoral district of Russell, Ontario;

(Order in Council P.C. 1953-809, May 18).

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International Joint Commission; reference on air pollution Detroit-Windsor area

24. The Minister of National Defence, as Acting Secretary of State for External Affairs, recommended that Canada ask the U.S. government to concur in broadening the reference to the International Joint Commission of January 12th, 1949, on air pollution in the Windsor-Detroit area. Investigation thus far had shown that the air was polluted to an extent that was detrimental to the communities but that the operation of vessels in the river, to which the original reference was limited, contributed to only a small extent.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 15, 1953 - Cab. Doc. 129-53).

25. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Ministers of National Health and Welfare, Resources and Development and Transport and agreed that Canada ask the United States to concur in broadening the reference of January 12th, 1949, to the International Joint Commission, concerning air pollution in the Windsor-Detroit area, to include factors responsible for pollution other than vessels plying the waters of the Detroit River.

Newfoundland fisheries development; Walsh report

26. The Prime Minister, referring to discussion at the meeting of May 11th, said the Minister of Resources and Development, as Acting Minister of Fisheries, recommended that the Interdepartmental committee established to consider the report on Newfoundland fisheries be asked to discuss it with the Provincial government in order to delineate the policy of the two governments and the fields of joint action.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, undated, - Cab. Doc. 130-53).

27. In the course of discussion it was stated that it should be understood that the proposed discussions with the province would be to clarify the position and would not involve any commitment by the Federal government.

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28. The Cabinet approved the recommendation of the Acting Minister of Fisheries and agreed:

(a) that the interdepartmental committee which, under the chairmanship of the Deputy Minister of Fisheries, had been considering the Walsh report on Newfoundland fisheries development, discuss the report with the government of Newfoundland in order to delineate the respective policies of the two governments and the fields of joint action; the discussion to be without commitment of the Federal government and the committee to report back to the Cabinet and to the Ministers concerned as to the progress of discussions; and,

(b) an announcement be made of the beginning of discussions with the Newfoundland government on the implementing of the Walsh Report.

Shipping; future policy

29. The Minister of Transport, referring to discussion at the meeting of May 13th, said an immediate problem with regard to the Canadian shipping industry was that it could not now compete successfully and, if no aid were to be given, owners ought to be released from the restriction against transfers from Canadian registry. He read a telegram from the President of the Canadian Shipowners Association to the effect that the time had come when the Canadian government had either to assume some responsibility for the economic welfare of the Canadian deep sea merchant fleet or remove restrictions and permit shipowners to determine their own economic future without the limitations of the present restrictions.

(Telegrams, President, Canadian Shipowners Association to the Prime Minister and Minister of Transport, May 14, 1953).

30. In the course of discussion, it was suggested that:

(a) It would not be possible, without discussion at a fully attended meeting of the Cabinet, to decide on future policy for the Canadian shipping industry.

(b) A programme of assistance to the shipping industry could be contemplated only to the extent that it was required by defence reasons. The costs of any such programme, if instituted, should forma part of the national defence expenditure.

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Any programme other than for strictly defence reasons would be contrary to the general lines of economic policy that the government had been urging on the U.S. and other governments.

(c) The escrow funds at present being held by the government were limited for use in construction of vessels in Canadian yards. With employment in the yards considerably above what strategic reasons required, it would be desirable to consider whether use of the escrow funds should be permitted for construction elsewhere.

(d) It would be desirable to consider whether to permit vessels to be transferred from Canadian registry at the present time without any decisions being taken with regard to future policy.

31. The Cabinet agreed that the interdepartmental committees on External Trade Policy and Merchant Shipping Policy be asked to consider whether:

(a) it would be desirable, as an immediate measure and without any decision as to future policy on merchant shipping, to allow vessels presently on Canadian registry to be sold or transferred to another registry; and,

(b) whether proceeds from the sale of vessels and funds now held in escrow should be made available for the construction of merchant vessels in non-Canadian yards.

Cabinet Defence Committee; Report

32. The Minister of National Defence reported on discussion at the meeting of the Cabinet Defence Committee of May 15th, 1953. The Committee favoured concurrence in a recommendation by the Permanent Joint Board to allow the extension of U.S. air strips at Alert, Eureka and River Clyde. It had been decided that a U.S. proposal for a sound-search station on Sable Island should be modified so that the project would be a joint one. Approval had been given to a U.S. request for establishment of a Loran station at Cape Christian on Baffin Island. The committee also were in favour of indicating to the United Kingdom that Canada would consider favourably a request to station one Canadian fighter squadron on a U.K. aircraft carrier in the Far East if the Korean war extended into 1954.

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The Committee was in favour of a recommendation that the Department of National Defence institute discussions with the French government looking toward an arrangement under which French contractors would build and own housing that would be rented for the wives and dependents of members of the Canadian forces stationed in Europe. Serious manpower problems were arising because accommodation was not made available for wives to go to Europe. Unless arrangements for them could be made, postings of longer than one year were impracticable and the limitation to that time was quite uneconomical. Two year postings would be substantially better. The United States was working along similar lines.

With regard to Mutual Aid, it was recommended that 54 more Sabre fighters be provided to the United Kingdom under the 1953-54 programme at an estimated cost of $30 million. This would enable production to be maintained and, in the end, have superior aircraft available for the Canadian forces. It was also recommended that cannon powder and hexachlorethane be removed from the mutual aid list as it could be sold in the United States.

33. In the course of discussion it was suggested that:

(a) The plan of making arrangements for the wives and families of Canadian servicemen to go abroad with them seemed open to doubt but, in the circumstances, it was difficult to avoid.

(b) If dependents of servicemen were to be provided for abroad it was preferable that the government should avoid having to take title to living accommodation.

34. The Cabinet noted with approval the report of the Minister of National Defence concerning matters discussed at the meeting of the Cabinet Defence Committee on May 15th and agreed that action be taken as required to carry out the measures then approved.

National Defence; clothing stockpile for mobilization

35. The Minister of National Defence reported that steps had been taken to procure and set aside a sufficient quantity of clothing to equip the men and women who would be taken into the services in the first three months of mobilization. As the international emergency appeared to be somewhat receding and as productive facilities had gained experience in production

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for the armed forces, it seemed possible to reduce the number of items included in the clothing stockpile. Lists of basic items had been prepared as the minimum essential to equip forces on mobilization. It was recommended that the stockpile of clothing be maintained as outlined in these lists and that any additional items at present on hand be used for maintenance purposes.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 14 and attached appendices "A" and "B" - Cab. Doc. 125-53).

36. In the course of discussion it was suggested that the policy be put into effect and if, after application for a period, it seemed desirable to maintain larger stockpiles than set forth in the lists, the policy then be revised.

37. The Cabinet approved the recommendation of the Minister of National Defence and agreed that the mobilization stockpile of clothing for the armed services be completed and maintained as outlined in appendices "A" and "B" to the Minister's report (Cab. Doc. 125-53) setting forth the basic items regarded as the minimum essential to equip the forces to be raised on mobilization and that stocks over and above those included in the lists be used for maintenance purposes.

Weather stations; Padloping Island

38. The Prime Minister said the Minister of Resources and Development had submitted a recommendation from the Advisory Committee on Northern Development that the radio station at Padloping Island be taken over from U.S. control.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 15,1953-Cab. Doc. 126-53).

39. The Cabinet approved the recommendation of the Advisory Committee on Northern Development, as submitted by the Minister of Resources and Development, and agreed:

(a) that the Royal Canadian Navy be authorized to take over the operation of Padloping Island radio station from the United States, as soon as practicable, for operation for an estimated period of two years until the Department of Transport was in a position to provide staff for its operation;

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(b) that the costs of operation of the station, exclusive of pay and allowances of the staff, be assumed by the Department of Transport; and,

(c) that the Department of External Affairs inform the State Department of the United States of the decision.

Joint Arctic weather stations; resupply

40. The Prime Minister said the Minister of Resources and Development had submitted a recommendation from the Advisory Committee on Northern Development concerning the resupply of weather stations at Resolute, Eureka and Alert.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 15, 1953 and attached map - Cab. Doc. 128-53).

41. The Cabinet approved the recommendation of the Advisory Committee on Northern Development, as submitted by the Minister of Resources and Development and subject to approval by the Minister of Finance, agreed:

(a) that Canada undertake, with the Department of Transport and Navy icebreakers and a chartered supply vessel of approximately 3,000 tons capacity and a tanker, the supply of Arctic weather stations at Resolute and Eureka in 1954 and subsequent years;

(b) that for the time being the United States continue to be responsible for the sea supply of the station at Alert; and,

(c) the Department of Transport be authorized to include an item of $120,000 for the chartering of a cargo vessel and a tanker in the Estimates for 1954 and subsequent years.

Mines and Technical Surveys; hydrographic surveys in the Eastern Arctic

42. The Prime Minister said the Minister of Resources and Development had submitted a recommendation from the Advisory Committee on Northern Development concerning the conduct of hydrographic surveys in the waters off northeastern Canada.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 15, 1953-Cab. Doc. 127-53).

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43. The Cabinet approved the recommendation of the Advisory Committee on Northern Development, as submitted by the Minister of Resources and Development, and, subject to approval by the Minister of Finance, agreed that the Department of Mines and Technical Surveys be authorized to acquire a hydrographic vessel and equipment necessary for work in northern waters at an estimated cost of $2.5 million; the amount to be included in the departmental estimates for 1954-55.

Appointments

44. The Prime Minister said the Minister of Resources and Development had submitted a recommendation for appointment of a Government Film Commissioner and the Minister of Fisheries had submitted recommendations for appointments to the Fisheries Research Board.

45. The Cabinet:

(a) approved the recommendation of the Ministers of Resources and Development and agreed that Albert William Trueman, Esq., be appointed Government Film Commissioner for five years from July 1st, 1953 at a salary of $15,000 per annum; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-802, May 18).

and,

(b) approved in principle the recommendations of the Minister of Fisheries and agreed that, subject to consideration by the Treasury Board of the salaries to be paid, appointments be made as follows:

Dr. John Lawrence Kask to be Chairman of the Fisheries Research Board effective August 15th, 1953; and,

O.C. Young, Esq., to be Assistant Chairman of the Fisheries Research Board effective May 15th, 1953;

Treasury Board to be advised accordingly.

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Armed Services; redress of grievance

46. The Minister of National Defence submitted a petition for redress of a grievance.

47. The Cabinet agreed that the Minister of National Defence consider further the petition for redress of grievance by Lieutenant Randall Kenneth Martin, Royal Canadian Electrical Mechanical Engineers; the matter to be discussed again at a subsequent meeting.

South Saskatchewan River project; discussions with government of Saskatchewan

48. The Minister of Agriculture reported on discussions with the Premier and government of Saskatchewan concerning the South Saskatchewan River project, He had the impression that the Premier was anxious to have the province contribute some $20 million toward the project. Questions relating to water rights in the Saskatchewan River had been referred to the Water Board, which included representatives of the three prairie provinces. The Board had already made a report, subject to the approval of the respective governments, which was favourable to the use of water as required for the project. The P.F.R.A. representatives had in hand a plan by which it might be possible to secure estimates of cost for the project on a basis that might be suitable for purposes of tenders.

49. The Cabinet noted the report of the Minister of Agriculture concerning discussions with the Premier and government of Saskatchewan relating to the South Saskatchewan River project.

Transatlantic telephone cable

50. The Minister of Transport, referring to discussion at the meeting of May 13th, said officials of the American Telephone and Telegraph Company had requested a meeting with him and he planned to see them within the next day or two. He would, in discussion with them, take the position that had been approved.

51. The Cabinet noted the report of the Minister of Transport concerning a meeting he would hold with officials of the American Telephone and Telegraph Company concerning the proposed Transatlantic Telephone Cable and agreed that, in such discussions the position by the Minister be as approved by the Cabinet at the meeting of May 13th.

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Senate; appointments

52. The Prime Minister submitted recommendations for appointments to the Senate.

53. The Cabinet agreed that the following persons be appointed to the Senate; Orders in Council to be passed accordingly:

(a) Mrs. Marianna Beauchamp Jodoin of Montreal for the Division of Sorel, P.Q.;

(b) Mrs. Muriel McQueen Fergusson of Fredericton, N.B., for the Province of New Brunswick;

(c) The Honourable J. Walter Jones, Premier of Prince Edward Island, for the Province of Prince Edward Island; and,

(d) Allan L. Woodrow of Toronto, Ontario, for the Province of Ontario.

(Orders in Council P.C. 1953-811,812,813 and 814, May 19).

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 26th, 1953

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ITEMS DISCUSSED

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TOP SECRET

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, May 26th, 1953, at 2:30 p.m.

Present:

The Minister of National Defence
and Acting Prime Minister
(Mr. Claxton) in the Chair
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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Appointment; Acting Minister

1. The Minister of National Defence, as Acting Prime Minister, said the Prime Minister had submitted a recommendation for appointment of an Acting Minister.

2. The Cabinet approved the recommendation of the Prime Minister and agreed that, until the return to Ottawa of Mr. Howe or Mr. Fournier, Dr. McCann be authorized to act as Minister of Transport in the absence from Ottawa of the Minister of Transport; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-856, May 26)

Citizenship and Immigration; legislation and regulations

3. The Minister of Citizenship and Immigration submitted a number of recommendations concerning the proclamation of legislation and the approval of regulations respecting citizenship and immigration.

4. The Cabinet approved the recommendations of the Minister of Citizenship and Immigration and agreed:

(a) that Part I of the Act to amend the Citizenship Act, Chapter 23 of the Statutes of 1952-53, be proclaimed effective June 1st;

(b) that Canadian Citizenship Regulations be established as submitted, effective June 1st, in substitution for the Regulations established by Order in Council P.C. 2868 of July 8th, 1948;

(c) that the Immigration Act, Chapter 42 of the Statutes of 1952, be proclaimed effective June 1st;

(d) that Immigration Regulations be established, as submitted, pursuant to the provisions of the Immigration Act, effective June 1st; and,

(e) that Regulations governing loans to immigrants in respect of the costs of their transportation be established as submitted;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-858,859,860,861 and 862, May 26).

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Cheese; 1952 and early 1953 production

5. The Minister of Agriculture reported that 5 million pounds of cheese purchased by the Ontario Cheese Producers Association under the arrangements in effect in 1952, still remained unsold. With new cheese coming into production, the carrying of this amount constituted a financial problem for the Association. It was desirable that they be able to dispose of it so payments could be made to producers. It was recommended that it be bought by the Agricultural Prices Support Board on the basis of a price of 30 cents per pound for first grade.

6. Mr. Gardiner, referring to discussion at the meeting of May 13th, said there had been further consideration of arrangements for the marketing of 1953 cheese. The Ontario Cheese Producers Association were unwilling to operate solely on the basis of an agreement like that of 1952 and the Ontario government was reluctant to provide a 6 cent guarantee as in 1952. It appeared to be desirable to have discussions with the officers of the Association to see if an arrangement could be worked out under which there would be an agreement like that of 1952, with the Federal government underwriting the 24 cent price, and by which the Ontario Cheese Producers Association would stand ready to purchase cheese on a voluntary basis, if, at the same time, the Federal government offered to purchase cheese produced during April, May and June, 1953, at a price of 30 cents per pound, basis delivery in October 1953. That would amount to a price of about 28 cents currently. It was probable that the Association would be able to sell any cheese it bought at around 30 cents and that no loss, or very little loss, would be occasioned to the government. Without some such offer it was doubtful if the Association would stand ready to buy. However, their undertaking to do so, as in 1952 should be an essential part of any arrangement.

Draft submissions were circulated.

(Minister's submissions, May 28, 1953 - Cab. Docs. 133-53 and 134-53)

7. In the course of discussion it was suggested:

(a) That in any programme for 1953 production, it was desirable to ensure that the price for cheese should not be set at such a level that it would constitute an inducement to produce cheese rather than butter.

(b) Every effort should be made to avoid having to purchase cheese produced later than June 1953 or to extend the arrangement more widely than necessary.

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8. The Cabinet:

(a) approved the recommendation of the Minister of Agriculture and agreed that the Agricultural Prices Support Board be authorized to offer to purchase cheddar cheese produced in Ontario in 1952 and now held by the Ontario Cheese Producers Association Limited, at a price of 30 cents per pound f.o.b. warehouse, for first grade cheddar cheese, with appropriate differentials for other grades; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-855, May 26)

(b) agreed that officials of the Departments of Agriculture and Finance consider together the basis on which discussions would be entered into with officers of the Ontario Cheese Producers Association, concerning an arrangement for handling cheddar cheese produced in April, May and June, 1953.

War claims; extension of terms of reference of Chief Commissioner to cover former prisoners in European camps

9. The Minister of Veterans Affairs, referring to discussion at the meeting of May 13th, said the Chief Justice of Nova Scotia did not wish to consider further the maltreatment awards to be made to prisoners of war and internees held in European camps in the second World War. It was accordingly recommended that the terms of reference of the Chief War Claims Commissioner be amended so that he might make the necessary investigation.

10. The Cabinet agreed that Order in Council P.C. 4354 of October 23rd, 1952, be amended to provide that the Chief War Claims Commissioner enquire into conditions in civilian internment and military prison camps in Europe in which Canadians were held in the second World War, with a view to ascertaining whether an automatic maltreatment award to the persons so held, or any of them, for the duration of their internment or imprisonment, or any part of it would be justified; an Order in Council to be paseed accordingly.

(Order in Council P.C. 1953-857, May 26)

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Tornado damage; western Ontario

11. The Minister of National Defence, as Acting Prime Minister, said that, following the tornado which struck Sarnia and other parts of western Ontario on May 21st, there had been requests by two Members of Parliament for allocation of money from the Emergency Relief Fund. It had been pointed out that the Federal government had no control over the fund, which was privately incorporated. There had also been requests that the situation be termed a national emergency. To these it had been replied that such action could be taken only where a situation was beyond the capacity of the local authorities to deal with and the application for national measures came through the Provincial government. In response to requests for troops it had been indicated that they would be provided if requested by the province and if the province agreed to pay expenses. The expenses actually would be small since no charge would be made for pay and allowances or rations.

12. In the course of discussion it was suggested that:

(a) The response to requests for assistance in connection with the tornado should be in line with and not less favourable than the action taken following the fires in Rimouski and Cabano.

(b) Troops should be provided, if requested, on the basis outlined by the Minister of National Defence, and anything possible should be done to ensure that the area would get priority in receiving supplies of cement and other building materials.

13. The Cabinet noted with approval the report of the Acting Prime Minister concerning the position taken in response to requests for assistance in meeting the damage caused by the tornado in western Ontario.

Civil Service; 5-day week during the summer

14. The Minister of Finance said Treasury Board had considered a request from the Civil Service Association of Ottawa that the period for the summer 5-day week be extended this year to include the month of June. The Civil Service Commission would be prepared to endorse the recommendation.

An explanatory memorandum was circulated.

(Memorandum, Secretary, Treasury Board, May 25, 1953- Cab. Doc. 132-53)

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15. The Cabinet agreed that the period June 1st - September 5th, 1953, be designated as the period during which a 5-day 35-hour week be observed in the Civil Service of Canada; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-854, May 26)

Newfoundland Railway employees' pensions

16. The Minister of National Defence, as Acting Prime Minister, said the government of Newfoundland had claimed that clause 39 (1) of the Terms of Union with Newfoundland, which provided for the position of employees of the Newfoundland Railway, had not been complied with. It was alleged that the Canadian National Railways had incorrectly interpreted the clause as regards its applications to employees who had been transferred to the C.N.R. The Prime Minister and the Minister of Justice were of the view that, for employees who reached retirement age with more than the 10 years' services required under the Newfoundland pension system but less than the length required under the C.N.R. system, the government of Canada should have some obligation to reimburse the C.N.R. for that portion of the pension which would not be met by the government of Newfoundland. The Department of Transport had discussed the question with the C.N.R. and the Department of Finance was giving consideration to a formula to meet the situation. If the Cabinet agreed with the view of the Prime Minister and the Minister of Justice, that there was an obligation on the government of Canada, it was suggested that a committee work out a formula for consideration.

(Memorandum, Secretary to the Cabinet to the Acting Prime Minister, May 25, 1953)

17. The Cabinet agreed:

(a) that clause 39 (1) of the Terms of Union with Newfoundland imposed an obligation on the government of Canada, as suggested by the Prime Minister and the Minister of Justice, to make provision that would ensure that employees of the Newfoundland Railway taken over by the Canadian National Railways would not suffer loss of pension rights and that such obligation should be met through reimbursement to the C.N.R. for the portion of a pension which would not be met by the government of Newfoundland; and,

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(b) that the Secretary to the Cabinet convene a committee consisting of representatives of the Departments of Finance, Transport and Justice and the Canadian National Railways, to work out a formula for handling of the pension problem; the formula to be submitted for consideration by the Cabinet at an early meeting.

Merchant shipping policy

18. The Minister of National Defence, as Acting Prime Minister, referring to discussion at the meeting of May 18th, 1953, said the joint External Trade and Merchant Shipping Policy Committees had submitted a report in reply to the questions that had then been submitted to them.

Copies of the report were circulated.

(Memorandum, Acting Chairman of the joint Committees, May 25, 1953- Cab. Doc. 131-53)

19. In the course of discussion it was suggested that the removal of the provision that escrow funds could be used only for the acquisition of a merchant ship built in Canada would be likely to cause some criticism from Canadian shipyards. In the circumstances it would be desirable to delay any announcement of the new policy until decisions had been taken about the allocation of new naval escort vessels to be constructed.

20. The Cabinet approved the recommendations of the joint External Trade and Merchant Shipping Policy Committees and agreed:

(a) the policy be continued of allowing owners of deep-sea vessels on Canadian registry to sell them only on condition that the proceeds of sale were placed in escrow for the acquisition of modern vessels to be placed on Canadian registry;

(b) that the conditions with regard to the use of escrow funds be modified in two respects:

(i) by removing the provision that vessels acquired with them must be built in Canadian yards;

(ii) by adding a limitation that escrow funds might be used only for the acquisition of dry cargo vessels and not of tankers;

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(c) that the Canadian Maritime Commission be responsible for ensuring that vessels acquired through the use of escrow funds, whether through new construction or by purchase, be of a modern and efficient character that would meet the needs of the kind of merchant marine required for defence reasons;

(d) that no change be made in the present position under which Canadian vessels on U.K. registry can be sold only following agreement by the United Kingdom to prior transfer of the vessels to Canadian registry;

(e) that early announcement of the changes in policy be made at a time to be determined by the Minister of Transport, and the Maritime Commission be authorized to state that decision would be taken at a later date as to the size of the minimum merchant fleet considered to be necessary for strategic reasons; and,

(f) that the joint committee continue to consider the size of the merchant fleet that is essential for defence reasons and the desirable arrangements to secure and maintain it.

Coronation medal; allocation

21. The Minister of National Defence, as Acting Prime Minister, said the Deputy Minister of Justice had pointed out that the allocation of Coronation medals to the Department of Justice had included only one medal for the Penitentiaries Commission, apparently on the ground that its employees were not appointed by the Civil Service Commission. The service was the type where morale could be substantially improved by occasional recognition of the sort that would be possible through the grant of more medals. If the formula used in other allotments were applied to the Penitentiaries Commission, on the basis of its 1600 employees, it would be entitled to 30 medals. It was recommended that such an allocation be made.

(Letter, Deputy Minister of Justice, May 23, 1953; memorandum, Secretary to the Cabinet to the Acting Prime Minister, May 26, 1953)

22. The Cabinet approved the recommendation of the Acting Prime Minister and agreed that 30 Coronation medals be allotted to the Penitentiaries Commission.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 29th, 1953

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Items discussed

Merchant shipping; use of escrow funds; allocation of construction

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Friday, May 29th, 1953, at 4:00 p.m.

Present:

The Minister of Transport
(Mr. Chevrier) in the Chair,
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office.

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Merchant shipping; use of escrow funds; allocation of construction

1. The Minister of Transport, referring to discussion at the meeting of May 26th, said Treasury Board considered that tenders should be sought in placing contracts for six new minesweepers that the government wished to acquire. Under that procedure, work could not be started before October. If that view were accepted, it would not be possible to make an announcement at an early date of the placing of contracts. This complicated the timing of the announcement on the use of escrow funds since it had been thought that the two ought to coincide. There appeared to be two possibilities: to decide in favour of allocation of the contracts if it were wished to introduce the new policy on the use of escrow funds at once, or, alternatively, to delay introduction of the new policy until contracts could be placed through tenders.

2. The Cabinet noted the report of the Minister of Transport concerning the placement of contracts for the construction of new minesweepers and agreed that decision as to whether to allocate the contracts or to place them following a call for tenders be deferred to a subsequent meeting and considered in relation to the timing of the announcement of the new policy with regard to the use of escrow funds.

J.W. Pickersgill,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 1st, 1953

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Items discussed

Cheese; marketing of 1953 production

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No. 47-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Monday, June 1st, 1953, at 10:30 a.m.

Present:

The Minister of Justice
(Mr. Garson) in the Chair,
The Minister of Resources and Development
(Mr. Winters),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Assistant Secretary to the Cabinet
(Mr. Robertson).

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Cheese; marketing of 1953 production

1. The Minister of Justice, referring to discussion at the meeting of May 26th, 1953, said that, following discussion between officials of their respective departments, the Acting Minister of Agriculture (Mr. Harris) and the Minister of Finance had submitted a recommendation for the purchase of cheese produced in Ontario in 1953 from April to September inclusive. The original proposal had been to cover only cheese produced during April, May and June. It was, however, felt to be impractical to have an arrangement that covered only half the main production season. The Ontario Cheese Producers Association were, moreover, unwilling to enter into an agreement under which they would stand ready to accept cheese as offered and act as the marketing agency unless the full season were provided for. It was understood that the Ontario government was not willing to renew the 1952 arrangement under which it provided a guarantee of 6 cents a pound over and above the Federal guarantee of 24 cents.

2. The Cabinet approved the joint recommendation of the Acting Minister of Agriculture, and the Minister of Finance, and agreed that the Agricultural Prices Support Board be authorized to purchase first-grade Canadian cheddar cheese produced from April to September 1953 inclusive, at a price of 30 cents per pound f.o.b. warehouse, basis delivery October 31st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-889, June 1)

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 9th, 1953

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Items discussed

Coronation Medals; additional allocation to Bank of Canada 2.

External Affairs; appointments 2.

Canada Elections Act; appointment of returning officer 3.

Korea; recent developments 3.

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No. 48-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, June 9th, 1953, at 12:00 noon.

Present:

The Minister of National Defence
and Acting Prime Minister
(Mr. Claxton) in the Chair
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham).

The Acting Secretary to the Cabinet
(Mr. Robertson),
Mr. Paul Pelletier, Privy Council Office.

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Coronation Medals; additional allocation to Bank of Canada

1. The Acting Secretary submitted a suggestion by the Minister of Finance that, as a large number of Bank of Canada employees were former Civil Servants transferred to it en bloc when the Bank took over certain Finance functions, 15 Coronation medals might be allotted to the Bank rather than the one which would be available under the general scheme of distribution.

This would be a direct application of the 2 percent Civil Service formula to the total Bank personnel of 750, and might, consequently, give rise to dissatisfaction among other Crown agencies.

As the employees of the Bank of Canada who appeared to have a special claim to recognition were those in the Public Debt and Currency Divisions (totalling approximately 400), a reasonable solution might be to make an additional allocation based on 2 percent of that group i.e. 8 additional medals.

(Letter, Minister of Finance to Secretary, May 30; Acting Secretary's note June 8, 1953).

2. The Cabinet agreed that 8 additional Coronation medals be allocated to the Bank of Canada on the explicit understanding that they were for distribution only to former civil servants who had been transferred to the Bank of Canada as a result of the Bank having taken over certain functions formerly carried out by the Department of Finance.

External Affairs; appointments

3. The Secretary of State for External Affairs, referring to discussion at the meetings of March 12th and May 13th, 1953, submitted certain recommendations for appointments to diplomatic and consular posts.

4. The Acting Prime Minister submitted a recommendation for an appointment as Under Secretary of State for External Affairs.

5. The Cabinet approved the following appointments; Orders in Council to be passed accordingly:

(a) Humphrey Hume Wrong to be Under Secretary of State for External Affairs, effective August 1st, 1953;

(Order in Council P.C. 1953-899, June 9)

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(b) Arnold Danford Patrick Heeney to be Ambassador Extraordinary and Plenipotentiary of Canada to the United States of America, effective July 27th, 1953;

(Order in Council P.C. 1953-897, June 9)

(c) Leolyn Dana Wilgress to be Ambassador and Permanent Representative of Canada to the North Atlantic Council and also Representative of Canada to the Organization for European Economic Co-operation, effective August 1st, 1953;

(Order in Council P.C. 1953-898, June 9)

(d) Charles Norman Senior to be Consul General of Canada at Seattle, effective August 1st, 1953; and

(e) Leslie Godwin Chance to be Consul General of Canada at Los Angeles, effective July 26th, 1953.

(Order in Council P.C. 1953-900, June 9)

Canada Elections Act; appointment of returning officer

6. The Acting Prime Minister submitted a recommendation for the appointment of a returning officer.

7. The Cabinet agreed that J.W. Campeau of Redcliff, Alberta, be appointed returning officer for the electoral district of Medicine Hat in the Province of Alberta, vice F.J. Halpin, resigned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-895, June 9).

Korea; recent developments

8. The Secretary of State for External Affairs, referring to discussion at the meeting of May 13th, 1953, said an arrangement concerning prisoners of war had now been initialled by the negotiators at Panmunjom. This arrangement, in a sense, went further than the earlier United Nations proposal in that it provided that prisoners of war who refused to return to their country of origin would be released after a specific period of time. The arrangement would now have to be incorporated in the armistice agreement which, it was hoped, might be signed by the end of the week, unless the President of the Republic of Korea carried out his threat to continue hostilities despite any truce that might be worked out between the North Koreans and Communist China on the one hand and the United Nations representatives on the other. There was hope, however, that Rhee would not in fact continue hostilities.

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Arrangements were already being made by the United States for the reconstruction of South Korea. Such arrangements did not commit Canada to any specific new undertakings.

It was proposed by the United States that, at the time the Korean truce was signed, a statement would be issued to the effect that, in the event of any subsequent aggression in this area, the United Nations would immediately take vigorous counter action and that such action might not necessarily be restricted to the immediate area of conflict.

Following the signing of an armistice, the U.N. General Assembly would be re-convened and a special Assembly committee might be established on which both Soviet Russia and Communist China would be represented, for the purpose of arriving at some decision with respect to the political future of North and South Korea. It was expected that this committee would meet at some place in Asia, possibly in Ceylon. As Canada presently held the Chairmanship of the U.N. General Assembly, it was not expected that the U.N. Political Committee on Korea would include a Canadian representative. Although this lack of representation held certain disadvantages it would perhaps help in speeding up repatriation of Canadian troops now in Korea.

9. The Minister of National Defence said it had been suggested that, if and when a Korean Armistice were signed, Canada might be expected to maintain in Korea, for sometime, one battalion, one destroyer and possibly a medical unit. This did not appear to be unreasonable.

With regard to Syngman Rhee's statement that South Korea would continue hostilities notwithstanding any truce that might be arrived at on the basis now contemplated by the United Nations, it should be noted that, from a purely military point of view, the South Koreans could probably defeat the North Koreans alone, but that there was no hope of their carrying on a successful campaign with Communist China on the other side. It should further be borne in mind that, although the 20 South Korean divisions now in existence had been well trained and equipped by the United States Army, U.S. ammunition and supplies would no longer be forthcoming to South Korea if and when an Armistice were signed.

10. The Cabinet noted the reports by the Minister of National Defence and the Secretary of State for External Affairs on recent developments in Korea.

R.G. Robertson,
Acting Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

June 12,1953

MORNING MEETING

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Items discussed

Nova Scotia coal; extension of federal subventions to movements into Ontario	2.
Maritime Coal Production Assistance Act; equipment loan to D.W. & R.A. Mills Limited	2.
Dominion Coal Company; miners' request for federal assistance	3.
Canadian Broadcasting Corporation; capital budget for 1953-54	4.
U.S. claims for damages arising from Gut Dam; recent developments	4.
Mines and Technical Surveys; purchase of Hydrographic Vessel for Eastern Arctic	5.
Merchant shipping; use of escrow funds; construction of naval vessels	6.
Radio and television licences	7.
Television; applications for licences by provincial governments	7.
Steamship subsidy; ferry service, Campobello, N.B. - Lubec, Maine	8.
Newfoundland Railway; employees' pensions	8.
Export Credits Insurance Act; locomotives for Mexico	9.
Lunam Construction Company; arrangement for creditors	10.
Appointments	11.

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MORNING MEETING

No. 49-53

Copy No. 26

THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, June 12th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Public Works
(Mr. Fournier),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney).

The Secretary to the Cabinet
(Mr. Pickersgill),
Mr. R.G. Robertson, Privy Council Office,
Mr. Paul Pelletier, Privy Council Office.

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Nova Scotia coal; extension of Federal subventions to movements into Ontario

1. The Minister of Mines and Technical Surveys reported that, in Order in Council P.C. 3253 of June 11th, 1952, which provided assistance for movement of Nova Scotia coal, long standing provisions for subventions on trans-shipment to Ontario were omitted because for some years no Nova Scotia coal had been available for that market. However, it was generally understood that when coal again became available the Federal subventions would be provided for this purpose.

As 26,000 tons of Nova Scotia coal had now been ordered for certain Ontario markets it was recommended that Order in Council P.C. 3253 be amended to enable Federal subventions to be extended to the movement of Nova Scotia coal into Ontario.

2. The Cabinet agreed that the Nova Scotia Coal Subvention Regulations, made by Order in Council P.C. 3253 of June 11th, 1952, be amended to extend the subventions under these regulations to movement of Nova Scotia coal into the Province of Ontario; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-958, June 12)

Maritime Coal Production Assistance Act; equipment loan to D.W. & R.A. Mills Ltd.

3. The Minister of Mines and Technical Surveys submitted a recommendation for the making of a loan to certain coal mine operators in New Brunswick under the terms of the Maritime Coal Production Assistance Act.

4. The Cabinet agreed that, under the authority of the Maritime Coal Production Assistance Act, a loan of $305,850 be made to D.W. & R.A. Mills Ltd., coal mine operators at Minto, New Brunswick, as recommended by the Minister of Mines and Technical Surveys; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-956, June 12)

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Dominion Coal Company; miners' request for Federal assistance

5. The Minister of Mines and Technical Surveys reported that, the previous day, he, together with the Minister of Resources and Development, had received a delegation comprising the Nova Scotia Minister of Mines and Labour and members of the local Union representing miners employed in the 1B Colliery of the Dominion Coal Company at Dominion near Glace Bay, Nova Scotia.

1B Colliery had operated at a deficit for some time. Losses in 1952 had been $1.6 million. Daily production at the present time was approximately 1800 tons a day and it was understood that, in order to break even, production would have to be increased to at least 3000 tons a day. Miners from 1B Colliery had already approached the government of Nova Scotia, which, it was understood, was making enquiry into the problem. As the Dominion Coal Company intended to close 1B Colliery the following day, with consequent hardship on the whole community at Dominion, the delegation sought Federal assistance in order that the mine might be kept open. The delegation appeared confident that, if this Federal aid were forthcoming, and if proper steps were taken both by management and the Unions, production could be increased by 50 percent within a period ranging from 6 months to several years.

The delegation had been informed that their request would be submitted to the government, but that there was little hope that Federal assistance could properly be extended in this matter.

6. In the course of discussion it was pointed out,-

(a) that direct Federal assistance could not be extended in this case without creating a dangerous precedent;

(b) that, as this problem had existed for some considerable time, steps should have been taken long ago by both management and labour to find a solution; and,

(c) that if any governmental action were to be taken it should be initiated by the Province and not by the Federal authorities.

7. The Cabinet agreed that the Federal government could not consider favourably the request by the Nova Scotia Minister of Mines and Labour and miners' representatives that direct assistance be granted to the Dominion Coal Company to prevent the proposed early closing of its 1B Colliery at Dominion, near Glace Bay, Nova Scotia.

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Canadian Broadcasting Corporation; capital budget for 1953-54

8. Dr. McCann recommended that the capital budget of the Canadian Broadcasting Corporation for 1953-54 be approved.

9. The Cabinet approved the recommendation of Dr. McCann, concurred in by the Minister of Finance and agreed that the capital budget of the Canadian Broadcasting Corporation, for 1953-54 be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-957, June 12)

U.S. Claims for damages arising from Gut Dam; recent developments

10. The Secretary of State for External Affairs, referring to discussion at the meeting of May 13th, 1953, reported that, at meetings held on June 10th, Canadian officials and oounsel, representing a majority of U.S. claimants for damages allegedly caused by Gut Dam, had tentatively agreed on the setting up of an international arbitral tribunal very similar to that originally proposed by Canada to the U.S. State Department.

It was contemplated, under the new proposal, that a two-man tribunal, comprising one American and one Canadian judge, would be established under authority of an exchange of notes between Canada and the United States to determine liability and award of damages, if any, in respect of the claims of all the members, numbering approximately five thousand, of the Lake Ontario Land-Owners and Beach Protective Association. It was understood that this Association represented from 90 to 95 percent of all potential claimants in the United States. While the arrangement contemplated might not secure for the government of Canada absolute assurance that no further legal action against Canada would be commenced in the United States, it was likely that, during the course of negotiations, some practical means might be found which would effectively protect Canada against such future claims or lawsuits.

It was accordingly recommended that authority be granted for negotiations to be continued along the lines suggested during the meetings between Canadian officials and representatives of U.S. claimants.

An explanatory note was circulated.

(Minister's memorandum, undated, Cab. Doc. 141-53)

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11. The Cabinet agreed that officials of the Department of External Affairs and other departments concerned continue negotiations with representatives of the Lake Ontario Land-Owners and Beach Protective Association with a view to securing the establishment of an international arbitral tribunal along the lines suggested by the Secretary of State for External Affairs for the purpose of determining liability and awarding damages, if any, arising out of the construction and maintenance of Gut Dam; it being understood that any final agreement that might be reached in this matter would be submitted to Cabinet for approval before the question was taken up formally with the U.S. State Department.

Mines and Technical Surveys; purchase of Hydrographic Vessel for the Eastern Arctic

12. The Minister of Finance referred to a decision on May 18th, 1953, when it was agreed that, subject to his approval, the Department of Mines and Technical Surveys be authorized to acquire a hydrographic survey vessel and equipment necessary for work in eastern waters, at an estimated cost of $2.5 million. He believed that, although the desirability of building such a vessel within the next few years had been established, it might be best to defer final decision as to precisely when the vessel should be purchased until Departmental Estimates were under consideration during the winter of 1953-54, since, at that time, it would be possible to assess both relative priority and the load on shipyards.

An explanatory note had been circulated.

(Secretary's memorandum, June 11, 1953, Cab. Doc. 136-53)

13. In the course of discussion it was suggested,-

(a) that although it might not be desirable to take a firm decision now as to when contracts should be let for construction of this vessel, there was sufficient likelihood of its being required in the relatively near future to authorize the Department of Mines and Technical Surveys to proceed with the preparation of plans and specifications; and,

(b) that the United States were anxious that more detailed hydrographic surveys be made of the Arctic regions and that it would be preferable that such work be undertaken by Canada rather than by the United States.

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14. The Cabinet agreed that, although no firm decision could be taken immediately as to the exact time at which contracts would be let for the construction of a hydrographic survey vessel for use in the Eastern Arctic, there was sufficient likelihood of such a vessel being required in the relatively near future to authorize the Department of Mines and Technical Surveys to proceed with the preparation of plans and specifications.

Merchant shipping; use of escrow funds; construction of naval vessels

15. The Minister of Transport, referring to discussion at the meeting of May 29th, 1953, said it was for consideration whether to announce the new policy on use of escrow funds and allocation of construction for five minesweepers that were in contemplation, or to defer both announcements for some months. Whether the minesweepers were handled by allocation or through call for tenders, construction could be started before October. In the circumstances, the best course might be to make no announcement on either matter for the time being.

16. In the course of discussion it was stated that the Maritime Commission seemed at present to be withholding permission from certain shipowners to sell their vessels and place the proceeds in escrow. If the vessels were not of a character that would be useful in time of war, there did not seem to be any good reason why sales should be prevented, as long as the proceeds went into escrow.

17. The Cabinet agreed:

(a) that no announcement be made at the present time of any change in the conditions governing the use of escrow funds arising from the sale of merchant vessels or concerning the allocation of construction of new naval vessels; and,

(b) that the Minister of Transport ascertain whether the Canadian Maritime Commission was prohibiting the sale of merchant vessels under the escrow conditions at the present time and, if so, why that policy had been adopted and whether it ought not to be discontinued.

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Radio and television licences

18. The Minister of Transport reported concerning certain applications for private radio and television broadcasting licences that had been approved by the Board of Governors of the C.B.C.

19. The Cabinet noted the report of the Minister of Transport concerning applications for private radio and television broadcasting licences and agreed:

(a) that a licence be granted for the establishment of a radio broadcasting station at St. Joseph d'Alma, Que.,;

(b) that a licence be granted to La Bonne Chanson Inc., on the understanding described by the Minister as to the character and use of the station, for establishment of a radio station in Montreal;

(c) that a licence be granted to Lower St. Lawrence Radio Incorporated for establishment of a television station at Rimouski, Que.; and,

(d) that, subject to consultation with the Minister of Agriculture, a licence be granted to Trans Canada Communications Limited for establishment of a television station at Regina, Saskatchewan.

Television; applications for licences by provincial governments

20. The Minister of Transport reported that he had received a letter from the Minister of Telephones in the government of Alberta enquiring whether the Federal government would grant permission for the establishment of television stations by provincial governments or whether it would withhold it in the same way as permission was withheld for the establishment of radio stations by such governments.

21. The Cabinet agreed that the Minister of Transport advise the Minister of Telephones of Alberta that, in order to avoid conflicts of jurisdiction, the policy had been adopted of not granting broadcasting licences to provincial governments and there was not any immediate prospect of that policy being changed.

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Steamship subsidy; ferry service Campobello, N.B. - Lubec, Maine

22. The Minister of Transport said the Canadian Maritime Commission had recommended that it be authorized to increase the annual subsidy for the Campobello - Lubec ferry service from $6,000 to $6,600 per year for two years. The Federal government bore half the cost of the subsidy and the New Brunswick government the other half.

An explanatory memorandum was circulated.

(Minister's memorandum June 8, 1953-Cab. Doc. 138-53).

23. The Cabinet approved the recommendation of the Minister of Transport and agreed that the Canadian Maritime Commission be authorized to increase the annual subsidy for the Campobello, New Brunswick - Lubec, Maine ferry service from $6,000 to $6,600 per year and to conclude a contract for a period of two years accordingly; the additional amount of $600 to be provided for in the Further Supplementary Estimates for 1953-54.

Newfoundland Railway; employees' pensions

24. The Minister of Finance, referring to discussion at the meeting of May 26th, 1953, said the committee then appointed had submitted a report concerning possible plans to discharge the obligation of the Federal government under the Terms of Union with Newfoundland for the preservation of pension rights for former employees of the Newfoundland railway. Two plans were submitted for consideration. Under Plan 1, the total service of a person with the Newfoundland Railway and the C.N.R. would be treated as if it all occurred on the Newfoundland Railway, and a pension would be made payable on the pre-Union basis. Under Plan 2, employees would receive a pension for their pre-Union service on the basis applicable to the Newfoundland Railway, while for their post-Union service they would receive $15 pension for each year of service up to a maximum of $300 a year. Plan 1 would provide larger pensions, and the C.N.R. was in favour of it mainly on the ground that they did not think that Plan 2 would be regarded as sufficient. Plan 2 did, however, appear to be a reasonable discharge of the obligation under the Terms of Union and it was recommended that it be adopted.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary to the Cabinet, June 19, 1953 - Cab. Doc. 137-53)

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25. In the course of discussion it was argued that while Plan 2 might be criticized, it was based on a reasonable interpretation of Clause 39(1) of the Terms of Union. The intent of the clause was that Newfoundland Railway employees should not be prejudiced with regard to pension rights but it would be unreasonable to interpret it to mean that, in their post-Union employment, the exact terms of their pre-Union pension schemes would have to be maintained. It would seem adequate if their pension rights for pre-Union Service were preserved and their pension position for post-Union service were not worsened by reason of the fact that they joined the C.N.R. during the course of their career rather than at the beginning of it.

26. The Cabinet approved the recommendation of the Minister of Finance and agreed:

(a) that, to meet the obligations of Canada under Clause 39(1) of the Terms of Union with Newfoundland, the government undertake to pay to retired C.N.R. employees who had formerly been employees of the Newfoundland Railway the difference between present pension payments by the Canadian National Railway and an amount equal to $15 a year for each year of C.N.R. service up to a maximum of $300 per year; the basis of payment to be in accordance with Plan 2 as submitted by the committee that had studied the matter; and,

(b) that, in accordance with the arrangements that had been proposed, the government also participate in a plan by which it would be possible for former employees of the Newfoundland Railway who had become contributors under Part II of the Canadian National Railway contributory pension plan, to elect at the date of their retirement whether to take the benefits under the contributory plan or the benefits to which they would be entitled under the non-contributory plan.

Export Credits Insurance Act; locomotives for Mexico

27. The Minister of Trade and Commerce submitted a recommendation concerning a contract for export credits insurance to cover the export of locomotives to Mexico.

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28. The Cabinet approved the recommendation of the Minister of Trade and Commerce and agreed that the Export Credits Insurance Corporation be authorized to enter into a contract of insurance with the Canadian Locomotive Company Limited, in accordance with the terms submitted and subject to a maximum liability of $22 million, to cover the export of diesel electric locomotives to Mexico; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-975, June 12)

Lunam Construction Company; arrangement for creditors

29. The Minister of Citizenship and Immigration, referring to discussion at the meeting of April 22nd, 1953, said that, on completion of certain buildings for his department for which the Lunam Construction Company had received the contracts, there was a surplus of funds available. The question was the way in which the surplus should be dealt with. One possibility would be to advertise the information to persons to whom the Lunam Company was indebted in respect of services and materials on those particular buildings and to hold a meeting at which arrangements could be made for distribution of the surplus to those creditors. It was recommended that this course be followed.

30. In the course of discussion it was suggested that:

(a) Distribution of surplus funds to persons who were creditors in respect of the particular construction projects with which the surplus was connected would amount to treatment as if they held liens on those projects. They did not hold such liens and other creditors of the company could properly claim that they were not entitled to receive preferred treatment.

(b) In order to avoid according a preference which it would be difficult to justify, it might be preferable to turn the surplus over to a court for distribution under bankruptcy proceedings.

31. The Cabinet noted the report of the Minister of Citizenship and Immigration concerning the handling of the surplus of funds available in respect of certain construction projects for which the contracts had been held by the Lunam Construction Company and agreed that further consideration be given by him in the light of the discussion, to the method of dealing with the surplus.

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Appointments

32. The Prime Minister submitted a number of recommendations for appointments.

33. The Minister of Veterans Affairs submitted recommendations for two appointments.

34. The Cabinet:

(a) approved the recommendations of the Prime Minister that appointments be made as follows:

(i) Alphonse Fournier, Esq., to be a judge of the Exchequer Court of Canada;

(ii) to be members of the Senate of Canada:

F.G. Bradley, Esq.,
W. Ross Macdonald, Esq.,
Joseph A. Bradette, Esq.,
Leonard D.S. Tremblay, Esq.,
Sarto Fournier, Esq.,
Aurel D. Leger, Esq.,
John J. Connolly, Esq.,

(iii) J.W. Pickersgill, Esq., to be a member of the Privy Council of Canada and Secretary of State of Canada;

(iv) Mr. Harris to act in the place of the Minister of Public Works and Mr. Chevrier to act in the place of the Minister of Public Works in the absence of Mr. Harris;

(b) approved in principle the recommendation of the Minister of Veterans Affairs for the appointment of Leslie Alexander Mutch, Esq., to be a Commissioner and Deputy Chairman of the Canadian Pension Commission for a period of ten years; an Order in Council making the appointment to be passed at a time to be determined by the Minister of Veterans Affairs in consultation with the Minister of Justice; and

(c) approved the recommendation of the Minister of Veterans Affairs and agreed that Laurence Wilmott Brown, Esq., be appointed Ad Hoc Commissioner of the Canadian Pension Commission for a period of one year effective July 1st, 1953; an Order in Council to be passed accordingly.

(Orders in Council P.C. 1953-959,960,961,962, 963,964,965,966,967,968,969 and 974, June 12)

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 12th, 1953

AFTERNOON MEETING

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Items discussed

Parliament; dissolution; election	2.
Acting Secretary of State	2.
Cheese; support price	2.
Fish price support	4.
Fisheries; losses of lobster traps in Prince Edward Island	5.
South Saskatchewan River project; recent developments	6.
S.S. "Sampep"; U.K. claims for fire damages	8.
U.N. International Children's Emergency Fund; suggested Can. donation of dry skimmed milk	9.
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Service electors; lists by constituencies	11.

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AFTERNOON MEETING

No. 50-53

Copy No. 26

THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, June 12th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),

The Assistant Secretary to the Cabinet
(Mr. Robertson),
Mr. Paul Pelletier, Privy Council Office.

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Parliament; dissolution; election

1. The Prime Minister submitted recommendations for the dissolution of Parliament and the holding of an election for a new Parliament.

2. The Cabinet approved the recommendations of the Prime Minister and agreed:

(a) that Parliament be dissolved as of June 13th, 1953 and a Proclamation to that effect be issued the same date; and,

(b) that a Proclamation be issued on June 13th, 1953, directing the issue of writs of election for a general election, the writs to be dated June 13th, 1953, fixing Monday, August 10th, 1953 as polling day, with writs to be returnable on October 8th, 1953; a further Proclamation dated June 13th to be issued to establish the pro forma date for the summoning of Parliament as October 15th, 1953; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-971 and 972, June 12).

Acting Secretary of State

3. The Prime Minister submitted a recommendation for an appointment as Acting Secretary of State.

4. The Cabinet approved the recommendation of the Prime Minister that Dr. McCann be Acting Secretary of State of Canada in the absence of the Secretary of State of Canada; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-970, June 12).

Cheese; support price

5. The Minister of Agriculture, referring to discussion at the meeting of June 1st, said Order in Council P.C. 1953-889 of that date which authorized the purchase of cheese at 30 cents a pound basis delivery October 31st, 1953, was not entirely satisfactory for the handling of current cheese production. It appeared desirable to have the Order amended to authorize the Agricultural Prices Support Board to purchase cheese earlier than October 31st, 1953 at an equivalent price to 30 cents as of October 31st.

Copies of a submission were circulated.

(Minister's submission, undated,-Cab. Doc. 139-53).

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6. In the course of discussion it was argued on the one hand that:

(a) The price support policy as contemplated on June 1st was not operating in a satisfactory manner since buyers in some parts of Ontario were not willing to buy at a price that would be justified by the government's undertaking to buy on October 31st.

(b) There would be advantage in the government acquiring title to some cheese and standing ready to resell it at a price related to the 30 cent price. This might have some effect in narrowing the present spread between the prices being offered to producers and the retail price, and also in reducing the undue disparity in prices as between various parts of Canada.

It was argued on the other hand that:

(a) The programme was operating satisfactorily in certain parts of Ontario and the difficulty was that in some cases co-operatives were not willing to sell at an appropriate price in relation to the price of 30 cents as of October 31st.

(b) The government had provided a support policy somewhat better than the one of 1952 in its offer to buy at 30 cents on October 31st. It had been a part of the understanding that the Ontario Cheese Producers Association would handle the marketing. It was reasonable to expect that they should do so and that they should undertake the financing during the course of the season. The government ought not to go further than it had already done.

(c) Fishermen who, for a variety of reasons, could not be accorded the same treatment but whose prices had fallen sharply, would feel that their treatment was quite inequitable if still further assistance were given to the cheese producers.

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7. The Cabinet noted the report of the Minister of Agriculture concerning arrangements for the purchase of cheddar cheese produced in the months of April - September 1953, and agreed that no amendment be made to Order in Council P.C. 1953-889 of June 1st to authorize the Agricultural Prices Support Board to purchase cheese at a date earlier than October 31st.

Fish price support

8. The Minister of Fisheries reported that fishermen on both the Atlantic and Pacific coasts had suffered sharp drops in price during the past year. For Nova Scotia fishermen, prices had dropped from around 4½ cents a pound to 3 cents a pound a month or so ago and were now at about 3¼ cents. In the case of New Brunswick, the drop had been considerably greater. In British Columbia, the price of salmon had dropped some 20 percent from 1951-52 and 25-35 percent from 1952-53. On the basis of the principles that had been applied by the Fisheries Prices Support Board, assistance would be justified in a number of cases. Altogether there were about 200 million pounds of cod on which a half cent a pound of support should be paid. A problem was created, however, particularly for Atlantic fishermen by the fact that 70 percent of their market was in the United States. If support were provided, the United States might apply countervailing duties. It would also strengthen the position of United States fishing interests which were seeking higher tariffs and the imposition of quotas. It was difficult to see what measure of assistance could be provided.

9. In the course of discussion it was suggested that it be pointed out to fishermen that, in the long term, the welfare of the industry depended on access to the U.S. market. In the circumstances, it would be contrary to their best interests to adopt any policy that might risk the loss or restriction of that market.

10. The Cabinet noted the report of the Minister of Fisheries concerning the drop in prices of fish and the difficulty of devising a programme of assistance to fishermen that would not endanger their access to the United States market, and agreed that the matter be given further consideration at a later date.

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Fisheries; losses of lobster traps in Prince Edward Island

11. The Minister of Fisheries, referring to discussion at the meeting of Oct. 15th,1952, said that, during severe storms in the spring of 1953, lobster fishermen of Prince Edward Island had suffered serious losses of fishing gear. The losses had occurred during the first few weeks of the fishing season and many fishermen were destitute as they had not had time to derive any income whatever from their fishing operations. Many suggestions had been put forward as to how the Federal and Provincial governments might come to their assistance.

12. In the course of discussion it was pointed out:

(a) that following the 1951 and 1952 storms in the Maritime Provinces, the Federal government had arrived at an arrangement with the government of Nova Scotia whereby both governments provided, on a 50-50 basis, the capital for interest free loans to fishermen to enable them to replace fishing gear;

(b) that, under the circumstances, the Federal government could not contemplate an out-right gift to Prince Edward Island fishermen;

(c) that the government of Prince Edward Island had indicated that it was financially incapable of entering into a 50-50 loan agreement with the Federal government; and,

(d) that, under the circumstances, consideration might be given to the working out of a new basis of agreement with Prince Edward Island whereby the Federal government might provide 80 percent and the Province 20 percent of the capital for loans.

13. The Cabinet agreed that the Minister of Fisheries attempt to arrive at an understanding with the government of Prince Edward Island under which both governments would provide the capital required to make interest free loans to fishermen whose lobster traps had been destroyed by storms in May 1953, on the understanding that the Federal government would not be called upon to provide more than 75 percent of the capital required.

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TOP SECRET

South Saskatchewan River Project; recent developments

14. The Minister of Agriculture, referring to discussion at the meeting of April 29th, 1953 submitted and read a letter dated May 19th, 1953, which he had received from the Premier of Saskatchewan relating to the South Saskatchewan River Project.

Premier Douglas' letter was in answer to the various points raised in Mr. Gardiner's letter of April 24th. With regard to water rights, it was pointed out that on May 15th, the Prairie Provinces Water Board had agreed unanimously to an allocation of 960,000 acre feet of water to the South Saskatchewan River Project. Under the terms of Orders in Council establishing the Prairie Provinces Water Board any recommendation by the Board on allocation of waters had to be adopted by the Federal government and the governments of the three Prairie Provinces before it became final. In the present instance the Saskatchewan government had already passed an Order in Council approving the Board's recommendation. It was understood that Alberta would adopt the recommendation the following week and that Manitoba would do likewise in the near future.

Premier Douglas also said in his letter that his government was prepared to contribute $20 million towards the cost of the dam in order to remove any suggestion that the Federal government was subsidizing the power development. This contribution could be made in the form of cash payments over a period of time or in the form of water rentals or as a combination of both these methods. The Premier felt that details as to the method of payment could well be left for negotiation at a later date.

Insofar as the distribution system for the irrigation part of the project was concerned, Premier Douglas gave assurances that the water would be used for irrigation purposes on the same terms and conditions as it was made available in other provinces where similar projects had been undertaken by the Prairie Farm Rehabilitation Administration.

Insofar as costs were concerned, Premier Douglas said his government was quite prepared to accept the revised P.F.R.A. estimates as a basis of computation, and added that he understood Mr. Gardiner would secure cost estimates from a number of contractors in order to have a fairly firm figure by which to judge the economic feasibility of the project.

(Letter, Premier of Saskatchewan to Minister of Agriculture, May 19, 1953).

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15. Mr. Gardiner added that he had privately asked Mr. Wells of the W.C. Wells Construction Company to give a firm estimate as to what the total cost of constructing the dam might be. This had been done by the Wells Company in consultation with the Bird Construction Company Ltd. and Angus Robertson Ltd., and the companies had now submitted a firm estimate of approximately $80 million as the total cost. As Premier Douglas had indicated that the government of Saskatchewan was prepared to contribute $20 million, as representing the proportionate share of power, this meant, on the basis of the new estimates, that 75 percent of the total cost of the dam would be borne by the Federal government and 25 percent by the Provincial government. Saskatchewan, of course, would also bear the full cost of the power installations as well as the distribution system for irrigation purposes.

16. In the course of discussion it was argued on the one hand,-

(a) that, in the light of the firm estimate submitted by Mr. Wells the Federal Government would be justified in entering into an agreement with the Province of Saskatchewan for early construction of the project;

(b) that, as the whole project could not be completed in less than ten years, not only the development of Canada as a whole but the development of the Prairie Provinces would be such as to warrant a Federal expenditure of the required magnitude; and

(c) that the Minister of Agriculture should be authorized to continue negotiations with the government of Saskatchewan with a view to arriving at final agreement within the next few months.

It was argued, on the other hand:-

(a) that there was room for argument as to whether more faith should be placed in the estimates supplied by Mr. Wells than in those supplied to the Royal Commission by Mannix Limited of Calgary;

(b) that there was yet no assurance that wet farming would be successful in this area, nor that sufficient markets could be found for the produce from the irrigated area;

(c) that the Provincial contribution towards the cost of the dam should be on a percentage rather than a firm figure basis and that payments should be made to the Federal government on such a percentage basis as construction progressed;

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(d) that, as the government of Saskatchewan was pressing for development of the project notwithstanding the negative report of the Royal Commission, it would seem that if the Federal government were to participate it should more logically do so on a 75 percent Provincial and 25 percent Federal basis rather than the reverse;

(e) that serious consideration should be given to the possibility that Saskatchewan might not be able to finance its complete share of the undertaking; and,

(f) that, in any event, before the Federal government agreed to devote substantial sums from Federal funds to such a project the government of Saskatchewan should be required to submit much more detailed information and assurances not only as to the irrigation procedures to be adopted but also as to the financing of the Provincial share of the project.

17. The Cabinet,

(a) noted the report by the Minister of Agriculture on the stand taken by the government of Saskatchewan regarding the South Saskatchewan River Project, as set forth in Premier Douglas' letter of May 19th, and deferred decision on Federal participation pending further consideration; and,

(b) agreed that the recommendation of the Prairie Provinces Water Board for the tentative annual allocation to the Province of Saskatchewan of 960,000 acre feet of water from the South Saskatchewan River for the South Saskatchewan River Project be approved so far as the Federal government was concerned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-973, June 12).

S.S. "Sampep"; United Kingdom claims for fire damages

18. The Minister of Transport reported that, on August 24th, 1947, the S.S. "Sampep", then under charter by the United Kingdom Ministry of Transport from the U.S. Maritime Commission, had been damaged while docked at the Government Assembly Wharf at Port Alberni, B.C., by a fire which had originated on the docks.

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The United Kingdom government had made a claim against the Canadian government advising that the estimated damage to the ship would be in excess of $400,000 and that there would be a further claim for damage to cargo. The U.K. authorities felt that the damage had been due to negligence on the part of the Canadian government employees. On the other hand, the Deputy Minister of Justice had expressed the opinion that the evidence submitted did not establish legal liability on the part of Canada, and, furthermore, it appeared that the damage might well have been caused by the negligence of the master and crew who had apparently done very little to assist in removing the vessel from the burning docks.

He had recently been informed by the Deputy High Commissioner of the United Kingdom at Ottawa that the U.K. government were anxious to reach an amicable settlement in this matter and would be prepared to accept the sum of $50,000 in full and final settlement of any claims they might have in respect to damages attributable to the fire.

An explanatory note was circulated.

(Minister's memorandum, June 12, 1953-Cab. Doc. 142-53).

19. The Cabinet agreed that the recent offer of the United Kingdom government to accept $50,000 in full and final settlement of damages caused on August 24th, 1947, to the superstructure and cargo of the U.K. vessel S.S. "Sampep" while moored at the Government Assembly Wharf at Port Alberni, B.C., be not approved at the present time.

United Nations International Children's Emergency Fund; suggested Canadian donation of dry skimmed milk

20. The Minister of Agriculture said the Agricultural Prices Support Board had been informed that the United Nations International Children's Emergency Fund would require 5 million pounds of spray process skimmed milk powder before the end of June. U.N.I.C.E.F. had indicated that this quantity could be obtained from the United States for about one cent a pound at either seaboard, but that U.N.I.C.E.F. was prepared to obtain this quantity in Canada if the Canadian government would consider a donation at this time.

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On June 6th, the Agricultural Prices Support Board had on hand 5.8 million pounds of spray process and 2.2. million pounds of roller process dry skimmed milk. The spray process milk had been purchased by the Board at 11.5 cents a pound and the roller process at 8 cents. At the same time stocks of spray process skimmed milk powder in Canada, exclusive of the Board's holdings, were approximately 8 million pounds as compared with 4.8 million pounds in 1952 while stocks of roller process were 2.9 million pounds as compared with 3.5 million pounds in 1952. It was understood that the United States had, at the present time, holdings in excess of 100 million pounds.

The total cost to the government of such a donation to U.N.I.C.E.F. would be approximately $600,000.

An explanatory note was circulated.

(Minister's memorandum, June 12, 1953, Cab. Doc. 140-53).

21. In the course of discussion it was pointed out:-

(a) that the Department of External Affairs had not yet paid over to U.N.I.C.E.F.the grant of $500,000 appropriated by Parliament;

(b) that, if U.N.I.C.E.F. could be persuaded to apply this grant to the purchase of the required skimmed milk in Canada, the total cost to the Canadian government would only be approximately $100,000;

(c) that it was unlikely that U.N.I.C.E.F. would favour this course of action as the skimmed milk could be obtained in the United States at one cent a pound and the $500,000 could be used to better advantage by that organization to purchase Canadian drugs and medicines; and,

(d) that it would seem inadvisable to turn over the dry skimmed milk to U.N.I.C.E.F. at one cent a pound or less as this would likely result in further encouraging excessive production of dry skimmed milk in Canada.

22. The Cabinet agreed:-

(a) that the Agricultural Prices Support Board be authorized to sell 5 million pounds of spray process skimmed milk powder to the United Nations International Childrens Emergency Fund at 10 cents a pound if the Fund were willing to purchase it at that price; and,

(b) that, if the above arrangement proved unacceptable to the Fund, decision be deferred until the autumn as to what, if anything, could be done to meet U.N.I.C.E.F.'s request for 5 million pounds of spray process skimmed milk powder.

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Outbreak of Poliomyelitis in the Yukon Territory; medical assistance

23. The Minister of Resources and Development said many cases of poliomyelitis had developed in the Whitehorse area of the Yukon Territory. In most provinces, treatment for polio was free and it appeared desirable to provide as favourable a position for the residents of the Territory.

24. The Cabinet noted the report of the Minister of Resources and Development concerning the outbreak of poliomyelitis in the Yukon Territory and agreed that arrangements for the victims of the outbreak and the provision of treatment be on a basis as favourable as would be provided by provincial governments for residents within their boundaries.

Service electors; lists by constituencies

25. The Minister of National Defence, referring to discussion at the meeting of May 5th, 1953, said he did not think that the conclusion as recorded embodied exactly the intention of that time. It was desirable that the conclusion should make it clear that, while the Department of National Defence would co-operate with the Chief Electoral Officer, its conduct should be strictly in accordance with the provisions laid down by Parliament.

26. The Cabinet noted the report of the Minister of National Defence concerning the establishment of lists of service electors by constituencies and agreed that the conclusion of the meeting of May 5th as recorded be modified to provide that, if requests were pressed for the provision of lists of service electors by constituencies, the position be taken that, as the Canadian Forces Voting Regulations had been approved by Parliament, the Departments of National Defence and Veterans Affairs, while co-operating in every way with the Chief Electoral Officer, could not take any actions which were not in accordance with the legislation.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

July 6th, 1953

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Canadian Pension Commission; appointment 2.
Public Works; continuance in office of Deputy Minister 2.
Treasury Board; appointment of alternate members 2.
Trans-Canada Air Lines; appointment of Director 3.
Canadian Farm Loan Board; re-appointment of Chairman 3.
International Pacific Halibut Commission; appointment of members 3.
Newfoundland; judicial appointments 4.
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Trade discussions with Japan 5.
Colombo Plan; biological control stations for Pakistan and India 6.
Colombo Plan; assistance for Ceylon 7.
United Nations conference on sugar; Canadian representation 7.
International Civil Aviation Organization; Third Conference on North Atlantic Ocean weather stations 8.
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Indemnities for fishermen; Vessel Indemnity Regulations; indemnities for fishing gear 9.
Fishing Bounty Regulations; amendment 10.
Labour; rehabilitation of disabled persons; vocational training; agreements with provinces 10.
Government contracts; claims by underpaid employees' of contractors 11.
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Post Office Savings Bank; amendments to regulations governing maximum deposits 15.
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N.A.T.O.; sharing of Headquarters costs 16.
Post Office; rates payable for trans-Atlantic airmail 17.
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Saskatchewan coal; federal assistance on movements into Ontario 18.
Alberta and British Columbia coal; subsidies on export 18.
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Newfoundland bait depots; agreement with Fisheries Products Limited of St. John's, Newfoundland 19.
Sudbury airport, Ontario; contract for additional work 20.
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No. 51-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Monday, July 6th, 1953, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Public Works
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

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Manitoba; appointment of Lieutenant Governor

1. The Prime Minister submitted a recommendation for the appointment of a Lieutenant Governor.

2. The Cabinet agreed that the Honourable J.S. McDiarmid be appointed Lieutenant Governor of Manitoba, effective August 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1094, July 6)

Canadian Pension Commission; appointment

3. The Minister of Veterans Affairs, referring to the discussion at the meeting of June 12th, 1953, submitted a recommendation for the appointment of a member of the Canadian Pension Commission.

4. The Cabinet agreed that Leslie Alexander Mutch Esq., of Winnipeg, Manitoba, be appointed a member of the Canadian Pension Commission, and Deputy Chairman thereof for a period of ten years from July 6th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1107, July 6)

Public Works; continuance in office of Deputy Minister

5. The Minister of Citizenship and Immigration, as Acting Minister of Public Works, reported that Treasury Board had concurred in a further extension under the Civil Service Superannuation Act for E.P. Murphy, Esq., Deputy Minister of Public Works.

6. The Cabinet agreed that, under the provisions of section 10 of the Civil Service Superannuation Act, E.P. Murphy, Esq., be continued in the office of Deputy Minister of Public Works until September 30th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1097, July 6)

Treasury Board; appointment of alternate members

7. The Prime Minister submitted a recommendation for the nomination of additional alternate members of the Treasury Board.

8. The Cabinet agreed that Messrs. Howe, Gardiner, Claxton, and Pickersgill be nominated as alternates to serve in place of members of Treasury Board; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1095, July 6)

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Trans-Canada Air Lines; appointment of Director

9. The Minister of Trade and Commerce submitted a recommendation for the appointment of a Director of Trans-Canada Air Lines.

10. The Cabinet agreed that Frank MacKenzie Ross, Esq., of Vancouver, B.C. and St. Andrews, N.B. be appointed a Director of Trans-Canada Air Lines; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1100, July 6)

Canadian Farm Loan Board; re-appointment of Chairman

11. The Minister of Finance submitted a recommendation for the re-appointment of the Chairman of the Canadian Farm Loan Board for a further period of one month.

12. The Cabinet agreed that John C. Murray, Esq., of Ottawa, Ontario, be re-appointed Chairman of the Canadian Farm Loan Board for a further period of one month from July 25th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1076, July 6)

International Pacific Halibut Commission; appointment of members

13. The Prime Minister submitted a recommendation of the Minister of Fisheries for the appointment of members of the International Pacific Halibut Commission.

14. The Cabinet agreed that:

George R. Clark, Esq.,
Assistant Deputy Minister of Fisheries,
Richard Nelson, Esq.,
President of Nelson Brothers
Fisheries Limited, Vancouver, B.C., and
Harold Helland, Esq., Prince Rupert, B.C.

be appointed as Canadian members of the International Pacific Halibut Commission for a period of two years from the date on which the Northern Pacific Halibut Fishery Convention Act, chapter 43 of the Statutes of Canada 1952-53, was proclaimed in force; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1081, July 6)

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Newfoundland; judicial appointments

15. The Prime Minister submitted recommendations of the Minister of Justice for judicial appointments in the Province of Newfoundland.

16. The Cabinet approved the following judicial appointments in Newfoundland:

(a) W.R. Kent, Esq., of Cornerbrook, to be a Judge of the District Court of the Judicial District of Humber-St. George's; and

(b) W. Loyola Whelan, Esq., of Cornerbrook, to be a Judge of the District Court of the Judicial District of St. John's East;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1083 and P.C. 1953-1084, July 6)

St. Lawrence power project; recent developments

17. The Minister of Transport, referring to the discussion at the meeting of May 18th, reported that, although the Examiner of the Federal Power Commission had, on May 12th, 1953, filed his decision ordering that a licence be issued to the New York State Power Authority for the development of power in the International Rapids Section of the St. Lawrence River, this Order had not yet been made final by the Commission. There were indications, however, that the Federal Power Commission might give final approval to this Order some time during the week of July 13th, despite the writ of prohibition filed with the U.S. Court of Appeals by the President of the Public Power and Water Corporation of Trenton, New Jersey, to prevent the Federal Power Commission from handing down a decision in favour of New York State. It was thought that the U.S. Court of Appeals would dismiss this motion within a matter of days.

Canadian officials, in consultation with the Chairman of the Canadian Section of the International Joint Commission, and the Chairman of the Ontario Hydro Electric Power Commission, had suggested that the St. Lawrence River Joint Board of Engineers to be appointed by the Canadian and U.S. governments under the terms of the October 29th, 1952, Order of Approval issued by the I.J.C., should be established as soon as possible after the U.S. Federal Power Commission had taken final action on New York's application, that the Board consist of three Canadian and three U.S. members, that the terms of reference for the Board follow substantially the wording of the appropriate clauses in the I.J.C. Order of October 29th,1952,

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and that the Board be authorized to give final approval to plans, specifications and programmes of construction without reference to their respective governments. It should be provided, however, that the Board would keep both governments currently informed as to the progress of the work and that, in case of disagreement within the Board, the points in contention would be referred to the respective governments for instructions.

He recommended approval of these proposals.

It was understood that the I.J.C. also planned to appoint the International St. Lawrence River Board of Control as soon as possible after the New York State Power Authority obtained a licence from the Federal Power Commission. This Board would also probably consist of six members - the Canadian members comprising a Federal representative and nominees of the Ontario Hydro-Electric Power Commission and the Quebec Hydro-Electric Power Commission.

An explanatory note had been circulated.

(Minister's memorandum, July 3, 1953- Cab. Doc. 149-53)

18. The Cabinet:

(a) noted the report by the Minister of Transport on recent developments relating to the St. Lawrence power project; and,

(b) approved in principle the Minister's recommendation on the composition and terms of reference of the St. Lawrence River Joint Board of Engineers to be appointed in accordance with the Order of Approval issued by the International Joint Commission on October 29th,1952, and agreed that the Board should be appointed as soon as possible after the U.S. Federal Power Commission had issued a licence to the New York State Power Authority for the development of the U.S. share of power in the International Rapids Section of the St. Lawrence River.

Trade discussions with Japan

19. The Minister of Finance, referring to discussion at the meeting of November 19th, 1952, said the negotiating group had now advised that a point had been reached, in the discussions with Japan concerning a most-favoured-nation trade agreement, at which further direction from the Cabinet was necessary. It appeared that the Japanese government was prepared to accept the principle of a procedure that would allow the imposition of increased values for duty on imports causing or threatening to cause serious injury to domestic industry. They were

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not prepared to give an undertaking for complete non-discriminatory application of trade and exchange restrictions. To meet the situation, the negotiating group had devised a formula which, while recognizing the realities of the Japanese balance of payments position, would give reasonable assurances for the principal Canadian exports to the Japanese market. The formula was set forth in a note from the group.

An explanatory memorandum had been circulated.

(Memorandum, Negotiating Group, undated - Cab. Doc. 152-53).

20. The Cabinet noted the report of the Minister of Finance about discussions with Japan on the proposed most-favoured-nation trade agreement and agreed:

(a) that the negotiating group be authorized to transmit to the Japanese government a revised draft article on trade and exchange restrictions to include provisions, as submitted, as a basis for negotiation; and,

(b) that the negotiating group report back to the Cabinet when the views of the Japanese government on the proposal, or on variants which might be acceptable to the government, had been ascertained.

Colombo Plan; biological control stations for Pakistan and India

21. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a recommendation concerning the establishment of biological control stations for Pakistan and India under the Colombo Plan.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 2, 1953 - Cab. Doc. 151-53).

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

(a) that the governments of India and Pakistan be offered the services of W.F. Sellers, Esq., of the Commonwealth Institute of Biological Control, for a period of 18 months, to supervise the construction and equipping of a biological control station in each of India and Pakistan, the terms of service to be subject to negotiation;

(b) that funds be provided from the Technical Co-operation portion of the Colombo Plan Fund to the extent of $46,140 for Pakistan and $38,340 for India for the construction and equipping of the stations and for a contribution to salaries; and,

(c) that the above amounts of Canadian currency be transferred to special accounts established by the two governments in their own countries or in Canada, as might be appropriate, on understandings as set forth in the recommendation.

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Colombo Plan; assistance for Ceylon

23. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a recommendation for the extension of assistance to Ceylon under the Colombo Plan.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, July 3, 1953- Cab. Doc. 153-53).

24. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs concerning assistance to be provided to Ceylon for capital development out of the funds appropriated by Parliament at the last session and agreed:

(a) that authorization be given for the expenditure from the fund of $1,785,000 in connection with rural road construction, building and equipment of a polytechnic institute and the provision of diesel locomotives, pumping sets, a well-boring machine and agricultural maintenance workshops as recommended; and,

(b) that approval in principle be given to the extension of assistance for further fisheries development and for pest control, subject to approval of specific proposals when further investigation about the feasibility and desirability of the projects had been undertaken.

United Nations conference on sugar; Canadian representation

25. The Minister of Trade and Commerce said a U.N. conference on sugar would meet in London on July 13th, to discuss measures designed to meet the special difficulties which exist or were expected to arise concerning sugar. As a leading importer, Canada had an interest in the conference and was concerned in any proposals calculated to stabilize the world trade. It was accordingly recommended that Canada be represented.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 29, 1953 - Cab. Doc. 150-53).

26. The Cabinet approved the recommendation of the Minister of Trade and Commerce, concurred in by the Secretary of State for External Affairs, and agreed:

(a) that Canada accept the invitation to participate in the United Nations conference on sugar;

(b) that the Canadian delegation be comprised of:

M.W. Sharp, Esq., Associate Deputy Minister of Trade and Commerce, delegate;

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G.S. Glass, Esq., Department of Finance, alternate delegate;

Messrs. R.P. Bower and L.E.C. Couillard, Canada House advisers;

and,

(c) that authority be granted to Mr. Sharp to negotiate and sign, subject to acceptance, such agreements as might be concluded and approved by the government; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1074, July 6)

International Civil Aviation Organization; Third Conference on North Atlantic Ocean weather stations

27. The Minister of Transport said the third conference of I.C.A.O. on North Atlantic ocean weather stations, would convene on July 8th, to revise the existing agreement. The revision would affect the principle applied to the allocation of responsibilities and the distribution of contributions. Since 1949, the number of trans-Atlantic crossings by Canadian civil aircraft had increased to a point where Canada's contribution appeared to be the cost of operation of 1.6665 weather vessels rather than one as at present. To meet a fair share of cost without providing a second vessel it was proposed that Canada provide one vessel together with a cash contribution.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 2, 1953 - Cab. Doc. 146-53).

28. The Cabinet approved the recommendation of the Minister of Transport and agreed:

(a) that Canada continue to participate in the International Agreement on North Atlantic Ocean Weather Stations;

(b) that Canada undertake to continue a contribution toward the Agreement not in excess of the provision and operation of one weather ship plus a cash contribution of not more than $210,000 per annum; subject to the understanding that the Canadian delegate to the International Civil Aviation Organization's Third Conference on North Atlantic Ocean Weather Stations would endeavour to reach agreement on a smaller cash contribution through operation of the weather stations by the most economical means; and,

(c) that Charles Stephen Booth, Esq., Canadian representative to I.C.A.O. and delegate to the conference be authorized to sign, on behalf of Canada an agreement resulting from the conference; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1073, July 6)

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Canadian Forces Medical Council; constitution and membership

29. The Minister of National Defence submitted recommendations for the establishment of a Canadian Forces Medical Council and for the appointment of civilian members.

30. The Cabinet approved the recommendations of the Minister of National Defence and agreed:

(a) that a Canadian Forces Medical Council be constituted to make recommendations concerning the integration and coordination of the Canadian Forces Medical and Nursing Services, to formulate medical and nursing policy in all matters relating to the health and medical care of the Canadian Forces and to perform such duties in connection therewith as the Minister of National Defence might from time to time direct; the Council to consist of a civilian chairman and three other civilian members, together with the Medical Director General, R.C.N., the Director General Medical Services (Army) and the Director of Medical Services (Air) and the Director of Nursing Services, Canadian Forces, as an associate non-voting member; and

(b) that the following be appointed civilian members of the Council:

Dr. J.A. MacFarlane, Toronto (Chairman)
Dr. G.E. Hall, London
Dr. W.C. MacKenzie, Edmonton
Dr. Mathieu Samson, Quebec;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1091 and P.C. 1953-1092 July 6).

Indemnities for fishermen; Vessel Indemnity Regulations; indemnities for fishing gear.

31. The Prime Minister reported that the Minister of Fisheries had submitted draft regulations for indemnities for fishing vessels in accordance with the plan approved at the meeting of February 19th. The plan would cover vessels up to a maximum value of $7,500, and was designed to come into effect immediately.

An explanatory memorandum and copies of the regulations had been circulated.

(Memorandum, Assistant Secretary to the Cabinet, undated, and attached draft regulations: Cab. Doc. 145-53)

The plan, as originally outlined, had also been intended to cover indemnities on fishing gear. The Minister of Fisheries had announced on May 13th that, to gain experience, it was intended to begin with one type of gear in 1953. Lobster pots had been chosen for this purpose, and regulations were being prepared to cover Nova Scotia, New Brunswick, Prince Edward Island, Quebec and

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Newfoundland with premiums of $7.50 per hundred traps, payable in advance. It was intended to have the plan come into effect with the opening of the fall season on August 10th. Approval of the scheme in principle was sought.

32. The Cabinet noted the report of the Prime Minister concerning arrangements for indemnities on fishing vessels and fishing gear, and agreed:

(a) that the Fishing Vessel Indemnity Regulations be approved as submitted, to come into effect as of July 6th; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1079, July 6).

(b) that the plan for a system of indemnities to apply to lobster pots be approved in principle, on the understanding that detailed regulations would be prepared and submitted at a date that would enable the scheme to come into effect by the opening of the fall season on August 10th, 1953.

Fishing Bounty Regulations; amendment

33. The Prime Minister said the Acting Minister of Fisheries had submitted a recommendation for amendment of the Fishing Bounty Regulations to enable the bounty to be paid to steam trawlers, which were at present excepted. The change would not increase the financial outlay. The fund available for the bounty was $160,000 and the amendment would have the effect of admitting new beneficiaries and slightly reducing the bounty payable to others.

34. The Cabinet noted the report of the Prime Minister concerning a recommendation for the amendment of the Fishing Bounty Regulations to enable the bounty to be paid to steam trawlers, and agreed that decision be deferred pending further investigation of the effect of the modification on the bounty payable to fishermen now eligible to receive it; the amendment to be approved if it appeared that the effect would not be serious.

Labour; rehabilitation of disabled persons; vocational training; agreements with provinces

35. The Prime Minister, referring to discussion at the meeting of February 6th, 1953, said the Minister of Labour was anxious to initiate discussions with the various provincial governments in order that agreements might be entered into for the rehabilitation of disabled persons. During the last session of Parliament, the sum of $195,333 had been appropriated for this purpose.

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The text of a draft federal-provincial agreement for the coordination of rehabilitation services for disabled persons was submitted.

It was also intended to amend the Vocational Training Agreements entered into with the provinces uhder authority of P.C. 1953-9/376 of March 9th,1953, to provide for the training and re-training of disabled persons.

An explanatory note had been circulated.

(Memorandum, Privy Council Office, July 3, 1953 and attached recommendations to Council - Cab. Doc. 147-53)

36. The Cabinet approved the draft federal-provincial agreement for the coordination of rehabilitation services for disabled persons and the proposed amendment to the Vocational Training Agreements respecting disabled persons as submitted by the Minister of Labour; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1086 and P.C. 1953-1087, July 6)

Government contracts; claims by underpaid employees' of contractors

37. The Minister of Finance reported that on June 4th, 1953, the Treasury Board had considered a claim in the amount of $116.85 which had been received by the Department of Labour from Jack Coyle who alleged that he had not been paid in full for services performed by him as a carpenter on construction work undertaken by J.B. Charpentier for the Department of Public Works. It appeared that the claimant had not been paid at all for two weeks' work and that his wages had been at less than prevailing rates for the period for which he had been paid. Mr. Coyle had been employed for 129 hours, for which he was paid $96.00 instead of the $212.85 which he would have received had prevailing rates been applied. The construction work for the Department of Public Works had been satisfactorily completed and the contractor was paid in full ($1,869.50) on September 24, 1952.

The Fair Wages and Hours of Labour Act, 1935, provided that all employees of contractors of the Crown shall be paid "fair wages" and regulations made under the Act provided further that a defaulting contractor shall make good any discrepancy in wages paid to employees.

In the circumstances, and in view of the danger of removing the responsibility from the contractor, it was suggested that the payment should not be made.

An explanatory note had been circulated.

(Minister's memorandum, June 12, 1953 - Cab. Doc. 143-53).

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38. The Cabinet noted the report that an employee had not been paid in full for services rendered by him to a contractor as a carpenter on a minor construction job under contract from the Department of Public Works, and agreed that the contractor (J.B. Charpentier) be held entirely responsible for the amount due to the employer.

Animal Contagious Diseases Act; amendment

39. The Minister of Agriculture pointed out that the maximum amounts payable as compensation in respect to animals ordered destroyed, as set out in the Animal Contagious Diseases Act, had proved from time to time to be lower than market values. When this difference existed, there was less incentive for farmers to report suspected contagious diseases or to cooperate in control measures. On the other hand, when prices were low and the maximum amount payable under the Act was greater than the market value, it was sometimes difficult to satisfy farmers with payments at market value.

It was believed therefore, that a more effective control of contagious diseases could be achieved and a more equitable basis of compensation established, if payment for animals ordered destroyed under the Act was made on the basis of market value at the time of slaughter rather than on prescribed maximum payments. However, payments in respect to animals ordered slaughtered because of bovine tuberculosis should be continued on the present basis of prescribed maximum rates plus estimated carcass value when the carcass was not saleable.

He recommended that the Act be amended along these lines effective from May 1st, 1953, in order that the amendment be applicable to the hog cholera outbreak in Ontario and to any other outbreak which might occur prior to enactment.

The Department of Agriculture maintained a record of the weights and values of the animals destroyed, so that the necessary adjustments in the payments could be made if and when the proposed amendment was passed.

An explanatory note was circulated.

(Minister's memorandum, July 13, 1953 - Cab. Doc. 148-53)

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40. The Cabinet:

(a) approved in principle the recommendation of the Minister of Agriculture that an amendment be sought to the Animal Contagious Diseases Act to provide that compensation for animals ordered destroyed under the Act be made on the basis of market value at the time of slaughter rather than on the basis of prescribed maximum payments; a draft measure to be prepared accordingly; and,

(b) agreed that the Minister of Agriculture announce that the government proposed, at the next session of Parliament, to seek approval of an amendment along the lines indicated, such amendment to be retroactive to May 1st, 1953.

Cheese support programme

41. The Minister of Agriculture, referring to discussion at the meeting of June 12th, 1953, said that some cheese producers, mainly in the western Ontario areas, had expressed dissatisfaction over the government's undertaking to have the Agricultural Prices Support Board purchase from the Ontario Cheese Producers Association Limited, at 30 cents a pound all this year's cheese that the Association might have left on hand on October 31st, 1953, they felt that they should be free to sell direct to the Board without the necessity of going through the Association. Under the terms of the provincial statute however, cheese producers could not market their cheese other than through local cheese exchanges and the Ontario Cheese Producers Association.

An explanatory note was circulated.

(Minister's memorandum, July 6, 1953 - Cab. Doc. 154-53)

42. In the course of discussion it was pointed out that:

(a) Dissatisfaction had also been expressed by Eastern Ontario cheese producers who felt that the Agricultural Prices Support Board should be authorized to purchase cheese at a price which would bring a return of 30 cents a pound to the producer at the present time.

(b) It would seem inadvisable to make any change in the previously announced cheese support programme for 1953, as it was based on the initial, interim and final payment principle which was generally applied in the case of cooperative undertakings throughout Canada,

(c) It would be inadvisable for the Federal government to take over the cheese marketing

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business and consequently the government should not undertake to have the Agricultural Prices Support Board purchase cheese as and when offered but only at the conclusion of the cheese producing season.

43. The Cabinet agreed that no change be made in the cheese support programme as set forth in Order in Council P.C. 1953-889; Ontario cheese producers to be informed that, in accordance with that programme, the Agricultural Prices Support Board would be prepared, on October 31st, to take over at 30 cents a pound surplus cheese from any persons or groups legally entitled to dispose of such cheese under Federal and Provincial laws.

Beef; suggested Federal price support

44. The Minister of Citizenship and Immigration referring to the discussion at the meeting of February 19th, 1953, reported that cattle producing areas in Ontario which normally marketed their beef in Toronto were experiencing difficulty in disposing of heavy steers. There had been a sharp decrease in beef prices and producers felt that the Federal government should take some action to protect them, inasmuch as the government had requested them to hold back their cattle from marketing during the U.S. embargo resulting from the outbreak of foot and mouth disease.

The situation was further complicated by accelerated beef marketings in the United States resulting from the drought in the south-west. It was understood that, in order to avoid a sharp break in domestic beef prices the U.S. government might purchase up to 10,000 head of cattle. Cattle producers in Ontario felt that the problem here would be solved if the Canadian government undertook a similar purchasing programme for heavy steers in western Ontario.

45. In the course of discussion, the following points were made:

(a) The main foreign market for Canadian beef was the United States. It would be difficult to justify a price support programme in this instance when Canadian fishermen were being advised by the government that a fish price support programme was inadvisable as likely to jeopardize Canadian markets in the United States.

(b) The Canadian government had not actually requested cattle producers to withhold cattle from market during the outbreak of foot and mouth disease, but had simply advised them that it would probably not be in their interest to bring too many cattle to market while the U.S. border was closed. If they had marketed earlier in the spring other prices were higher immediately after the lifting of the embargo, there would have been no difficulty.

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46. The Cabinet agreed that no Federal support or purchase programme could be undertaken at present to deal with the difficulty in marketing heavy steers in and around Toronto.

Coronation medals; distribution

47. The Minister of Trade and Commerce, referring to the discussion at the meeting of June 9th, 1953, said that, under the general rules of distribution previously approved, the National Research Council, the Atomic Energy Control Board and Atomic Energy of Canada Limited would each receive one Coronation medal only, whereas government departments generally would receive medals on the basis of 2 percent of total personnel. In view of the nature of the work performed by the three bodies and their valuable contribution to the national welfare, they should be treated at least as well as the Civil Service generally.

(Assistant Secretary's note to the Prime Minister, June 24, 1953)

48. In the course of discussion, it was pointed out that there appeared to be several anomalies in the Coronation medal distribution lists. It was suggested that no action be taken to distribute any medals until such time as the matter had been further considered by the Cabinet.

49. The Cabinet agreed:

(a) that the allocation of Coronation medals for the National Research Council, the Atomic Energy Control Board and Atomic Energy of Canada Limited be on the same basis as to regular departments of the public service; and,

(b) that no steps be taken toward actual distribution of the Coronation medal nor any distribution lists be regarded as final until such time as the whole question had been reviewed in detail by the Cabinet.

Post Office Savings Bank; amendments to regulations governing maximum deposits

50. The Postmaster General mentioned that, under the current Post Office Savings Bank regulations no individual could deposit more than $1,500 in any one year, nor could any individual deposit account exceed a total of $5,000, exclusive of interest, at any one time. These deposit limitations had been established in 1911 and, in view of the substantial change in the value of the dollar since that time, it was proposed that the limits be increased. The suggested amendment had been approved by the Minister of Finance.

An explanatory note had been circulated.

(Minister's memorandum, June 9, 1953 - Cab. Doc. 144-53)

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51. The Cabinet noted the intention of the Postmaster General to have the regulations governing the operation of the Post Office Savings Bank amended so as to abolish the annual deposit limit of $1,500 and to provide that the maximum credit possible for any depositor be increased from $5,000 to $10,000, exclusive of interest.

South Saskatchewan project

52. The Minister of Agriculture, referring to the discussion at the meeting of June 12th,1953, said the Province of Manitoba had now approved unconditionally, the allocation by the Prairie Provinces Water Board of 960,000 acre feet of water for the purposes of the South Saskatchewan River project. The government of Alberta, however, was prepared to approve the allocation on condition that the water would be used exclusively for irrigation purposes. This would clearly be unacceptable as it would prevent the use of the South Saskatchewan project for power development purposes and to supply water to certain urban centres in Saskatchewan. He was hopeful, however, that the Alberta government would eventually agree to unconditional approval.

53. The Cabinet noted the report by the Minister of Agriculture on current developments respecting the South Saskatchewan River project.

N.A.T.O.; sharing of Headquarters costs

54. The Minister of National Defence reported that, under current arrangements, Canada had agreed to pay 10 percent of current and 6.7 percent of capital costs of the international budget for N.A.T.O. civil and military agencies. As the figures had been thought to be higher than was strictly appropriate for the Canadian contribution, the basis of payment was that 5 percent was an outright contribution and the remainder a charge against mutual aid provided by Canada. The question was whether the same share should be assumed and the same basis of payment authorized for 1954. The Departments of External Affairs, National Defence and Finance were in agreement that they should.

55. The Cabinet noted the report of the Minister of National Defence and agreed that Canada undertake to provide, in 1954, the same share of current and capital costs of the international budget for North Atlantic Treaty Organizations civil and military agencies and on the same basis as in 1953.

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Post Office; rates payable for trans-Atlantic airmail

56. The Postmaster General reported that at the meeting of the 13th Congress of the Universal Postal Union in Brussels in 1952, it had been agreed that the basic rate payable for the carriage of mail by air internationally be reduced from 6 gold francs per pound to 4 gold francs. Payments by the Post Office to Trans-Canada Airlines for the trans-Atlantic carriage of mail, as authorized by Order in Council P.C. 182 of January 13th, 1950, were based on the old rate of 6 gold francs. The Post Office Department had informed Trans-Canada Airlines of the new international rate of payment and had suggested that, effective July 1st, 1953, the rate payable to T.C.A. be reduced from $4.83 per pound to $3.22, which would be the appropriate amount in relation to the international rates. The position T.C.A. had taken was that, until the Order in Council of 1950 was revoked, it had no choice with regard to the rates it was to receive for mail carriage. As negotiation of new rates had not been undertaken prior to July 1st, the Deputy Postmaster General had, on that date, directed that trans-Atlantic mail carriage be by British Overseas Canadian Corporation rather than T.C.A.

57. In the course of discussion it was stated that it was entirely improper for the decision to discontinue carriage of mail by T.C.A. to have been taken in the manner it had.

58. The Cabinet noted the report of the Postmaster General on international rates payable for the carriage of mail by air and the discontinuance of the use of Trans-Canada Airlines for certain parts of such carriage and agreed that the Post Office Department return immediately to Trans-Canada Airlines the carriage of trans-Atlantic mail by air, subject to adjustment of the rates. pursuant to agreement to be arrived at following discussion between the agencies concerned.

Newfoundland bases; income tax exemption

59. The Minister of National Revenue said that, under the 1941 agreement between the United Kingdom and the United States concerning bases in Newfoundland leased to the United States, American residents and employees, serving or employed in Newfoundland in connection with the construction and operation of the bases, were exempted from income tax in Newfoundland. By an exchange of notes between Canada and the United States, the exemptions were discontinued as of March 19th, 1952. The United States had now urged that the exemptions provided in the original agreement be extended to cover the period from the date of union of Newfoundland with Canada to the discontinuance of the exemptions on March 19th, 1952. The exemption could be authorized by the Governor in Council under Section 50 of the Act to amend the Income Tax Act, 1949, It was recommended, with the concurrence of the Minister of Finance and the Acting Secretary of State for External Affairs, that such exemption be accorded.

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60. The Cabinet approved the recommendation of the Minister of National Revenue, concurred in by the Minister of Finance and the Acting Secretary of State for External Affairs, and agreed that the exemptions from income tax provided by Article XVII of the 1941 Agreement between the United Kingdom and the United States relating to Newfoundland bases be extended to taxation imposed by the Income Tax Act for the period from the date of union of Newfoundland with Canada to March 19th,1952; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1108, July 6)

Saskatchewan coal; federal assistance on movements into Ontario

61. The Prime Minister reported that, under the Saskatchewan Coal Subvention Regulations established by Order in Council P.C. 912 of February 21st, 1951, Federal assistance had been limited to movements of Saskatchewan coal to Ontario points east of and including Eagle Lake, Red Lake Road and Fort Francis. Federal subventions had been so limited because, at the time, Saskatchewan coal could compete in western Ontario without any form of assistance. Because of substantial freight rate increases since February 21st, 1951, Saskatchewan coal could no longer compete in western Ontario without assistance and the Minister of Mines and Technical Surveys had recommended that the Regulations be amended to extend the assistance to all points in Ontario.

62. The Cabinet agreed that the Saskatchewan Coal Subvention Regulations, established by Order in Council P.C. 912 of February 21st, 1951, be amended to provide that financial assistance be extended by the Dominion Coal Board to movements of Saskatchewan coal into any part of Ontario; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1090, July 6)

Alberta and British Columbia coal; subsidies on export

63. The Prime Minister submitted a recommendation of the Minister of Mines and Technical Surveys, for amendment of Order in Council P.C. 1094 of March 15th, 1949, to provide that Federal subsidies might be advanced in respect of Alberta and British Columbia coal exported through U.S. seaports. Subsidies on such movements had been prohibited in 1949 because of the exchange position which obtained at that time. As there were no proper dock handling facilities for coal at either Vancouver or New Westminster, and as movements to Union Bay were very expensive, it would facilitate the export of Alberta and B.C. coal if subsidies were again made applicable to movements through U.S. seaports.

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64. The Cabinet agreed that Order in Council P.C. 1094 of March 15th, 1949, be amended to enable Federal subsidies to be paid in respect of Alberta and British Columbia coal exported to foreign countries through U.S. seaports; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1089, July 6).

Agricultural Products Cooperative Marketing; agreement respecting marketing of B.C. apricots, peaches and prunes

65. The Minister of Agriculture said that an application had been received from the British Columbia Fruit Growers' Association of Kelowna, B.C. for agreements covering the marketing of the 1953 crop of apricots, peaches and prunes under the Agricultural Products Cooperative Marketing Act.

He recommended that an agreement be entered into with the Association involving maximum guarantees of about 60 percent in the case of apricots, 65 percent in the case of peaches and 70 percent in the case of prunes, of the average wholesale price over the past three years. In view of the marketing prospects for the 1953 crop, he did not anticipate that agreements along these lines would involve the government in any expenditure.

An explanatory note was circulated.

(Minister's memorandum, July 6, 1953 - Cab. Doc. 155-53).

66. The Cabinet agreed that authority be granted to the Minister of Agriculture to enter into an agreement with the British Columbia Fruit Growers' Association of Kelowna, B.C. under the terms of the Agricultural Products Cooperative Marketing Act for the marketing of apricots, peaches and prunes produced in 1953, the agreement to involve maximum guarantees of approximately 60 percent in the case of apricots, 65 percent in the case of peaches and 70 percent in the case of prunes, of the wholesale price over the past three years; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1066, July 6).

Newfoundland bait depots; agreement with Fisheries Products Limited of St. John's, Newfoundland

67. The Prime Minister submitted a recommendation respecting the leasing and operation of certain bait depots in Newfoundland.

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68. The Cabinet agreed that a lease and agreement be entered into with Fisheries Products Limited of St. John's Newfoundland to provide for the leasing and operation of bait depots in Greenspond and Long Harbour, Newfoundland; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1080, July 6)

Sudbury airport, Ontario; contract for additional work

69. The Minister of Transport referring to discussion at the meeting of August 6th, 1952, said that, of eight tenders received for additional development required at the Sudbury (Falconbridge) airport, Michaud and Simard, Incorporated, of Quebec, had submitted the lowest bid, at a total figure of $309,815. Rayner and Armstrong Limited, of North Bay, Ontario, whose original bid had been $335,112,50, had, on the day following the opening of tenders sent a telegram saying that one of the unit prices in their tender should have read 24 cents instead of 34 cents per cubic yard, which would reduce the total amount of their bid to $305,112.50, or $4,702.50 lower than that of Michaud and Simard.

It was for consideration whether, in the circumstances, the contract for the additional work should be awarded to Rayner and Armstrong rather than Michaud and Simard.

70. In the course of discussion it was pointed out-,

(a) that although the change in unit prices submitted by Rayner and Armstrong was received after tenders had been opened, the change appeared to arise from a bona fide mistake;

(b) that Rayner and Armstrong were already engaged in development work at Sudbury airport, and therefore could complete the total work much more quickly than a second contractor;

(c) that the additional work involved the building of a second runway crossing the first runway now being completed by Rayner and Armstrong and that, if this company were awarded the additional contract, if could complete the second runway without interrupting flying operations on the first which would not be possible if another contractor were given the work; and,

(d) that it therefore appeared to be in the national interest to award a contract for the additional work to Rayner and Armstrong.

71. The Cabinet agreed that Rayner and Armstrong Limited of North Bay, Ontario, be awarded a contract for additional development at Sudbury (Falconbridge) airport, Falconbridge, Ontario, at a total cost of $305,112.50; the recommendation to be referred to the Treasury Board for necessary action.

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Interprovincial Pipe Line Company; right of way over Sarnia Indian Reserve property

72. The Minister of Transport reported that the Chief and Council of the Sarnia Indian Reserve had objected to the granting of a right of way over a small portion of Reserve property to the Interprovincial Pipe Line Company. He recommended, with the concurrence of the Minister of Citizenship and Immigration, that authority be granted to the Interprovincial Pipe Line Company to construct, operate and maintain two pipe line crossings over a certain portion of the Sarnia Indian Reserve property on condition that the Company seek to reach agreement with the Sarnia Band of Indians as to proper compensation to be paid or, failing such agreement, that steps be taken to have compensation determined by arbitration proceedings.

73. The Cabinet, agreed that the Interprovincial Pipe Line Company be allowed to construct, operate and maintain two crossings over certain portions of the Sarnia Indian Reserve, subject to the condition that the said Company reach agreement with the Sarnia Band of Indians as to the compensation to be paid or, if that was not possible, that compensation be paid as in the case of lands taken without the consent of the owner under the terms of the Pipe Lines Act, chapter 20 of the Statutes of 1949; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1109, July 6)

Television; private broadcasting in Toronto

74. The Minister of Citizenship and Immigration mentioned that strong pressure was being exerted to have the government announce that it would soon approve the granting of licences for private television broadcasting in Toronto.

75. The Cabinet agreed that no change be made at this time in the government's previously announced policy to withhold the granting of private television broadcasting licences in areas to be served by the Canadian Broadcasting Corporation until such time as adequate national television coverage had been established.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

July 17th, 1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, July 17th, 1953 at 8:00 p.m.

Present:

The Minister of National Defence
and Acting Prime Minister
(Mr. Claxton) in the Chair
The Minister of Transport
(Mr. Chevrier),
The Leader of the Government in the Senate
(Senator Robertson),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

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International Convention for the Publication of Customs Tariffs; adherence of German Federal Republic

1. The Minister of National Defence, as Acting Secretary of State for External Affairs, reported that Belgium, in its capacity as the depository state of the International Convention for the Publication of Customs Tariffs, had been informed by the German Federal Republic of the latter's desire to make effective between itself and the signatory powers the provisions of the Convention.

He recommended, with the concurrence of the Minister of Trade and Commerce and the Minister of Finance, that the Belgian government be informed that Canada had no objection to such adherence.

(Memorandum, External Affairs, July 16, 1953)

2. The Cabinet agreed that the Belgian government be informed that Canada had no objection to the provisions of the International Convention for the Publication of Customs Tariffs becoming effective for the German Federal Republic, provided the Allied High Commission gave its approval to German adherence.

Defence; accommodation for dependents of Canadian servicemen in Germany

3. The Minister of National Defence, referring to discussion at the meeting of May 18th, 1953, reported that the Canadian Ambassador in Bonn, Germany, had carried on discussions with the Allied High Commission in Germany and with the government of the Federal Republic of Germany with respect to housing accommodation for the families of Canadian servicemen stationed in Germany.

The German Ministry of Finance had indicated that the German government would be prepared to finance the entire programme and to organize, build, own, manage and rent approximately 2,200 dwellings and 100 schoolrooms subject to certain conditions. The German proposal was based on a rough estimate of a total capital investment of 70 million Deutschemarks, and entailed an average rental per dwelling of $57.50 per month including cookstoves, exterior maintenance, water and all taxes, but excluding heating, hot water, interior maintenance, gas, electricity, refrigerator and electric fixtures. The German government was prepared to undertake interior maintenance on a cost recovery basis. It was noted that the estimated monthly rental for similar accommodation in France was approximately $105.00 per unit. The schools would rent at a total annual figure of 10 percent of construction costs, amounting to 805,000 Deutschemarks or approximately $185,000.

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Provided early agreement was reached the German Ministry of Finance estimated that one-half of the programme could be completed by May, 1954, and the remainder by October, 1954.

The proposal had been considered and approved by the Department of Finance.

An explanatory note was circulated.

(Minister's Memorandum, July 17, 1953, Cab. Doc. 156-53).

4. The Cabinet approved the proposal submitted by the Minister of National Defence respecting accommodation for dependents of Canadian servicemen in Germany, and agreed that arrangements be made with the Federal German government under which that government would undertake to finance the entire programme and to organize, build,own, manage and rent approximately 2,200 dwellings and 100 schoolrooms subject to the following conditions:

(i) The Canadian government, and not individual personnel, to be the lessee.

(ii) The Canadian government to pay rentals for five years following the delivery of the units with an option to renew after five years with possible adjustment in rentals.

(iii) During the initial guarantee period, any units that were released or not required to be leased to the local population with the Canadian government undertaking to make up any difference between the actual rental obtained and the guaranteed rental.

(iv) Rentals to be paid quarterly in advance; and,

(v) The Canadian government to make a partial prepayment of rentals in the amount of 7,000,000 Deutschemarks ($1,600,000 approx.) when construction began (This amount representing 10 percent of the estimated cost, or roughly one year's economic rent).

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Canadian exports to the United States; possible U.S. restrictions on oats and groundfish fillets.

5. The Secretary of State reported that the U.S. Tariff Commission had received representations that restrictions should be imposed on the importation of oats and groundfish fillets. Canada provided about 60 percent of U.S. imports of groundfish fillets and nearly 100 percent of their imports of oats. Restrictions in either case would be serious to Canada.

No hearings had yet been held in respect of groundfish fillets but it was understood that the Tariff Commission would shortly submit its recommendations on oats.

In view of the importance of this matter it was agreed, in the course of recent discussions between the Prime Minister, the Minister of Trade and Commerce and the Secretary of State for External Affairs, that the most effective course might possibly be a letter from the Prime Minister to the President. Such a letter had been prepared by the departments most immediately concerned and revised by the Prime Minister. The letter had now been signed and despatched to Washington. Concurrently with submission of the Prime Minister's letter to the President it was felt that the Canadian Ambassador at Washington should forward a formal note to the U.S. Secretary of State. It was intended that the note should be delivered to the State Department the following Monday.

An explanatory note was circulated.

(Memorandum, Privy Council Office and attachments, July 17, 1953 - Cab. Doc. 157-53.)

6. During the course of discussion it was suggested that no reference should be made in the Ambassador's note to the personal letter from the Prime Minister to President Eisenhower. The note should stress as clearly and briefly as possible the great harm which would result for both countries if restrictive measures were now taken against the importation of Canadian oats into the United States.

7. The Cabinet:

(a) noted with approved the personal letter dated July 17th which the Prime Minister had sent to Washington for transmission to President Eisenhower with regard to possible U.S. restrictions against the importation of Canadian oats and groundfish fillets; and,

(b) agreed that a note relating to this matter, in terms as agreed during the course of discussion, be delivered to the State Department by the Canadian Ambassador in Washington the following Monday.

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Textiles; importation of seasonal items at reduced prices

8. The Acting Prime Minister said that textile manufacturers in Canada were very concerned at the increased tendency of manufacturers in the United States to export to Canada tail ends of seasonal items, such as women's dresses, for sale at sharply reduced prices near the end of the various seasons. In part due to the growth of this practice, imports of women's dresses had increased by something over 50 percent in the last year and a half. Prices were frequently much below the general prices at which the items sold in the United States. A technical argument that such sales were not dumping could often be made on the ground that, at the moment of importing, similar cut rate sales were taking place in the United States, the country of origin. Representations by Canadian manufacturers had been made to the Ministers of Trade and Commerce, Transport, National Revenue and to himself about the problem recently.

It would be desirable to have the Interdepartmental Committee on External Trade Policy look into the matter immediately on a confidential basis, to see whether there were any measures that might be taken under existing legal provisions to deal with the problem. In the interim, the Department of National Revenue should ensure that the law against dumping was being enforced to the full.

9. The Cabinet noted the report of the Acting Prime Minister concerning the increase in the importation of finished textiles of a seasonal character into Canada for sale at sharply reduced prices at the end of seasons and agreed:

(a) that the Interdepartmental Committee on External Trade Policy be directed to look into the matter immediately on a confidential basis, to see whether there were any measures not now being taken or any devices not now being applied that might be used under the existing laws to prevent or reduce such imports; and,

(b) that the Department of National Revenue ensure that all measures were being taken under existing legislation to enforce the provisions against dumping as strictly as possible.

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St. Lawrence River development; Board of Engineers

10. The Minister of Transport, referring to the discussion at the meeting of July 6th, said the United States had not as yet reached definite views concerning the size thought desirable for the Board of Engineers for the St. Lawrence project. Once agreement had been reached on this point and on the terms of reference for the Board, it was desirable that action with regard to the Canadian appointments should take place at once.

11. The Cabinet noted the report of the Minister of Transport and agreed:

(a) that if the United States government agreed that the Board of Engineers for the St. Lawrence River development should consist of three representatives from each country, immediate action be taken to have an Order in Council passed to appoint the following persons for Canada:

Carl West, Esq., (Chairman)
M.V. Sauer, Esq.,
Emile St-Laurent,Esq.;

and ,

(b) that if the United States favoured two representatives on the Board from each country, immediate action be taken for the appointment of such two of the above three persons as might be designated by the Minister of Transport.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

August 5th, 1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, August 5th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier)
The Minister of National Revenue
(Dr. McCann),
The Postmaster General
(Mr. Cote),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

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Tornado damage in south-west Ontario; position of the Federal government

1. The Prime Minister, referring to discussion at the meeting of May 26th, 1953, reported that, on July 8th, the Premier of Ontario had sent a letter, which had arrived in his absence, saying what action the provincial government was taking to afford assistance to the localities that had suffered damage in the tornadoes in May. The letter added that the tornado damage amounted to a disaster which justified help from a broader field than the communities and municipalities affected. There was, however, no request for assistance by the Federal government and no suggestion that the situation was in any way beyond the capacity of the province or of the region to deal with. There had been some suggestion in public discussion that the Federal government was applying a different standard in this case than had applied in relation to the fires in Rimouski and Cabano. In those cases, however, there had been a request for assistance from the provincial government and it seemed that the established practice of providing assistance only following such a request should be adhered to.

2. The Cabinet noted the report of the Prime Minister concerning the letter he had received from the Premier of Ontario with regard to measures being taken by the provincial government to give assistance to municipalities that had suffered tornado damage and agreed:

(a) that the principle be adhered to that assistance would be provided in such a case by the Federal government only when the magnitude of the disaster was beyond the capacity of the local authorities or those of the region affected to deal with it and when an approach had been received from the provincial government for assistance following representations to it by the local authorities concerned; and,

(b) that the Prime Minister inform the Premier of Ontario by letter of the above position and that the Premier's letter of July 8th, was not understood to constitute a request for Federal intervention.

Importation of low-priced seasonal textiles

3. The Prime Minister, referring to discussion at the meeting of July 17th, said a report had been received from the Interdepartmental Committee on External Trade Policy concerning the measures being taken by the Department of National Revenue to ensure that no dumping of seasonal textiles was taking place and concerning the possibility of taking any new measures under existing legislation.

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The report advised:

(a) that all useful measures which could be taken under existing legislation to prevent or reduce the importation into Canada of low-priced U.S. seasonal textiles had either been taken or were now being initiated by the Department of National Revenue;

(b) that some of the more recent measures adopted by the Department of National Revenue would likely have beneficial effects, although these could not be expected to be felt immediately; and,

(c) that it would appear inadvisable at this time to resort to so-called "nuisance" tactics in respect of either customs procedures or of the existing $100 tourist exemption.

Copies of the report were circulated.

(Report, Acting Chairman, Interdepartmental Committee on External Trade Policy, July 28, 1953 - Cab. Doc. 158-53)

4. In the course of discussion it was suggested that a possible measure might be to hold up items where there was doubt as to whether the invoice prices were below the fair market prices, rather than release the items subject to amendment as at present. It was argued, however, that this would not be in accordance with established procedures where the importer undertook liability for payment of duty, nor with the position Canada had taken with regard to United States customs procedures.

5. The Cabinet noted the report of the Interdepartmental Committee on External Trade Policy concerning measures currently being taken with regard to the importation of low-priced seasonal textile items and agreed that the Department of National Revenue continue to maintain as close scrutiny as possible to ensure that no dumping of seasonal textiles into Canada was permitted.

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Flood relief for Japan

6. The Minister of National Defence, as Acting Secretary of State for External Affairs, said that, in the last few months, Japan had experienced two disastrous floods and the Canadian Ambassador there had emphasized the need for outside assistance. There were a number of reasons why help by Canada would be useful at the present stage, apart from humanitarian considerations.

The Canadian Red Cross Society had advised that supplies of powdered milk and canned meat were required, among other things, in the flood areas. It was recommended that assistance in the form of such items be provided.

An explanatory memorandum was circulated.

(Acting Minister's memorandum, Aug.4,1953 - Cab. Doc. 161-53)

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

(a) that flood relief be provided to Japan in the form of canned pork and powdered milk to the amount of $50,000; the division of the contribution as between the two items to be decided by the Secretary of State for External Affairs on the basis of advice by the Canadian Red Cross Society or the appropriate Japanese authorities;

(b) that the powdered milk be obtained from the Agricultural Prices Support Board at cost and the canned pork at the price established for previous sales to relief organizations such as CARE (27.8¢ per pound f.o.b. Vancouver);

(c) that the Department of Finance decide whether to finance the contribution from their contingency fund or in some other fashion that would be appropriate; and,

(d) that authority be granted to the Secretary of State for External Affairs to arrange for the delivery of the relief supplies in the most expeditious manner practicable and for shipping charges to be met from funds provided for Japanese flood relief or by the government of Japan, if the Japanese authorities were willing to pay all or part of the costs.

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Colombo Plan; assistance for Pakistan

8. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted recommendations concerning two projects for which assistance might be provided under Colombo Plan funds available for Pakistan.

An explanatory memorandum was circulated.

(Acting Minister's memorandum, Aug.4,1953 - Cab. Doc. 160-53)

9. The Cabinet approved the recommendations of the Acting Secretary of State for External Affairs and agreed:

(a) that an aerial and resources survey be undertaken of 139,500 square miles of Pakistan, as specified by Pakistan authorities, at a maximum cost of $1 million, and that a contract for the purpose be entered into with the Photographic Survey Corporation Limited of Toronto along the lines of the contract entered into in February, 1953; and,

(b) that a Canadian engineer familiar with the construction of thermal power plants be sent to Pakistan to draw up specifications for a thermal unit required for the Ganges-Kobadak irrigation scheme; the engineer to report on the feasibility of the scheme and also on hydro electric power units which it had been suggested Canada supply for the Punjab Tubewell drainage and irrigation programme; no decision to be taken on provision of the thermal and hydro electric power units at the present time.

Agricultural Products Co-operative Marketing; agreement re B.C. tree fruits

10. The Prime Minister, referring to discussion at the meeting of July 6th, said a submission on behalf of the Minister of Agriculture recommended that Order in Council P.C. 1953-1066 of that date be revoked and an Order passed to permit an agreement to be entered into on a more flexible basis with B.C. Tree Fruits Limited for the marketing of apricots, peaches and prunes. It was desired to be able to modify the agreement so as to allow differentials in initial payments for the various grades of fruits, and in other respects. The proposal was approved by the Department of Finance.

11. The Cabinet noted with approval the report of the Prime Minister and agreed that authority be granted to the Minister of Agriculture to enter into an agreement with B.C. Tree Fruits Limited for the marketing of apricots, peaches and prunes on the basis of an agreement along the lines submitted, but subject to minor amendments not changing matters of principle which the Minister might approve; an Order in Council to be passed conferring such authority and revoking Order in Council P.C. 1953-1066 of July 6th, 1953.

(Order in Council P.C. 1953-1250 of August 5.)

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Agricultural Products Co-operative Marketing; agreement re Saskatchewan forage crop seeds

12. The Prime Minister said a submission on behalf of the Minister of Agriculture recommended that authority be granted to him to enter into an agreement for the marketing of forage crop seeds produced in Saskatchewan.

13. The Cabinet noted the report of the Prime Minister and agreed that authority be granted to the Minister of Agriculture to enter into an agreement in the form submitted, but with minor amendments not changing matters of principle as approved by the Minister with the Saskatchewan Forage Crop Growers Co-operative Marketing Association Limited for the marketing of forage crop seeds produced in 1953 in Saskatchewan; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1249 of August 5)

Exercise of clemency for Japanese major war criminals

14. The Minister of National Defence, with the concurrence of the Secretary of State for External Affairs, submitted a report and recommendations concerning action to be taken by Canada in relation to the possible exercise of clemency for Japanese major war criminals.

An explanatory memorandum was circulated.

(Minister's memorandum, June 26, 1953 - Cab. Doc. 159-53)

15. The Cabinet approved the recommendations of the Minister of National Defence, concurred in by the Secretary of State for External Affairs, and agreed:

(a) that a committee consisting of officials appointed by the Ministers of National Defence, External Affairs and Justice be established to review the cases of Japanese war criminals sentenced by the International Military Tribunal for the Far East as received from the Japanese government; the appointee of the Minister of National Defence to be chairman;

(b) that, in reviewing cases, the committee have regard for all relevant considerations, taking into account the fact that, in recommending the exercise of clemency, considerations other than those of law might be of major importance in certain instances;

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(c) that the initial reactions of the Canadian Clemency Committee on any application might be communicated to other governments concerned on a confidential basis before making final recommendations;

(d) that the recommendations of the committee be reported through the Minister of National Defence; and,

(e) that, in communicating decisions to the Japanese government, the Canadian government should convey only the majority decisions of the governments concerned and should not exercise its discretion to make known to the Japanese government its own decision in particular cases.

Export Credits Insurance; locomotives for Mexico

16. The Minister of Trade and Commerce said the Montreal Locomotive Works Limited was anxious to complete an order from the National Railways of Mexico for 25 Diesel-electric locomotives if satisfactory financing terms could be arranged. The proposed terms involved payments extending over a period of five years. The total amount would be approximately $10 million. A contract of insurance would impose a liability in excess of what the Export Credits Insurance Corporation would normally undertake in relation to any one exporter, but it seemed desirable to permit the contract in order to assist in the development of trade between Mexico and Canada.

A contract of insurance had been authorized on June 12th for an export from the Canadian Locomotive Company Limited, Kingston. The principal difference in the present case was that the Canadian content of the engines would be some 53 percent as against the 93 percent in the Kingston order. The Canadian Locomotive company's contract had been reduced and it looked as if part of it had been diverted to the Montreal company. These were features that made the present arrangement less desirable than the first contract had appeared. On balance, however, he recommended that authority for the contract be granted.

17. The Cabinet approved the recommendation of the Minister of Trade and Commerce and agreed that the Export Credits Insurance Corporation be authorized to enter into a contract of insurance with Montreal Locomotive Works Limited in relation to the export of 25 Diesel-electric locomotives to Mexico, provided that the rate of premium charged should be between 4 3/4 percent and 5 1/2 percent of the contract price, and the maximum liability under the policy not more than 8.5 million; the Ministers of Trade and Commerce and Finance to decide, after detailed consideration of all aspects by the Export Credits Insurance Corporation, whether a contract should in fact be entered into under the present authority; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1257 of August 5)

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Appointments

18. The Secretary of State submitted a number of recommendations for appointments of Administrators to act in the absence, illness or other inability of the Lieutenant Governors of nine of the provinces. The government of British Columbia had indicated that it did not wish to have an Administrator appointed.

19. The Prime Minister said the Minister of Labour had submitted a recommendation for an appointment.

20. The Cabinet approved the recommendations of the Secretary of State and the Minister of Labour and agreed that appointments be made as follows:

(a) to be Administrators to act in administration of the governments of the provinces as indicated, whenever the Lieutenant Governor was unable to execute his office and functions by reason of absence, illness or other inability:

Hon. Thane Alexander Campbell	- Prince Edward Island
Hon. Sir Albert Joseph Walsh	- Newfoundland
Rt.Hon.James Lorimer Ilsley	- Nova Scotia
Hon. Charles Dow Richards	- New Brunswick
Hon. Antonin Galipeault	- Quebec
Hon. John Wellington Pickup	- Ontario
Hon. Ewan Alexander McPherson	- Manitoba
Hon. William Melville Martin	- Saskatchewan
Hon. George Bligh O'Connor	- Alberta,

commissions to be issued accordingly; and,

(b) C. Rhodes Smith, Esq., to be a member of the Canada Labour Relations Board and Chairman of the Board;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1239, 1953-1240, 1953-1241, 1953-1242, 1953-1243, 1953-1244, 1953-1245, 1953-1246, 1953-1247, and P.C. 1953-1248 of August 5)

Wheat Board Act; forms of certificates and initial payments

21. The Minister of Trade and Commerce submitted a number of recommendations under the Wheat Board Act.

22. The Cabinet approved the recommendations of the Minister of Trade and Commerce and agreed that Orders in Council under the Wheat Board Act prescribing forms of certificates and initial payments to producers be passed accordingly.

(Orders in Council P.C. 1953-1251 to 1953-1256, inclusive, of August 5th).

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Dredging contract; First Narrows, B.C.

23. The Minister of Transport, referring to discussion at the meeting of February 16th, 1953, said only one tender had been received on a contract for dredging in the First Narrows, British Columbia. The Department of Public Works recommended that a contract be entered into with the company at the rate of $1.32 per cubic yard, rather than $1.40 as tendered. The company was prepared to accept the contract on that basis with an understanding as to any possible loss.

24. The Cabinet noted the report of the Minister of Transport concerning the tender received for a contract for dredging in the First Narrows in British Columbia and approved in principle the conclusion of a contract with the British Columbia Bridge and Dredging Company and Northwest Dredging Company Limited at a rate of $1.32 per cubic yard, rather than $1.40 as tendered, subject to an understanding that any actual loss on the contract would be paid by the Crown to an amount not exceeding a total cost of $1.48 per cubic yard; the submission to be transmitted to the Treasury Board for necessary action.

Television; applications for private broadcasting licences

25. The Minister of Transport reported that a number of applications had been received for private television broadcasting licences which would be considered by the Board of Governors of the Canadian Broadcasting Corporation at their next meeting in September. In at least two cases applications were from groups which included interests that already had a number of radio broadcasting licences and were applying for more than one television licence. It would be desirable to examine the applicants in detail to consider whether approval was desirable.

26. The Cabinet noted the report of the Minister of Transport concerning applications for private television broadcasting licences and agreed that the Department of Transport bring forward, for consideration at the meeting of August 13th, applications that were on hand.

R. G. Robertson,
Assistant Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

August 13th, 1953

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Items discussed

N.A.T.O. Armed Forces Agreement; ratification; proclamation in force of inoperative sections of Visiting Forces (NAT) Act 2.

Colombo Plan; 1952-53 programme for Ceylon 2.

1942 loan to the United Kingdom; arrangement for repayment 3.

National Revenue; new short income tax form 3.

Television and sound broadcasting; applications for private licences 4.

Agricultural Products Co-operative Marketing Act; potatoes 5.

German war criminals 6.

Canadian Mutual Aid for United Kingdom; provision of F-86 spare parts 7.

National Defence; accommodation, schools and recreation centres for Armed Forces in France and Germany 8.

National Defence; officer of the Canadian forces attached to N.A.T.O. 9.

Anti-submarine detection apparatus; production in Canada 9.

Canadian Farm Loan Board; extension of term of office of Chairman 10.

Canadian Pension Commission; re-appointment of Commissioner 10.

Income Tax; amendment of regulations 10.

Newfoundland; Walsh report on fisheries; discussions with Provincial government 11.

External Affairs; Soviet proposal to send an Ambassador to Ottawa 11.

Korea; arrangements for Political Conference 12.

United Nationsl Canadian delegation to General Assembly 13.

Acting Prime Minister 14.

Parliament; arrangement for session; legislative programme 14.

Independence of Parliament; payments for services to the Federal government 14.

Parliament; holding of by-elections 15.

C.N.R.; construction of hotel in Montreal 16.

Civil Service; five-day week 16.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, August 13th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Public Works
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

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N.A.T.O. Armed Forces Agreement; ratification; proclamation in force of inoperative sections of Visiting Forces (NAT) Act.

1. The Secretary of State for External Affairs, referring to discussion at the meeting of April 2nd, 1953, reported that France, Belgium, Norway and the United States had now deposited their instruments of ratification of the N.A.T.O. Forces Agreement. In view of the presence of certain elements of the R.C.A.F. in France and the United Kingdom, and of the 27th Canadian Infantry Brigade Group in Germany, he recommended that Canada should now deposit its instrument of ratification of the N.A.T.O. Forces Agreement and that, at the same time, the as yet inoperative sections of the Visiting Forces (NAT) Act be proclaimed in force.

An explanatory note had been circulated.

(Ministers' memorandum, Aug. 12, 1953 - Cab. Doc. 163-53)

2. The Cabinet agreed, -

(a) that the Secretary of State for External Affairs be authorized to execute an instrument of ratification for the agreement between the parties to the North Atlantic Treaty regarding the status of their forces, and to deposit the instrument with the Government of the United States at Washington; and,

(b) that the as yet inoperative sections of the Visiting Forces (NAT) Act be proclaimed in force; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1300 and 1953-1301 Aug. 13, 1953.)

Colombo Plan; 1952-53 programme for Ceylon

3. The Secretary of State for External Affairs, referring to discussion at the meeting of July 6th, 1952, said a report had now been received from Mr. H. R. Soubliere of the Canadian Hosier Engineering Company, who had been sent to Ceylon to inspect, on behalf of the Canadian government, the rural electrification project for the Gal Oya area. Mr. Soubliere had recommended the project insofar as the southern portion of the area was concerned

An explanatory memorandum was circulated.

(Minister's memorandum, Aug.11, 1953 - Cab. Doc. 165-53)

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4. The Cabinet noted the report by the Secretary of State for External Affairs on the 1952-53 Colombo Plan programme for Ceylon and, -

(a) approved provision of transmission lines, sub-stations and related equipment in the southern part of the Gal Oya development area in Ceylon, together with the supervisory services of a Canadian engineering firm, up to a maximum cost of $600,000; and,

(b) agreed that the government of Ceylon be informed that, at a later stage, when the need for power in the northern part of the Gal Oya area had been established, consideration would be given to the supply of additional electrical transmission equipment for this area.

1942 loan to the United Kingdom; arrangement for repayment

5. The Minister of Finance, referring to discussion at the meeting of May 13th, 1953, said the United Kingdom had now made definite proposals, along the lines expected, for repayment of the outstanding balance of the 1942 loan. It was recommended that an agreement be made accordingly.

6. The Cabinet approved the recommendation of the Minister of Finance and agreed that he be authorized to execute an agreement between the government of Canada and the government of the United Kingdom respecting the repayment of the outstanding balance of the loan to the United Kingdom under the War Appropriation (United Kingdom Financing) Act 1942, to provide, in substance, that the outstanding balance of the loan be reduced to $150 million as of the date of the agreement; that the remainder be repaid by quarterly instalments of $7.5 million beginning March 1st, 1954, and ending December 1st, 1958; and that the loan be free of interest until the final redemption on December 1st, 1958; the agreement to be submitted to Parliament at the first opportunity; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1298,Aug.13)

National Revenue; new short income tax form

7. The Minister of National Revenue, referring to discussion at the meeting of March 19th, 1953, reported that the T-1 Short form for 1953 for individual income tax returns had been revised to remove any possible doubt as to the exact amount of tax to be paid in each income bracket. It had not been found possible to show the old age security tax as a separate item. It was, however, clearly explained by prominent references that the amount of tax in the table included the old age security tax. The form would have to be enlarged at a considerable cost if the tax were to be shown separately. It was recommended that the revised form be approved.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug.6, 1953, and attached draft income tax T-1 Short form - Cab. Doc. 162-53)

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8. The Cabinet approved the revised T-1 Short form for individual income tax returns for 1953, as submitted by the Minister of National Revenue.

Television and sound broadcasting; applications for private licences.

9. The Minister of Transport, referring to discussion at the meeting of Aug. 5th, 1953, said the Department of Transport had received three applications for private sound broadcasting licences and five applications for private television broadcasting licences. The sound broadcasting applications related to projects in Brampton, Ontario and Montmagny and Drummondville, Quebec. The television applications were for projects to be located at Peterborough, Kingston, Saskatoon, Kitchener and Charlottetown.

10. In the course of discussion the following points emerged:

(a) It was understood that, under the terms of the Radio Act and the Radio Broadcasting Act, the Minister of Transport had no alternative, provided applications were technically acceptable, but to forward such applications to the Canadian Broadcasting Corporation for recommendation as to acceptance or rejection. When a decision had been reached by the Board of Governors it was communicated to the Minister of Transport for submission to the Governor in Council. The decisions of the Board on such matters had, thus far, been made public immediately. The government, if it thought a licence ought to be refused, was placed in the embarrassing position of having to deny the granting of a licence which had been publicly recommended by the Board. It appeared that the advice of the Board ought not to be made public until after the government's decision had been taken.

(b) It seemed extremely difficult to lay down general principles for the award of private television and sound broadcasting licences. It was desirable to avoid large monopolies and multiple ownership in the newspaper, radio and television fields. It was also desirable to know the identity and character of applicants for licences. It did not, however, seem desirable to have a definite rule against the granting of television licences to operators of radio stations, since the two were related.

(c) As broadcasting licences, both in the television and in the sound broadcasting fields, represented an extremely valuable franchise, consideration might be given to making such licences available on the basis of competitive bidding. Revenue realized might be used for the improvement of broadcasting facilities in the more remote areas of the country. There would, however, be a number of problems for solution before such a plan could be adopted.

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(d) Consideration should be given to the propriety of Senators and Members of Parliament having financial or other interest in television and sound broadcasting stations.

11. The Cabinet noted the report by the Minister of Transport on current applications for private television and sound broadcasting licences and deferred decision pending submission by the Minister, for consideration at the meeting to be held on September 9th, 1953, of:

(a) a memorandum setting out in detail the statutory and other procedures which governed the consideration of applications for private television and sound broadcasting licences; and,

(b) a separate note concerning the propriety of Senators and Members of Parliament having an interest in television and sound broadcasting stations.

Agricultural Products Co-operative Marketing Act; potatoes

12. The Minister of Agriculture said the Potato Marketing Board of Prince Edward Island had requested an agreement under the Agricultural Products Co-operative Marketing Act to cover potatoes produced on the Island in 1953 and delivered to the selling agency of the Board on a voluntary co-operative basis before June 30th, 1954. The request had been for an initial payment of 70 cents per bushel plus 30 cents for handling costs. After discussion, the Board had agreed to reduce the handling charge to 25 cents per bushel and the request for initial payment by 10 cents per bushel. It seemed desirable to provide for a starting initial payment of 45 cents per bushel for the fall delivery months, and a seasonal average of 50 cents per bushel, plus 25 cents handling charges. This total guarantee would be about 50 percent of the average wholesale price for the 1952 crop and for the crops of the past three years. It was not thought that the government would incur any financial liability under such an agreement. It was recommended that authority be granted to enter into an agreement as described, subject to minor amendments that might appear desirable after further discussion.

An explanatory memorandum was circulated.

(Minister's memorandum, Aug. 12, 1953 - Cab. Doc. 169-53)

13. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that he be authorized to enter into an agreement in the form submitted with such minor amendments, not changing matters of principle, as the Minister might approve, with the Prince Edward Island Potato Marketing Board and with the selling agencies appointed by the Board for the marketing of potatoes produced in Prince Edward Island in 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1299, Aug. 13)

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German war criminals

14. The Minister of National Defence, referring to discussion at the meeting of May 21st, 1952, reported that seven German war criminals were tried by Canadian military courts at the end of World War II. Of the seven, four were executed in 1946 pursuant to the sentences of the courts, one was released in 1951 and the remaining two, Kurt Meyer and Johann Neitz, were serving sentences of life imprisonment at Werl Prison in the British Zone of Germany. Although they were in the custody of United Kingdom authorities, both remained under Canadian jurisdiction.

In recdnt months considerable agitation had developed for the release of Meyer and Neitz. This had even been urged by Chancellor Adenauer, particularly in respect of Neitz. In the case of Meyer, the German Federal Ministry of Foreign Affairs had made representations for at least his temporary releasein order that he might take hydrotherapy treatment.

Officials of the United Kingdom High Commission in Germany had expressed their embarrassment at the continued detention of Meyer. The number of war criminals held by the United Kingdom had been steadily decreasing and recently the only other promiment German in their custody (General Falkenhorst) had been released on grounds of ill health.

Pending the coming into force of the Contractual Arrangements of May 26th, 1952, and the setting up thereunder of the proposed Mixed Clemency Board, it had been suggested, at a recent meeting of the Foreign Ministers of the United Kingdom, the United States and France in Washington, that Mixed Consultative Boards be established in each of the three Western Occupation Zones to advise on such matters as parole of, or reduction or termination of sentences of German war criminals; it being understood that the Board's functions would be purely advisory and that the final decision would remain with the Power which imposed the sentence in the first place. These Boards would be composed of five members, two being appointed by the German Federal Republic and three by the particular Power concerned. The question was whether Canada should replace the U.K. representatives on the U.K. board if and when the cases of Kurt Meyer and Johann Neitz came up for review.

An explanatory note had been circulated.

(Ministers' memorandum, Aug. 12, 1953 - Cab. Doc. 164-53).

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15. In the course of discussion it was pointed out,-

(a) that, inasmuch as the functions of the proposed Mixed Consultative Boards would be purely advisory, it would perhaps be best not to press for Canadian representation; and,

(b) that every effort should be made to have the cases of Meyer and Neitz reviewed at the earliest possible time.

16. The Cabinet noted the report by the Minister of National Defence on the proposed establishment of Mixed Consultative Boards to advise on the reduction or termination of sentences, or on the outright release or parole of German war criminals, pending the coming into force of the Contractual Arrangements of May 26th, 1952, and agreed,-

(a) that Canada should not seek representation on the Board in the U.K. area but should ask to have a Canadian observer follow the proceedings;

(b) that, if the Boards were established, every effort be made to have the cases of Kurt Meyer and Johann Neitz - the only German war criminals remaining under Canadian jurisdiction - come up for review at an early date, although not as the first cases to be heard; and,

(c) that Canadian military authorities in West Germany be instructed to provide whatever guards were required to enable Kurt Meyer to obtain medical treatment outside Werl prison.

Canadian Mutual Aid for United Kingdom; provision of F-86 spare parts

17. The Minister of National Defence, referring to discussion at the meeting of June 26th, 1952, reported that 370 F-86 airframes and certain Canadian-produced ancillary equipment would be included in the Canadian Mutual Aid Programme for the United Kingdom. These airframes and ancillary equipment were being transferred to the United Kingdom with the spare parts necessary for one year's maintenance. After discussions between the R.C.A.F. and the R.A.F. it was now recommended that an additional year's spare parts for the airframes and ancillary equipment be provided to the United Kingdom under the Mutual Aid Programme at a cost of approximately $5.4 million.

An explanatory note was circulated.

(Ministers' memorandum, Aug. 11, 1953-Cab. Doc. 167-53).

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18. The Cabinet approved in principle the production in Canada and the supply to the United Kingdom, as part of the Canadian Mutual Aid Programme, of an additional year's spare parts, at an estimated cost of $5.4 million, for the 370 F-86 airframes and ancillary equipment transferred or to be transferred to the United Kingdom, on the understanding that the United Kingdom would arrange to have the request for the supply of the parts come through N.A.T.O. as in the case of previous Mutual Aid transfers, before any final arrangements were made.

National Defence; accommodation, schools and recreation centres for Armed Forces in France and Germany

19. The Minister of National Defence, referring to discussion at the meetings of May 18th and July 17th, 1953, said that detailed proposals had now been worked out for the provision of accommodation and schools for married members of the Armed Forces stationed in France and Germany. It was also proposed to include two recreational centres in Germany.

The German housing scheme involved guaranteed rents for a period of five years with option of renewal at the end of the guarantee period. Of the two French proposals, the one preferred was based on an initial ten year contract with right to cancel on six month's notice after the fifth year. Although the French proposal involved payment of slightly higher rentals than those contemplated under the German, it was felt that both schemes were advantageous and preferable in all respects to outright purchase of property by Canada in Europe.

Explanatory memoranda were circulated.

(Minister's memoranda, Aug. 11 and 13, 1953 - Cab. Docs. 166-53 and 168-53).

20. The Cabinet, after discussion, approved the recommendations of the Minister of National Defence for the provision, on a guaranteed rental basis, of accommodation and schools for married members of the Canadian Armed Forces stationed in France and Germany and for two recreational centres in Germany.

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National Defence; officer of the Canadian forces attached to N.A.T.O.

21. The Minister of National Defence said Air Vice Marshal J.L. Plant had been attached to the Supreme Headquarters of the Allied Powers, Europe, under N.A.T.O. as senior officer in charge of personnel. It was now desired to make him Chief of Staff of all the allied air forces in central Europe. The appointment seemed desirable and, to enable him more effectively to carry it out, it was proposed that he be granted the acting rank of Air Marshal while holding the post, but with no increase in pay.

22. The Cabinet noted the report of the Minister of National Defence and agreed that Air Vice Marshal J.L. Plant be accorded the acting rank of Air Marshal during such time as he held the position of the Chief of Staff of the allied air forces in central Europe under N.A.T.O.

Anti-submarine detection apparatus; production in Canada

23. The Minister of Defence Production said a question had arisen as to the desirability of securing the necessary plant and equipment for the production in Canada of a new type of anti-submarine detection apparatus for escort vessels. It was a proprietary design of the British Admiralty and was not manufactured in the United States. It was considered to be superior to the apparatus used on United States vessels. The United Kingdom was ready to supply Canadian requirements, but it might be too uncertain to have no source of supply in Canada if a war were to break out. Production could not be established on short notice. It was not, however, entirely clear that it was essential to have the advance arrangements for Canadian production made. Commercially there was everything to be said for buying the apparatus from the United Kingdom.

24. In the course of discussion it was suggested that:

(a) it would be desirable to make careful enquiries of the naval service to ascertain whether advance arrangements for Canadian production were really necessary; and,

(b) if such arrangements appeared to be desirable, it might be the best course to buy the necessary tools and apparatus in the United Kingdom and hold them in reserve for possible wartime use without entering upon any actual production at present in Canada.

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25. The Cabinet noted the report of the Minister of Defence Production concerning the proposal that the necessary equipment be secured to enable production to take place in Canada of a design of anti-submarine detection apparatus owned by the United Kingdom Admiralty and agreed that, before any definite position were taken, the Minister of National Defence enquire further of the naval authorities as to the need for making arrangements now for wartime production in Canada.

Canadian Farm Loan Board; extension of term of office of Chairman

26. The Minister of Finance,,referring to discussion at the meeting of July 6th, 1953, recommended that the term of office of the Chairman of the Canadian Farm Loan Board be extended for a further period.

27. The Cabinet agreed that J.C. Murray, Esq., be re-appointed Chairman of the Canadian Farm Loan Board for a further period of two months from August 25th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1296, Aug. 13)

Canadian Pension Commission; re-appointment of Commissioner

28. The Minister of Veterans Affairs submitted a recommendation for the re-appointment of one of the ad hoc Commissioners of the Canadian Pension Commission.

29. The Cabinet agreed that Harry Bray, Esq., be re-appointed an ad hoc Commissioner of the Canadian Pension Commission for a further period of one year from September 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1297,Aug. 13,).

Income Tax; amendment of regulations

30. The Minister of Trade and Commerce, with the concurrence of the Ministers of Finance and National Revenue, recommended an amendment to the Income Tax Regulations.

31. The Cabinet approved an amendment to Section 1107 of the Income Tax Regulations respecting depreciation, as recommended by the Minister of Trade and Commerce; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1295, Aug. 13)

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Newfoundland; Walsh report on fisheries; discussions with Provincial government

32. The Minister of Fisheries, referring to discussion at the meeting of May 19th, 1953, said the Premier of Newfoundland urged that the Deputy Minister of Fisheries, the two Assistant Deputy Ministers of Finance (Messrs. Bryce and Deutsch) and the President of Central Mortgage and Housing Corporation, who were shortly to proceed to Newfoundland to discuss in a preliminary way, with the Provincial government the findings and recommendations of the Walsh report on Newfoundland fisheries, be authorized to conclude certain arrangements on behalf of the Federal government so that no time might be lost in beginning work on the one large, one intermediate and three small fishing communities which were contemplated by the Report.

Mr. Smallwood had also expressed some anxiety about the marketing of codfish. Although prospects for this year's catch of salt cod appeared to be very good, Newfoundland fish merchants were apparently reluctant to purchase because they were still holding quantities of last year's catch for which markets were scarce.

(Telegram - Premier of Newfoundland to Secretary of State, Aug. 12, 1953)

33. The Cabinet re-affirmed the decision of May 19th, 1953 to the effect that forthcoming discussions between Federal officials and the Newfoundland government on the Walsh report on Newfoundland fisheries development should be without commitment of the Federal government and that the Committee should report back to the Cabinet and to the Ministers concerned on the results of their discussions.

External Affairs; Soviet proposal to send an Ambassador to Ottawa

34. The Secretary of State for External Affairs reported that, several weeks previously, the Soviet authorities had indicated that they now wished to replace the Charge d'Affaires at Ottawa by a fully accredited Ambassador and had sought Canadian agrement.

35. The Cabinet noted the report by the Secretary of State for External Affairs and agreed that the Soviet authorities be advised that their proposal to send an Ambassador to Ottawa was acceptable to the Canadian government and that agrement was given to the nomination that had been made.

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Korea; arrangements for Political Conference

36. The Secretary of State for External Affairs, referring to discussion at the meeting of June 9th, 1953, reported that the U.N. Assembly was being re-convened the following Monday, August 17th, to arrange for the Political Conference on Korea as provided under the terms of the Korean Armistice.

The United States and the United Kingdom were in disagreement not only as regards the nature of this Conference but also on the general policy to be followed in Far Eastern matters. U.S. authorities were of the view that the Korean Pditical Conference should be an "across-the-table" meeting with the U.N. countries on the one side and the North Korean and Chinese Communists on the other, whereas both the United Kingdom and Canada felt it should be a "round table" conference where all parties sat down together to solve Korean problems.

It was understood that the United States would suggest that the eight countries to represent the U.N, side of the Conference should be the United States, the United Kingdom, France, Australia, Thailand, the Philippines, Columbia and Turkey and that the Communist side should be represented by North Korea and Communist China. The United States did not propose to include India, Soviet Russia or Canada. It had, however, been suggested by the United States that, although Canada should not be directly reprdsented on the Conference, he,as President of the U.N. Assembly, might attend and hold a watching brief on behalf of the United Nations.

37. In the course of discussion, the following points emerged.

(a) It seemed clear that any political conference arising out of the Korean Armistice should include both India and Soviet Russia. It would be inadvisable for the Canadian delegate to the United Nations to propose the admission of the U.S.S.R. On the other hand, if it were found impossible to have India on the original list of countries,Canadian representatives should press for Indian membership.

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(b) If the membership of the Political Conference was to be restricted to a small group of seven or eight countries, Canada might agree not to be included, particularly if Mr. Pearson were to attend the meetings in his capacity as President of the U.N. Assembly. However, Canada was the third largest contributor to the U.N. effort in Korea both ir manpower and materials and Canadian public opinion might be affronted by the exclusion of Canada. This would certainly be the case if the Conference were enlarged to comprise a fairly large number of U.N. member countries.

38. The Cabinet noted the report of the Secretary of State for External Affairs on the re-convening of the U.N. General Assembly to arrange for a Political Conference under the terms of the Korean Armistice and agreed that the Canadian delegation to the United Nations be instructed along the lines indicated during the course of discussion.

United Nations; Canadian delegation to General Assembly

39. The Secretary of State for External Affairs reported that the next regular meeting of the United Nations General Assembly would begin on September 15th. The Canadian delegation usually consisted of five delegates and five alternates, and also included a certain number of advisors. He made certain suggestions as to its composition .

40. The Cabinet noted with approval the report by the Secretary of State for External Affairs concerning the Canadian delegation to the forthcoming meetings of the United Nations General Assembly to begin on September 15th, 1953, and agreed;-

(a) that Mr. Cote act as alternate head of the delegation and that Allan Macnaughton,Esq., M.P., Senator S.S. McKeen and Dr. George Davidson, Deputy Minister of W lfare, be included as delegates; and,

(b) that the Secretary of State for External Affairs be authorized to determine finally the composition of the full delegation in the light of suggestions made during the course of discussion and in consultation with other Ministers most immediately concerned.

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Acting Prime Minister

41. The Prime Minister pointed out that he and most ministers would be absent from Ottawa more or less continuously until the week-end following Labour Day. As Dr. McCann would be in the vicinity during that time, it seemed desirable to make provision for him to act as Prime Minister.

42. The Cabinet approved the recommendation of the Prime Minister that, during any period until September 13th, when the Prime Minister and the Minister of Trade and Commerce were absent from Ottawa, the Minister of National Revenue be authorized to act as Prime Minister and President of the Queen's Privy Council for Canada; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1294, Aug. 13)

Parliament; arrangements for session; legislative programme

43. The Prime Minister proposed that the next session of Parliament begin on Thursday, November 12th, in order that the debate on the Speech from the Throne might be concluded before the Christmas recess. If this procedure were followed, it would be possible to have Parliament meet again shortly after the New Year and begin consideration of the legislative programme. Parliament could be convened earlier than November 12th if developments in the Far East so required.

He requested all Ministers to instruct their departments to submit their legislative programmes for the forthcoming session in order that they might be considered at an early date by the Cabinet Committee on Legislation. He hoped that it would be possible, at the Cabinet meeting of September 9th, to decide finally several matters pertaining to the next session and to give preliminary consideration to at least the broad outlines of the legislative programme.

44. The Cabinet noted with approval the Prime Minister's proposals respecting the next session of Parliament and the preparation of the legislative programme.

Independence of Parliament; payments for services to the Federal government

45. The Secretary of State mentioned that, during the last Parliament, there had been a number of questions concerning payments to members who were lawyers, engineers, etc., for work done for the Federal government. In most cases, they had involved newly elected members. While the

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services for which payment had been received had, in most cases, clearly been before the person had been elected, embarrassment had resulted. New members were frequently not aware of the legal provisions relating to the independence of Parliament. It might be desirable to draw them to their attention in order that future embarrassment might be avoided.

46. In the course of discussion it was suggested that an official letter by the Minister of Justice to all members of Parliament might be considered objectionable by the members of opposition parties and that the best course might be a personal letter from the Minister to supporters of the government.

47. The Cabinet noted the report of the Secretary of State and agreed that the Minister of Justice write, in a personal and confidential manner, to members of Parliament who were supporters of the government to draw to their attention the provisions of the law relating to payments by the government to members of Parliament.

Parliament; holding of by-elections

48. The Secretary of State pointed out that, if any by-elections were required in the near future, it would be necessary to have the writs issued not later than September 14th. If they were not issued by that time it would be necessary to have a delay of about six months before by-elections could be called. This resulted from the proclamation of the Revised Statutes as of September 15th. To comply with the law it would be necessary to have all election instructions and forms reprinted to conform with the Election Act as it appeared in the Revised Statutes and this would take a considerable time. The forms in existence under the law now in effect could be used in cases where writs were issued up to September 14th. As long as the writs were issued by that date, it did not matter when the by-election might actually take place.

49. In the course of discussion it was suggested that, if it became necessary to call by-elections after September 14th, and if it was not desirable to defer the calling as long as six months from that date, it might be possible to secure a legislative amendment, if an autumn session of Parliament were held, to enable existing forms to be used.

50. The Cabinet noted the report of the Secretary of State concerning the necessity of issuing writs for any early by-elections by September 14th at the latest, in order to avoid complications resulting from the proclamation of the Revised Statutes of Canada as of September 15th.

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C.N.R.; construction of hotel in Montreal

51. The Minister of Transport, referring to discussion at the meeting of February 26th, 1953, said the President of the Canadian National Railways wished to make an announcement that approval would be sought for the inclusion in the 1954 budget of an amount to enable initial work to begin for the construction of a hotel in Montreal. An early announcement might deter other hotel interests that were considering construction in Montreal.

52. During the course of discussion it was pointed out that it would be desirable in any announcement to make it clear that the 1954 budget was subject to approval by Parliament.

53. The Cabinet noted the report of the Minister of Transport and agreed that there would be no objection to an announcement by the President of the Canadian National Railways that he would seek the inclusion in the Railway's budget for 1954 of an amount sufficient to enable initial steps to be taken for the construction of a hotel in Montreal; the announcement to make it clear that the budget was subject to the approval of Parliament.

Civil Service;five-day week

54. The Minister of Finance said early consideration should be given to the question of establishing a year round five-day week for the public service. He indicated that he would be in a position to submit detailed proposals for consideration at the meeting of September 9th.

55. In the course of discussion it was suggested,-

(a) that, with the growing trend towards establishment of the five-day week in Canadian industry, there seemed little doubt that the five-day week would soon have to be extended to the public service, at least in the more populous and industrialized centres; and,

(b) that, in so extending the five-day week, the general principle might be adhered to of granting such extension only in areas where the practise prevailed.

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56. The Cabinet noted the report by the Minister of Finance on extension of the year round five-day week to the public service and agreed that a full report be submitted by the Minister of Finance for consideration and decision at the meeting of September 9th.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

September 9th, 1952.

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No. 55-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber on Wednesday, September 9th, 1953, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
and Acting Minister of Finance
(Mr. Garson) (for morning meeting only),
The Minister of Resources and Development
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration,
Acting Minister of Agriculture
and Acting Minister of Public Works
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

Also present (for discussion recorded in paragraphs 22 to 24)

The Assistant Deputy Minister of Finance
(Mr. Bryce).

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South-west Ontario; tornado damage

1. The Prime Minister, referring to discussion at the meeting of August 5th, 1953, said he had received a further letter, dated August 12th, 1953, from the Premier of Ontario on tornado damage in south-western Ontario. Although Mr. Frost had not sought Federal assistance directly, it was for consideration whether the government should contribute to any disaster fund in this case, as had been done in the Fraser Valley, in the Red River floods in Manitoba and in the Rimouski and Cabano fires.

(Letter, Aug. 12, 1953, Premier of Ontario to the Prime Minister).

2. During the course of discussion it was pointed out that although the government of Ontario had not specifically sought Federal aid in this matter, it would be difficult to withhold assistance in the event the damage was as great as had been represented. It would be very difficult for the government of Ontario to say that any situation of this type was beyond its capacity to deal with and the letter probably came as close to being a direct request for assistance as was possible.

3. The Cabinet deferred decision on extension of Federal assistance for the relief of persons who sustained damage in the tornadoes in south-western Ontario during the month of May, pending submission of a detailed report by the Minister of Citizenship and Immigration.

Legislation; programme for 1953-54 session

4. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a preliminary report on the government's legislative programme for the 1953-54 session. The tentative list, which had been drawn up as a result of notices received from various government departments, indicated that a total of 53 individual legislative items might be introduced during the course of the session.

(Memorandum, Privy Council Office, to Chairman, Cabinet Committee on Legislation, Sept. 8, 1953, and enclosure).

5. During the course of discussion the following points emerged:

(a) The Chief Executive Officer of the Northwest Territories was the Commissioner appointed pursuant to section 3 of the North-west Territories Act. For a number of years the Deputy Minister of Resources and Development had filled this post. It was suggested that the Commissioner of the Northwest Territories should be

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someone directly responsible to Parliament and that the post should more appropriately be filled by the Minister of Resources and Development. The Department of Justice might be asked to ascertain whether appointment of the Minister to the post could properly be made under the legislation as it now stood and, if not, what changes might be required to do so.

(b) Numerous and important amendments to the Patent Act had been prepared for introduction during the course of the coming session. Before they were submitted to the Cabinet Committee on Legislation, it was suggested that the draft might be reviewed by a special interdepartmental committee to ensure that the proposed new legislation contained nothing contrary to the public interest.

(c) As the Prime Minister would be absent during a considerable portion of the next session of Parliament it was felt that legislation to establish a Canada Council should not be introduced.

(d) It was suggested that consideration might be given to the desirability of establishing a nation-wide Federal-Provincial Disability Pension scheme with the provinces administering the plan while the Federal and Provincial Governments bore the cost on a fifty-fifty basis.

(e) The Emergency Powers Act would expire on May 31st, 1954 unless extended. Consideration would have to be given before that time to the desirability of seeking a further extension. In the interim consideration should be given to the measures presently in effect under the Emergency Powers Act to determine whether they could be allowed to lapse or should be extended in some form.

6. The Cabinet noted the report by the Minister of Justice on the government's legislative programme for the 1953-54 session and agreed,-

(a) that the Department of Justice ascertain whether any amendments would be required to the Northwest Territories Act to enable the Minister rather than the Deputy Minister of Resources and Development to be appointed Commissioner of the Northwest Territories;

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(b) that a special interdepartmental committee, comprising representatives of the Departments of Secretary of State, Justice, Finance, Trade and Commerce, National Revenue (Customs) and the Privy Council Office (Secretary), be established to examine the Patent Act and amendments proposed thereto, and to report thereon to the Secretary of State;

(c) that legislation relating to the establishment of a Canada Council be not introduced during the coming session;

(d) that the Minister of National Health and Welfare consider the desirability and practicability of establishing a nation-wide Federal-Provincial Disability Pension Scheme; and,

(e) that consideration be given at a later date as to whether the Emergency Powers Act should be extended beyond May 31st, 1954.

Greece; earthquake relief

7. The Secretary of State for External Affairs, referring to the statement by the Acting Prime Minister on August 28th, concerning relief assistance in respect of the recent earthquakes in the Ionian Islands of Greece, recommended, with the concurrence of the Minister of Finance, that $500,000 be made available for aid to Greece.

(Memorandum, Sept. 8, 1953, Secretary of State for External Affairs to Prime Minister).

8. The Cabinet agreed,-

(a) that the Greek government be informed that Canada was prepared to provide aid to Greece up to a value of $500,000;

(b) that the assistance take the form of,

(i) construction materials to a value of $250,000 to whatever specifications were required by the Greek authorities;

(ii) salt cod to a value of $200,000; and,

(iii) evaporated or powdered milk to a value of $50,000;

(c) that the Greek government be asked to assume responsibility for transportation of the supplies from the Canadian seaboard, or, alternatively, that freight costs be met from the $500,000 recommended for relief and the amount of supplies be adjusted accordingly; and,

(d) that a statement be issued to the press on the amount and character of Canadian aid being made available to Greece.

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Proposed Canada-U.S. economic body; terms of reference

9. The Secretary of State for External Affairs said that, during the visit of the Prime Minister to Washington, it had been suggested in the course of discussions with the President that it might be useful to have a joint Canada-United States economic committee. Possible terms of reference limiting the committee to trade questions had been discussed informally, and the United States had now indicated that they thought the terms should be somewhat broadened. The proposal was that the committee be on a ministerial level with the Ministers of Trade and Commerce, Finance, External Affairs and Agriculture for the Canadian side, and the corresponding Secretaries for the United States. Meetings would normally take place not more than twice a year, alternately in Washington and Ottawa.

It was recommended that a formal proposal be made for the establishment of the committee as outlined and with terms of reference as submitted.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 5, 1953- Cab. Doc. 187-53).

10. In the course of discussion it was suggested that it would be desirable to have as the fourth Canadian representative either the Minister of Agriculture or the Minister of Fisheries, depending on the matters to be discussed at any particular time.

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

(a) that it be proposed to the United States that a joint U.S.-Canada Committee on Trade and Economic Affairs be established as recommended; the Canadian representation to be the Ministers of Trade and Commerce, Finance and External Affairs, and either the Minister of Agriculture or the Minister of Fisheries depending on matters to be discussed at any particular meeting; and

(b) that the terms of reference of the committee, as recommended, be:

(i) to consider questions affecting harmonious economic relations between the two countries;

(ii) in particular, to exchange information and views on matters which might substantially affect the operation of present trade agreements under which a high level of mutually profitable trade has been built up; and,

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(iii) to report to their respective governments on such discussions in order that consideration might be given to any measures that might be appropriate and necessary to improve economic relations and to encourage the flow of trade.

Fisheries price support; Newfoundland and Quebec salt cod

12. The Minister of Fisheries said the 1953 marketing season for salt cod, which was now opening was marked by uncertainty because of a number of factors. In Newfoundland, with one exception, merchants buying under N.A.F.E.L. were taking fish only on open receipt. The result was that the fishermen were facing all the risks of the situation and the prospect was for a sharply reduced return. A principal factor was the carry-over of some 50,000 quintals of 1952 fish.

In Quebec there was also a carry-over and dealers, both private and co-operative, felt unable to risk more than limited amounts of purchases.

It was recommended by the Fisheries Prices Support Board that the government purchase a considerable quantity of salt cod from both Newfoundland and Quebec to remove the 1952 carry-over and to secure a guarantee that prices to fishermen would be set by the trade at the 1952 levels. The purchase in the case of Newfoundland would amount to 35,000-40,000 quintals, costing some $700,000. In the case of Quebec the amount would be about 15,000 quintals at about $250,000.

In both provinces it might be impossible to reach agreement with the trade to provide 1952 prices without some acceptance by the government of responsibility to the trade if returns fell below that level.

Explanatory memoranda had been circulated.

(Minister's memoranda, Sept. 8, 1953- Cab. Docs. 184-53 and 186-53)

13. In the course of discussion it was suggested:

(a) It would be most undesirable to make any undertaking whatever to support the 1953 price. If the carry-over from 1952 were removed, there should be no difficulty in securing 1952 prices since the world supply of salt cod was down.

(b) In the discussions with N.A.F.E.L. it should be made clear that the government did not approve of marketing methods under which all the risks fell on the fishermen and that, if the organization was not prepared to pay fair prices after the government's action, the government would try to ensure that it did not continue to have its present monopoly position.

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(c) The offer to purchase the 1952 carry-over should be in sufficiently broad terms that similar surpluses in New Brunswick and Nova Scotia could also be acquired if it seemed desirable.

(d) As the intention would be to dispose of the purchases of salt cod through gifts for relief, it would be desirable to ascertain whether the latest United States appropriation for relief assistance had been tied to purchases in the United States. If it had, there would be no objection to making relief grants, as for instance to Korea, directly in the form of salt cod. If United States appropriations were still untied, it would be better to have Canadian relief appropriations in the same way and rely on the probability that cod could be sold for such purposes.

14. The Cabinet noted the report of the Minister of Fisheries concerning the supply and price of salt cod in Newfoundland and Quebec and agreed:

(a) that the government undertake, as recommended, to purchase quantities of salt cod in Newfoundland and Quebec which had been carried over from 1952 to clear the market and secure a position in which fishermen would be paid for the 1953 catch at approximately 1952 levels; the estimated amount for purchase in the case of Newfoundland to be 35,000-40,000 quintals at approximately $700,000 and, in the case of Quebec, 15,000 quintals at approximately $250,000;

(b) that the Department of Trade and Commerce and Fisheries consider whether the purchases should be made by the Fisheries Prices Support Board or by the Canadian Commercial Corporation;

(c) that the offer to purchase be made in such terms that it would be possible to extend the arrangement to cover any similar carry-over of 1952 salt cod in Nova Scotia and New Brunswick; and,

(d) that no undertaking be made of government support for 1953 prices but that it be made clear that the purchase was to enable fair prices to be paid to the fishermen and that, if they were not paid, the government would have to consider what action should be taken with regard to the exclusive marketing position of N.A.F.E.L. in Newfoundland.

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Fisheries price support; mackerel fillets

15. The Minister of Fisheries said fishermen in the Magdalen Islands had suffered a sharp drop in income due to the collapse in prices of pickled mackerel fillets in 1952-53. The Fisheries Prices Support Board considered that the fishermen should not be obliged to sustain the severe drop in price without compensation and had submitted recommendations accordingly.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 8, 1953-
Cab. Doc. 185-53)

16. The Cabinet noted the report of the Minister of Fisheries concerning recommendations by the Fisheries Prices Support Board with regard to mackerel fillets and agreed:

(a) that a deficiency payment of up to 3 cents per pound be made to fishermen in the Magdalen Islands selling through the Central Co-operative and the Amherst Fishermen's Co-operative for 1953 production of pickled mackerel fillets;

(b) that, if necessary, a similar deficiency payment be made to fishermen in Newfoundland who had delivered pickled mackerel fillets on consignment to dealers and received prices comparable to those received by the fishermen of the Magdalen Islands who sold through the co-operatives; and,

(c) that the total liability of the Board, including any payments in respect of Newfoundland that might be required, should not exceed $25,000.

Agricultural prices support; beef; canned pork; milk powder

17. The Minister of Citizenship and Immigration as Acting Minister of Agriculture reported that, as of September 1st, 1953, the government held 54.8 million pounds of canned pork, 13.4 million pounds of frozen beef and 10 million pounds of skim milk powder. There was some possibility of selling frozen beef to the U.S.S.R. and it was recommended that the policy against sales to the Soviet Union and satellite countries be reviewed and that the sale of both frozen beef and canned pork to such countries be authorized. Beef would have to be at prices competitive with those of New Zealand, Australia and Argentina. In the case of canned pork, it was recommended that authorization be given

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to reduce prices for export below the domestic price. Consideration would first be given to the possibility of making substantial relief gifts but sales abroad would also have to be resorted to as deterioration of the pork might take place within a few months.

It was recommended that consideration be given to the inclusion of a large part or all of the milk powder in relief gifts.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, Sept. 4, 1953 - Cab. Doc. 183-53)

18. In the course of discussion it was stated that the considerations that affected sales to the Soviet Union and satellite countries were not the same as in January when the decision against them had been taken. Fighting in Korea had ceased and meat was not on the list of strategic materials. There was not now the same objection to sales, either direct or indirect, to those countries.

19. The Cabinet noted the report of the Acting Minister of Agriculture concerning the disposal of frozen beef, canned pork and skim milk powder held by the Agricultural Prices Support Board and agreed:

(a) that the ban on the sale of frozen beef and canned pork to the Soviet Union and satellite countries be discontinued;

(b) that sales of frozen beef for export be at prices competitive with the most attractive offers of the major beef exporting countries;

(c) in the case of canned pork, consideration be given to the possibility of making substantial relief gifts and that efforts be made to sell for export, if reasonable offers were received not too far below the prevailing price in cases where countervailing duties would not be incurred, but that no reduction be made in the price for domestic sale; and,

(d) that consideration be given to the inclusion of a large part or all of milk powder stocks in any relief gifts that might be approved.

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Wheat; interim payments; storage and marketing conditions

20. The Minister of Trade and Commerce said that, owing to storage and marketing problems, the 1953 crop of wheat would move slowly. It was desirable to put some additional money in the hands of producers and for the purpose it was recommended that an interim payment of 12 cents per bushel be made on 1952-53 deliveries. It was also recommended that final payments be made on oats and barley, nearly all of which had been sold. The result of these payments would be to provide $100 million to western grain producers by the end of the year.

Commercial storage in the country and at terminals was very short but the grain companies were unwilling to build more at present costs. Farmers could secure loans under the Farm Improvement Loans Act for construction of storage on the farms and it was recommended that attention be drawn to this. There might be pressure to grant accelerated depreciation for such facilities but it would be undesirable to do so as it would be unworkable.

The principal difficulty in the marketing situation at the present time was that storages in all countries were filled with domestically produced wheat. It was hoped that the situation would straighten out by October 1st. Farm deliveries of grain would be under a new quota system, allowing three bushels per acre for all acres under cultivation with a minimum of 500 bushels of grain.

21. The Cabinet noted the report of the Minister of Trade and Commerce concerning the storage and marketing position of wheat and agreed:

(a) that an interim payment of 12 cents per bushel be made on 1952-53 wheat deliveries and final payments be made on oats and barley; and,

(b) that, in announcing the payments, attention be drawn to the fact that farmers could borrow under the Farm Improvement Loans Act for the construction of farm storage for grain but that, if any pressure were brought for the granting of accelerated depreciation on such construction, it be resisted.

Civil Service five-day week

22. The Minister of Justice as Acting Minister of Finance, referring to discussion at the meeting of August 13th, 1953, said the Treasury Board had again reviewed the policy on working hours of the Civil Service and were of the view that the five-day week had become so well established as the prevailing pattern in many areas of Canada that the government could no longer justify maintaining a 5½-day week for its offices in such places. They

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believed that the change should be applied in Ottawa where it was the predominant pattern in private employment. Where the prevailing local custom was the 5½-day week the Board considered the government should continue to apply the same pattern.

In the case of operating staffs, many salaried employees in the government service worked a 44-hour week of 5½ days in areas and occupations where the 5-day week and usually a 40-hour week was the pattern. If a substantial extension of the 5-day week were made for office workers, the operating staffs would feel that attention should be given to their position. Adjustments would be required and an increase in the number of employees. About 4,000 additional employees would be needed with an additional expenditure of at least $10 million. The Board recommended that the government announce its intention to extend the 5-day to a large part of its operating employees in areas and types of work where it was now the established pattern in private employment.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of the Treasury Board, Sept. 8, 1953 and attached draft press release - Cab. Doc. 188-53).

23. In the course of discussion, the following points emerged:

(a) The proposal for operating staffs would result in people in the same department doing the same work being treated substantially differently according to the locality in which they lived. A person in an area where the 5½-day week was the rule would not only work on Saturday morning but would work four hours more than persons in other localities. In the case of office workers, those on the 5½-day week had not worked any longer hours.

(b) While it would be desirable to try to introduce the proposal, as recommended, without any pay adjustment for operating staffs who remained on a 44-hour week, it might be found necessary to pay straight time for the additional four hours in cases where persons were doing the same work as others who were on a 40-hour, 5-day week. Any such adjustment should not be introduced unless it were found necessary as rates already paid were often high, in comparison with other local wages in the small centres where the 5½ day week was likely to be continued.

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24. The Cabinet approved the recommendations of the Treasury Board as reported by the Acting Minister of Finance and agreed:

(a) that the hours of work of government offices be re-arranged immediately on the 5-day week basis throughout the year in a number of additional centres as named; the total working hours of such office staffs to remain the same as at present and to be re-arranged by increasing the length of the normal working day;

(b) that arrangements be worked out within the next few months to apply the 5-day week to a large part of the operating staffs of the public service in areas and types of work where it was the established pattern in business employment, even though such action would require reduction in working hours and an increase in the number of employees;

(c) that the five day week be not introduced in units of the service where it would not be possible or appropriate because of the nature of the work or the practice in corresponding private employment; and,

(d) that an announcement be made by the Minister of Finance accordingly.

Federal District Commission; proposed Sussex Street improvements

25. The Prime Minister said the Federal District Commission requested approval for participation in a plan for the construction of new bridges over the Rideau River on Sussex Street in Ottawa and a number of improvements to the street itself. The cost was estimated at $1,520,000 of which the Commission considered its fair share to be $1,010,000. An agreement with the City would be entered into by the Commission. The Commission's share of the cost would be charged against the National Capital Fund and an advance of $500,000 from the Fund was sought.

An explanatory memorandum had been circulated.

(Assistant Secretary's memorandum, Aug. 27, 1953- Cab. Doc. 172-53; Letter, Chairman, Federal District Commission, to the Clerk of the Privy Council, Aug. 21,1953)

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26. The Cabinet approved participation by the Federal District Commission in the programme as submitted for improvements to Sussex Street, Ottawa, at an approximate cost to the Commission of $1,010,000 to be charged against the National Capital Fund, and agreed that an advance of $500,000 from the Fund be placed to the credit of the Federal District Commission to provide for the commencement of the work in the autumn of 1953.

Trans-Atlantic telephone cable

27. The Minister of Transport, referring to discussion at the meeting of May 19th, 1953 said negotiations with the United States and the United Kingdom for three-way participation in a cable from the United States to the United Kingdom via Canada had reached a stalemate. The American Telephone and Telegraph Company insisted on having their Canadian subsidiary, the Eastern Telephone and Telegraph Company, control the Canadian part of the connection and also insisted on at least 50 percent American ownership in the cable itself. There were two possibilities: to participate in the project on those terms or to refuse to participate and to see if the United Kingdom were interested in constructing a cable independently of the United States. The cost to Canada of the first alternative would be between $3 million and $4 million, and of the second about $15 million, It was recommended that an approach be made to the United Kingdom government to see if they would join with Canada in constructing a trans-Atlantic cable. If so, landing and transmitting rights might be granted to the American Telephone and Telegraph Company for the U.K.-U.S. cable, subject to the condition that six telephone and six telegraph circuits be leased to Canada for Canada-U.K. messages, until such time as the Canada-U.K. cable was in operation. If the United Kingdom was not agreeable to the Canadian proposal, the views of the Commonwealth Telecommunications Board might be sought as to the desirability of an American company maintaining and operating a portion of the Commonwealth telecommunications network.

An explanatory memorandum has been circulated.

(Minister's memorandum, Sept. 4, 1953-
Cab. Doc. 174-53)

28. In the course of discussion it was suggested on the one hand, that the political and security considerations against the American Telephone and Telegraph proposal were not substantial and that the matter should be regarded primarily from a commercial viewpoint. If so, it would not appear necessary to adhere too strongly to the position that there were Canadian rights that had to be safe-guarded. It was suggested, on the other hand, that the political and security considerations were real and that it would be undesirable for Canada to be in a position where telephone

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and telegraph facilities were under the direct control of a U.S. corporation. Having regard for the differences of view, it might be best to ascertain whether the United Kingdom would be willing to participate in a U.K.-Canada cable before taking any further decision as to the course that might be followed consequent upon the British reply.

29. The Cabinet noted the report of the Minister of Transport concerning negotiations for the construction of a trans-Atlantic telephone cable and agreed:

(a) that an enquiry be made through the office of the Canadian High Commissioner in London to ascertain whether the United Kingdom would be willing to join with Canada in constructing by a given date, possibly within five years, and operating a trans-Atlantic telephone cable; and,

(b) that the committee considering the cable question submit a report on the commercial and political considerations involved in the question.

Television and sound broadcasting; applications for private licences

30. The Minister of Transport, referring to discussion at the meeting of August 5th, 1953, outlined the present procedure in handling applications for private television and sound broadcasting licences and the legal provisions that applied.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug. 26, 1953-Cab. Doc. 170-53)

31. In the course of discussion the following points emerged:

(a) The public announcement by the Board of Governors of the Canadian Broadcasting Corporation of the recommendation that it was making to the Governor in Council with regard to any particular application for a broadcasting licence made it more difficult to turn down applications that were recommended. On the other hand, the recommendation would likely become known in any case. Whether it did or not, a change of policy to defer such statements would arouse suspicion. There did not appear to be substantial advantage in discontinuing the present policy under which the Board announced its recommendation immediately after completing consideration of an application.

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(b) Parliamentary committees on radio broadcasting had expressed the view that it was undesirable to have more than one broadcasting licence granted to any one group. Corporate establishments and minority interests created difficult problems. It had not been considered desirable to establish regulations to cover all possibilities. The Board of Governors were aware of the views of the parliamentary committees and of the government in this regard. The best course would be to leave it to the Board to try to implement the policy with the possibility in mind that regulations would be introduced if it appeared that certain private interests were acquiring too great a control of broadcasting.

(c) It might be desirable to have a parliamentary committee at an early session in order that the facts with regard to the holding of licences might be made clear and the views of Members of Parliament registered.

(d) There might be advantage if the C.B.C. instituted a policy of having counsel act at the hearing of applications for private licences to ensure that the public interest was adequately argued.

32. The Cabinet noted the report of the Minister of Transport concerning the procedure followed in the handling of applications for private television and sound broadcasting licences and agreed:

(a) that no change in the legal provisions or the procedure be made at the present time;

(b) that Dr. McCann discuss with the Chairman of the Board of Governors of the Canadian Broadcasting Corporation measures that might be taken to ensure that, in hearing applications for licences, there would be as close adherence as possible to the policy that any one private interest should be kept from acquiring too extensive control of broadcasting outlets in Canada; and,

(c) that Dr. McCann also discuss with the Chairman the desirability of having counsel for the Corporation examine all applications and appear before the Board during hearings to ensure that the public interest was adequately presented and argued in all cases.

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Television broadcasting stations; present position

33. Dr. McCann reported on progress in the establishment of C.B.C. and private television broadcasting stations. Of the C.B.C. stations, that in Vancouver was expected to begin broadcasting by mid-December, the one in Winnipeg during the latter part of December, and the one in Halifax by the autumn of 1954. The station in Ottawa was expected to have permanent antennae completed during 1954. In Montreal a second television transmitter, to be used for French broadcasting, was expected to be on the air by December. The intention was to have 10½ hours of television broadcasting by the C.B.C. per week at an early date. Production facilities in both Toronto and Montreal would have to be expanded. Discussions were proceeding with representatives of private stations concerning network broadcasting.

The private television station in Sudbury was expected to be broadcasting in the autumn of 1953, the one in London in November, the one in Hamilton by March or April 1954, in Windsor and Rimouski by April or May and in Quebec during the summer of 1954. No date had been set for the station at Regina. The station at Saint John was expected to broadcast in March 1954 and the station at Sydney, Nova Scotia, sometime early in 1954.

34. The Cabinet noted the report of Dr. McCann concerning progress in the establishment of Canadian Broadcasting Corporation and private television broadcasting stations.

Civil aviation policy; application to establish an air cargo service

35. The Minister of Transport said the Air Transport Board had completed consideration of an application by Canadian Pacific Airways for permission to establish an air cargo service from The Pas, Manitoba, eastward and westward across Canada. Evidence showed there was potential traffic to justify such a service. In the light of the general policy on competition in air services, there appeared to be three possibilities: to grant the application on condition that C.P.A. passenger services east of Toronto be withdrawn; to grant the application without condition as a modification of the general policy; or to dismiss the application on the basis of the general policy about competition.

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36. In the course of discussion it was suggested:

(a) The cost of operating an airline in Canada was too high to permit competition in most cases. There would be undesirable effects on efficiency and safety.

(b) T.C.A. had a large number of North Star aircraft which had been fully depreciated and which could be converted to freight carriers at an early date when other planeswere available for passenger services. If C.P.A. were permitted to establish a service and acquire new transport aircraft for the purpose, the traffic would be loaded with unnecessary capital costs.

(c) If the application were dismissed on the basis of general government policy, it would be desirable to indicate at the same time that T.C.A. would establish an air cargo service at the earliest opportunity. If possible some date for establishment should be indicated.

37. The Cabinet noted the report of the Minister of Transport concerning the application by Canadian Pacific Airways for the establishment of an east-west air cargo service and agreed that, having regard for the general considerations behind government policy with regard to competition among air lines in Canada, it appeared desirable that the application be dismissed but deferred decision pending circulation of a draft of a report to that effect prepared by the Air Transport Board and a possible statement on dismissal of the application.

Civil aviation policy; competition in non-scheduled services

38. The Minister of Transport reported that the Air Transport Board had before it ten applications for the establishment of competing non-scheduled air services over various routes. It did not appear desirable to apply a general rule that competition in such cases should be avoided.

39. The Cabinet noted the report of the Minister of Transport concerning applications for the establishment of competing non-scheduled air services over various routes and agreed that it was the responsibility of the Air Transport Board to consider each application on the basis of the economic situation that applied and to decide whether that situation rendered it unnecessary for a carrier to be protected by a monopoly and whether the public interest justified the establishment of more than one service over a given route.

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Merchant shipping policy; request for interview by the Canadian Shipowners Association

40. The Prime Minister said the President of the Canadian Shipowners Association had requested an interview with members of the government to explain the difficulties with which Canadian owners of deep-sea dry-cargo vessels were faced.

(Letter, President Canadian Shipowners Association to the Prime Minister, Aug. 31, 1953)

41. The Cabinet agreed:

(a) that the President of the Canadian Shipowners Association be informed that arrangements would be made to meet members of the Association to discuss the problems of Canadian owners of deep-sea dry-cargo vessels; the Association to be advised that it would not be possible for the Minister of Trade and Commerce to be present for a meeting before early October; and,

(b) that the Interdepartmental Committees on External Trade Policy and Merchant Shipping Policy be asked to give further consideration as soon as possible to the question of merchant shipping policy with a view to submitting a further report to the Cabinet at an early date.

Veterans' Benefits; terminal date for service in theatre of operations

42. The Minister of Veterans Affairs recalled that certain benefits of the Veterans Charter had been made available, by Order in Council P.C. 1953-93 of January 22nd, to servicemen participating in the Korean conflict. In view of the "cease fire" which has come into effect in Korea on July 26th, 1953, and in order to place the servicemen now on garrison duty in Korea on a similar basis to those in the European theatre, he recommended that, for the purposes of the special veterans benefits, service in the Korean "theatre of operations" should terminate at 8 p.m. on July 26th, 1953.

An explanatory note had been circulated.

(Minister's memorandum, Aug. 27, 1953-Cab. Doc. 173-53).

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43. During the course of discussion it was argued, on the one hand, that it would be difficult to justify a retroactive cut-off of benefits for servicemen in Korea. It was suggested that it might be preferable to follow the procedure which had been adopted at the conclusion of World War II and to provide that eligibility for the special veterans benefits be continued until such time as servicemen now in the Korean theatre were repatriated or until the Korean "cease fire" was replaced by something more permanent, whichever occurred earlier.

It was argued, on the other hand, that no exact parallel could be established between the Korean conflict and World War II since, at present virtually all servicemen in Korea were members of the regular force, whereas during the last war a large percentage of the Canadian armed forces consisted of men enlisted only for the period of hostilities. Furthermore, there would likely be discontent amongst men of the 27th Brigade now stationed in Europe if special benefits were continued to servicemen in Korea who, since the "cease fire", were performing the same sort of garrison duties as the Canadian forces in Germany.

44. The Cabinet deferred decision on a recommendation that eligibility for special veterans benefits for servicemen in the Korean theatre of operations should cease as of July 26th, 1953, and agreed that the Minister of Veterans Affairs refer the matter back to the Interdepartmental Committee on Re-establishment (Special Force) for reconsideration and report in the light of suggestions made during the course of discussion.

Railway freight rates; provincial appeal against increase

45. The Prime Minister referred to the hearing granted by the government on May 1st, 1953, to the representatives of all provinces, except Ontario and Quebec, who were appealing from the decision of the Board of Transport Commissioners and the Order of the Board No. 80965 of March 6th, 1953, authorizing an immediate general increase in freight rates of 7 percent (10 cents to 20 cents per ton on coal and coke). After hearing the arguments submitted by the provinces and the replies thereto by railway representatives, there seemed to be little doubt that the appeal should be dismissed.

An explanatory note had been circulated.

(Memorandum, Privy Council Office, Sept. 4, 1953 - Cab. Doc. 189-53).

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46. In the course of discussion it was suggested that, in the preamble of the Order in Council dismissing the provincial appeal, reference might usefully be made to certain points, such as uniformity of accounts, which had been raised by the provinces and which were now under review by the Board of Transport Commissioners.

47. The Cabinet agreed,-

(a) that the appeal taken by all provinces except Ontario and Quebec under section 52 of the Railway Act against a decision of the Board of Transport Commissioners and the Order of the Board No. 80965 of March 6th, 1953 authorizing an immediate general increase in freight rates of 7 percent, be dismissed; and,

(b) that the Department of Justice prepare a draft Order in Council dismissing the appeal and consult with the Department of Transport with regard to the inclusion, in the preamble to the Order of references to certain points raised by the provinces which were now under review by the Board of Transport Commissioners.

Water Service between Baddeck and Iona, N.S.; additional subsidy

48. The Minister of Transport submitted a recommendation that an additional subsidy be granted to the operators of the passenger, mail and freight water service between Baddeck and Iona, Cape Breton Island, Nova Scotia.

An explanatory note had been circulated.

(Minister's memorandum, Aug. 17, 1953-Cab. Doc. 171-53).

49. The Cabinet agreed:

(a) that the annual subsidy paid to the Baddeck Transportation Company on account of the passenger, mail and freight water service between Baddeck and Iona, Nova Scotia, be increased from $12,000 to $14,500; and,

(b) that provision for the additional $2,500 for the current year be included in the Further Supplementary Estimates, 1953-54, and that an item of $14,500 be placed in the Main Estimates, 1954-55 for the service in the coming year.

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United Nations General Assembly; composition of the Canadian delegation; instructions

50. The Secretary of State for External Affairs, referring to discussion at the meeting of August 13th, 1953 submitted recommendations regarding the final composition of the Canadian delegation to the Eighth Session of the United Nations General Assembly and the instructions to be given to it.

Explanatory notes had been circulated.

(Minister's memoranda, Sept. 8, 1953- Cab. Docs. 197-53 and 198-53).

51. The Cabinet,-

(a) noted with approval the recommendations of the Secretary of State for External Affairs as to the appointment of Parliamentary observers and the composition of the Canadian delegation to the Eighth Session of the United Nations General Assembly, and agreed that the Canadian delegation consist of the following in addition to the Secretary of State for External Affairs as Chairman:

Representatives

The Postmaster General (Vice-Chairman)
Senator S.S. McKeen
D.M. Johnson, Esq., Permanent Representative of Canada to the United Nations,
Dr. George Davidson, Deputy Minister of Welfare

Alternate Representatives

Alan MacNaughton, Esq., M.P.
Mrs. A.L. Caldwell, Saskatoon
G.S. Patterson, Esq., Consul-General of Canada, Boston
Stuart Hemsley, Esq., Department of External Affairs

and,

(b) approved in principle the general instructions to the delegation, it being understood that the Secretary of State for External Affairs would arrange to have the delegation refer back to Cabinet for further directions on any important matters not covered in the instructions.

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Colombo Plan; programmes for India and Pakistan;Consultative Committee meetings; Fourth Canadian Contribution.

52. The Secretary of State for External Affairs, submitted proposals related to the programmes of India and Pakistan under the Colombo Plan, meetings of the Consultative Committee and the fourth Canadian contribution to the plan.

Explanatory notes had been circulated.

(Minister's memoranda, Sept. 4 and 8, 1953-Cab. Docs. 190,191,192 and 195-53).

53. The Cabinet agreed, in connection with the Colombo Plan:

(a) that the Umtru Hydro-Electric project in India be approved in principle at an estimated cost of $1.2 million for generating and distribution equipment and $2.1 million in local cost, the latter to be met from counterpart funds generated through the sale of industrial raw materials; final approval to be deferred pending receipt of a report on a full technical investigation of the project by Canadian consulting engineers;

(b) that from 60 to 65 steam locomotives be supplied to the Indian government, if required, within a total cost of $11 million, and that copper bars and aluminum wire rods be made available in an amount of $5 million; it being understood that proceeds of the sale of locomotives, copper bars and aluminum rods within India would be used to set up counterpart funds to be expended on approved projects under the Plan;

(c) that $3.5 million from Colombo Plan funds appropriated for 1953-54 be set aside for the Warsak Hydro-Electric project in northwestern Pakistan to cover the estimated cost of the provision of consulting engineering services and light construction equipment for the project; it being understood that, in principle and subject to future appropriation of required funds by Parliament, total Canadian participation in the Warsak project would be as follows:

(i) provision of electrical generating and related equipment at an estimated maximum cost of $14 million over the period of construction;

(ii) provision of Canadian consulting engineering services for the re-design and supervision of the construction of the project, at a maximum cost of $3 million;

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(iii) provision of reasonable amounts of Canadian light construction equipment; and

(iv) the allocation of the rupee equivalent of the $10 million gift of wheat to Pakistan to help meet the local costs of the project.

(d) that the Canadian delegation to the meeting of the Consultative Committee, to be held in New Delhi during October, be headed by the Minister of Fisheries and include officials of the Departments of Finance and External Affairs, as recommended by the Secretary of State for External Affairs;

(e) that the Canadian delegation to the October meetings of the Consultative Committee be authorized to invite the Committee to hold its 1954 meetings in Canada, if it was felt that such an invitation would be welcomed by participating countries and would contribute to the continued success of the Colombo Plan; and

(f) that the Canadian delegation to the October meetings of the Consultative Committee be authorized to state that the Canadian government proposed to ask Parliament for a further appropriation of funds, for economic and technical assistance to the Colombo Plan in 1954-55, in an amount comparable to that appropriated in previous years, on the understanding that projects suitable for Canadian assistance would be forthcoming from the countries in the area.

General Agreement on Tariffs and Trade; Canadian delegation to Eighth Session

54. The Secretary of State for External Affairs said the Eighth Session of the Contracting Parties to the General Agreement on Tariffs and Trade would open at Geneva on September 17th. He submitted recommendations concerning the composition of the Canadian delegation and the attitude to be taken on certain matters to be discussed.

An explanatory note had been circulated.

(Minister's memorandum, Sept. 4, 1953- Cab. Doc. 193-53).

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55. The Cabinet agreed,-

(a) that the Canadian delegation to the Eighth Session of the Contracting Parties to the General Agreement on Tariffs and Trade to be held at Geneva on September 17th be composed as follows:

Chairman: The Minister of Trade and Commerce
Vice- Chairman: L.D. Wilgress, Esq., Canadian Representative to N.A.T.O. and O.E.E.C.
Delegates: Dr. C.M. Isbister, Director, International Trade Relations Branch, Department of Trade and Commerce

L.E. Couillard, Esq., Office of the Canadian High Commissioner, London

S.S. Reisman, Esq., Department of Finance

G.H. Glass, Esq., Department of Finance

B.G. Barrow, Esq., Department of Trade and Commerce

A.R. Kilgour, Esq., Department of External Affairs Secretary to delegation

and,

(b) that the Canadian delegation should indicate serious concern over import restrictions imposed by the United States, and the hope that remedial action would soon be taken.

United Nations International Children's Emergency Fund; continuation

56. The Secretary of State for External Affairs reported that, during the course of the Eighth Session of the United Nations General Assembly, consideration would be given to continuation of the United Nations International Children's Emergency Fund (U.N.I.C.E.F.)

More than 60 million children in 84 countries had received help from U.N.I.C.E.F. which had proved one of the most popular undertakings of the United Nations. He recommended that Canada should support continuation of the Fund.

An explanatory note had been circulated.

(Minister's memorandum, undated - Cab. Doc. 194-53).

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57. The Cabinet agreed, that the Canadian delegation to the Eighth Session of the General Assembly be authorized,-

(a) to support the continuation of U.N.I.C.E.F. on terms of reference similar to those which had governed the activities of the Fund during the last three years; and,

(b) to vote in favour of an appeal to member states for funds for U.N.I.C.E.F., making it clear that the amount of any Canadian contribution which may be decided upon for the coming year would be related to the support which the organization received from other member states.

United Nations High Commissioner for Refugees; continuation of office

58. The Secretary of State for External Affairs, said that during the forthcoming session of the United Nations General Assembly, consideration would be given to the basis on which work on behalf of refugees was to be carried on in future. A decision would have to be reached as to whether the office of the United Nations High Commissioner for Refugees, established in 1950, was to be continued, and whether the present incumbent, was to remain in the post.

An explanatory note had been circulated.

(Minister's memorandum, Sept. 1, 1953 - Cab. Doc. 196-53).

59. The Cabinet agreed that the Canadian delegation to the Eighth Session of the United Nations General Assembly be authorized,-

(a) to vote in favour of the re-appointment of Dr. G.J. van Heuven Goedhart as United Nations High Commissioner for Refugees for a term of five years unless it appeared that the appointment of some other candidate would advance the interests of the office to a greater extent; and,

(b) to vote in favour of a General Assembly resolution appealing for further financial support for the refugee emergency fund,making it clear that the amount of a Canadian government contribution must be subject to considerations as to the extent of support from other countries and the nature of plans proposed for the final solution of the problems involved.

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Parliamentary Assistants; appointments

60. The Prime Minister proposed the re-appointment of the Parliamentary Assistants who served as such prior to the general elections and who had been re-elected to Parliament with the exception of Mr. McIlraith, who did not want to be re-appointed. In addition, he recommended that Mr. W.G. Weir, be appointed as his Parliamentary Assistant.

61. The Cabinet agreed that, effective from that date of the return of the writ of election in each case, the following be appointed Parliamentary Assistants; Orders in Council to be passed accordingly:

Name	Assistant to Minister
Paul E. Cote, Esq.,	Labour
Robert McCubbin, Esq.,	Agriculture
J. Watson MacNaught, Esq.,	Fisheries
J.A. Blanchette, Esq.,	National Defence
W.M. Benidickson, Esq.,	Transport
L. Langlois, Esq.,	Postmaster General
Jean Lesage, Esq.,	Finance
J.H. Dickey, Esq.,	Defence Production
W.G. Weir, Esq.,	Prime Minister

(Orders in Council P.C. 1953-1384,1385,1386, 1387,1388,1389,1391,1390,1392, Sept. 9,).

Niagara Diversion Treaty 1950; appointment

62. The Secretary of State for External Affairs submitted a recommendation for an appointment under Article VII of the Niagara Diversion Treaty.

63. The Cabinet agreed that T.M. Patterson, Esq., Assistant Chief of the Water Resources Division,Department of Resources and Development, be appointed as Canadian representative pursuant to Article VII of the Niagara Diversion Treaty, 1950; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1393, Sept. 9).

Coronation robes; exhibition in Canada

64. The Secretary of State referred to recent proposals from the United Kingdom that the Coronation robes be made available for exhibition in Canada following similar exhibitions in Australia and New Zealand. The National Gallery of Canada might be the most suitable agency to handle the Canadian exhibit of the robes. Modest admission fees might be charged. Any proceeds realized from such admission fees might be given over to the Westminster Abbey reconstruction fund. It was also thought that the robes might be made available for showings at the Canadian National Exhibition in Toronto and other similar exhibitions, if practicable.

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65. The Cabinet approved in principle the proposals regarding an exhibition tour in Canada of the Coronation robes, as put forward by the Secretary of State, and agreed that arrangements be worked out by him, in consultation as required with the Minister of Citizenship and Immigration and the Secretary of State for External Affairs.

Coronation medals; distribution

66. The Secretary of State, referring to discussion at the meeting of July 6th, 1953, reported that, as a result of additional allocations of Coronation medals approved by Cabinetfrom time to time, and for other reasons, the reserve had now been reduced to 63 medals. As there had been some dissatisfaction over the allocation of one medal only to crown agencies while regular departments of the Public Service were allocated medals on the basis of 2 percent of the total number of employees, he suggested that each Minister might, as a measure of rough justice, in his own discretion re-allocate in a more equitable manner the total number of medals allotted to the various departments and agencies under his jurisdiction.

67. The Cabinet approved in principle the suggestion by the Secretary of State regarding ministerial discretion in the re-allocation of Coronation medals as between regular government departments and crown agencies and agreed that all remaining matters pertaining to the distribution of the medals be decided by the Secretary of State in consultation, where desirable, with the Secretary of State for External Affairs and the Minister of Citizenship and Immigration.

External Affairs; diplomatic representation

68. The Secretary of State for External Affairs submitted for approval certain proposed changes in Canadian representation abroad. It was proposed to accredit the Canadian Ambassador in Turkey to Israel as well. If that were done, it would be necessary to consider the establishment of diplomatic relations with one or two of the Arab states. A possibility would be to have one representative accredited to Egypt and to another of the Arab countries. As trade and certain other matters were of importance, it was also desirable to have some form of Canadian diplomatic representation in Haiti and the Dominican Republic. It was proposed to accredit the Canadian Ambassador in Cuba, or possibly the Canadian Ambassador in Venezuela, to the two countries as well.

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69. The Cabinet approved the changes in Canadian representation abroad, as outlined by the Secretary of State for External Affairs, and agreed:

(a) that Charles P. Hebert, Esq., presently Canadian Ambassador to Mexico, be appointed Ambassador to Belgium to replace General Pope who was retiring;

(b) that the Canadian Ambassador to Turkey be accredited also to Israel; it being understood that consideration would probably have to be given, at an early date, to the establishment of some form of Canadian diplomatic representation with one or more of the Arab states; and

(c) that the Canadian Ambassador in Cuba, or possibly in Venezuela, as decided by the Secretary of State for External Affairs, be accredited also to Haiti and the Dominican Republic.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

September 17,1953

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Thursday, September 17th, 1953, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Resources and Development
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Public Works
(Mr. Harris),
The Minister of Fisheries
(Mr. Sinclair),
The Secretary of State
(Mr. Pickersgill).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)

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Canadian Association of Broadcasters;
request for interview with government

1. The Prime Minister said he had received a letter from T. J. Allard, Executive Vice-President of the Canadian Association of Broadcasters, enquiring whether members of the government could receive the Board of Directors of the Canadian Association of Broadcasters between October 20th and November 10th. The Association was gratified at the report made by the Special Committee on Radio Broadcasting during the last session of Parliament, but there were still certain matters which the Association wished to place before the government.

(Letter, Executive Vice-President, Canadian Association of Broadcasters to Prime Minister Sept. 9th, 1953.)

2. The Cabinet agreed that the Prime Minister and four or five other Ministers meet the Board of Directors and the Executive Vice-President of the Canadian Association of Broadcasters between October 20th and November 10th; the exact time and date of the meeting to be decided by the Prime Minister in consultation with the Association.

Freight rates; petition by provinces

3. The Prime Minister, referring to discussion at the meeting of Sept. 9th, submitted a recommendation disallowing the petition of March 30th, 1953, submitted by all provinces except Ontario and Quebec, that the judgment and order of the Board of Transport Commissioners, dated March 6th, 1953, be rescinded and that certain specific directions be referred to the Board of Transport Commissioners.

4. The Cabinet agreed that the judgment and order of the Board of Transport Commissioners, dated March 6th, 1953, (No.80965), which had authorized a general increase in freight rates of 7 percent, should not be rescinded as requested by all the provinces except Ontario and Quebec in their petition of March 30th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1457, Sept. 17).

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Newfoundland fisheries; marketing arrangements

5. The Minister of Fisheries, referring to discussion at the meeting of September 9th, said he had met with representatives of N.A.F.E.L., and of the fishing industry in Newfoundland and discussed marketing arrangements for the coming year. He had made it clear to N.A.F.E.L., that the government was dissatisfied with existing arrangements, and, although an extension for three years had been accorded to N.A.F.E.L., it would be reconsidered if more satisfactory arrangements were not made.

With regard to current prices, he had advised N.A.F.E.L. that the government could see no reason for purchases on open receipt, or for prices substantially below last year. He had suggested that consideration be given to a plan, similar to that for the marketing of western grain, under which interim payments were made. There had been some discussion with the fishermen's unions and there appeared to be agreement in principle, although the price remained open.

6. The Cabinet noted the report of the Minister of Fisheries concerning discussions with N.A.F.E.L. and representatives of the fishing industry in Newfoundland concerning the marketing of salt cod in 1953-54, and agreed:

(a) that the Minister consider the establishment of an interdepartmental committee to enquire into the marketing of salt cod and to advise, among other things, on the arrangements that might be made to replace N.A.F.E.L. for Newfoundland marketing; and,

(b) that arrangements to provide salt cod under the relief appropriation to Greece be discussed by the Minister of Fisheries with Mr. Winters and Mr. Pickersgill, to settle details as to the quantity to be supplied and the areas in Canada from which it should be drawn.

Newfoundland fisheries development

7. The Minister of Fisheries, referring to discussion at the meeting of August 13th, 1953, said a report had now been submitted by the officials appointed to review the recommendations of the Walsh Report on Newfoundland fisheries. Copies of the report had been circulated.

(Group memorandum, undated - Cab. Doc. 199-53).

The Premier of Newfoundland was not in agreement with certain aspects of the officials' report. He had established a provincial fisheries development authority and would have liked to have had Federal representatives join with it. It seemed preferable, however, not to do so and to set up no new Federal administrative machinery. The officials also recommended that the Federal government should not accept responsibility in respect of highway building, nor for the financing or operation of fish processing plants. Federal participation had been recommended in the Walsh Report.

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The officials' report contained recommendations with regard to price support and the position of N.A.F.E.L., which had to some extent been covered by other Cabinet decisions. It was recommended that the government should join in assisting the development of selected centres on the north-east coast and go ahead with one or two as part of the overall Federal programme for the provision of breakwaters, dredging, etc. Greatest urgency attached to a recommendation for the development of a low cost fish drier at LaScie. It would be desirable if it could be proceeded with at once.

8. In the course of discussion, the following points emerged:

(a) It would be possible for the Federal government to finance the proposed plant at LaScie without establishing any precedent of general application, since the plant was essentially experimental and it was not clear that, even if it proved technically successful, it would be possible for such a plant to be economically successful, having regard for the fishing conditions on the north-east coast.

(b) While the LaScie development might be undertaken out of the Indistrial Development Vote of the Department of Fisheries, and while surveys for breakwaters, wharves and other developments in certain other centres might be financed from that vote, it would be necessary for the amounts to cover actual construction in the latter cases, to be considered as specific votes for public works in Newfoundland in the normal course.

9. The Cabinet noted the report by the Minister of Fisheries concerning the recommendations of the officials who had reviewed the Walsh Report on Newfoundland Fisheries Development, and agreed:

(a) that the recommendations in general be approved;

(b) that authorization be given for the construction of a small experimental light salted fish drier at LaScie, Newfoundland, to be financed out of the Industrial Development Vote of the Department of Fisheries, as part of the development of a model fishing community at that area; and,

(c) that approval in principle be given to participation by the Federal government in the development of selected centres at other points in Newfoundland, with respect to which surveys might be undertaken out of the Industrial Development Vote of the Department of Fisheries, on the understanding that actual construction work in any particular case would be subject to consideration and approval in relation to items included in the vote for public works in Newfoundland.

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Legislation; Pipe Lines Act amendment

10. The Prime Minister noted that a licence had been issued recently by the U.S. Federal Power Commission, authorizing the Tennessee Gas Transmission Company and Niagara Gas Transmission Limited, to pipe natural gas from Texas to the Canadian border at the Niagara River. A Canadian company proposed to take the gas at this point and pipe it into the Toronto area.

As such action might possibly have a prejudicial effect on the eventual transmission of natural gas from Alberta to Toronto and other points in Eastern Canada, and, as at the present time, there did not exist any statutory provisions relating to this type of venture, it was suggested that the Pipe Lines Act should be amended to give the Board of Transport Commissioners jurisdiction over all companies authorized to construct or operate oil or gas pipelines connecting two or more provinces, or extending beyond the limits of a province. Under such an amendment, any companies wishing to construct or operate inter-provincial or international pipelines would first be required to obtain authorization by a special act of Parliament.

(Memorandum, Minister of Transport, Sept.16,1953 - Cab. Doc. 207-53; letter, Minister of Trade and Commerce to Prime Minister, Sept. 15, 1953.)

11. The Cabinet approved in principle the proposed amendment to the Pipe Lines Act to give the Board of Transport Commissioners jurisdiction over companies constructing or operating inter-provincial or international pipelines, and agreed that a draft measure be prepared accordingly.

United Nations; Special Fund for Economic Development

12. The Prime Minister said that the United Nations General Assembly would soon be called upon to consider a plan for setting up of a Special U.N. Fund for Economic Development, which had been submitted by the Economic and Social Council. Under this plan the Fund would not be established until a minimum amount equivalent to $250 million had been pledged by at least 30 contributing governments. Assistance would be by way of grants and low interest long term loans. The Fund would be administered by an Executive Board on which the major contributors and the receiving countries would have equal representation. ECOSOC had recommended that governments join at the eighth session of the General Assembly in a declaration that they would ask their peoples "when sufficient progress has been made in internationally supervised worldwide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in under-developed countries."

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It was understood that both the United Kingdom and the United States would likely support the declaration in the General Assembly.

Draft Instructions to the Canadian delegation in respect of the plan were submitted.

An explanatory note had been circulated.

(Memorandum, Secretary of State for External Affairs, Sept. 17, 1953 - Cab. Doc. 210-53).

13. During the course of discussion it was pointed out, -

(a) that the United Nations was perhaps not the most suitable agency to control and operate a fund of this character, as it would point up even more strongly the undesirable division of U.N. member countries into two distinct groups, the developed countries and the under-developed countries;

(b) that many under-developed countries lacked the type of productive projects which the International Bank would be prepared to finance, and for this reason such countries were anxious to have a special fund established from which more or less unsupervised loans could be obtained; and,

(c) that if a true and properly supervised state of international disarmament could be achieved, there might be advantage in establishing some form of international fund for the economic development of under-developed countries, although such a fund need not be along the exact lines suggested by ECOSOC.

14. The Cabinet noted the report by the Prime Minister on the plan for the establishment of a Special United Nations Fund for Economic Development, which had been submitted to the United Nations General Assembly by the Economic and Social Council, and approved the proposed instructions to the Canadian delegation to the General Assembly as submitted; it being left to the discretion of the Secretary of State for External Affairs as to the exact manner in which the Canadian case should be presented.

United Nations; Canadian contribution for U.N. Expanded Technical Assistance Programme

15. The Minister of National Defence, as Acting Secretary of State for External Affairs, submitted a memorandum concerning the amount of the contribution by Canada to the United Nations expanded programme for technical assistance for 1954. Copies of the memorandum had been circulated.

(Minister's memorandum, Sept. 17, 1953 - Cab. Doc. 209-53).

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16. In the course of discussion it was suggested that:

(a) The proposal for a contribution of up to $1.5 million (U.S.) amounted to virtually doubling the current Canadian contribution. If the U.S. contribution were not substantially increased over the amount Congress had authorized, the Canadian contribution would be greatly out of line with it. It would also be out of line with the amount of increase that the Netherlands government had authorized. It would be difficult to justify a contribution of that magnitude if other countries, particularly the United States, did not increase their amounts.

(b) Authorization to the Canadian delegation to go as high as $1.5 million, if necessary, was important to enable them to encourage other countries to make substantial increases. One of the purposes was to try to get the U.S. contribution up.

(c) The Technical Assistance Programme was practical and desirable in its objectives. Substantial increases in its level of operations might reduce the pressure to implement the fund for economic development.

17. The Cabinet agreed:

(a) that the Secretary of State for External Affairs be advised that the government did not wish to see the Canadian contribution for 1954 to the United Nations Technical Assistance Programme emerge, in the end, at a figure that would be substantially out of line with the U.S. contribution, but that it was left to his discretion to act as he thought best in an effort to get the U.S. contribution and the general level of contributions to the programme increased, on the understanding that the upper limit of the Canadian contribution for the 1954 period was $1.5 million (U.S.) and that a smaller figure would be preferable if it proved possible;

(b) that, in any event, the whole amount of $1.5 million be pledged only if it appeared that total pledges for 1954 would reach or exceed a total of $20 million; and,

(c) that the delegation continue to emphasize the importance of achieving maximum economy in the administration of the expanded programme.

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Federal District Commission; improvements to Chaudiere Bridge

18. The Prime Minister said the Federal District Commission sought approval for a project to improve the Quebec approach to the Chaudiere Bridge. The improvements would involve the moving of street car tracks and the provision of a 46-foot highway at an estimated cost of $250,000. The City of Hull would agree to assume the maintenance of the improvements. The cost would be a charge on the National Capital Fund from which an appropriation was desired.

(Letter, Secretary, Federal District Commission to Clerk of the Privy Council, Sept. 8, 1953, and attached map; - Privy Council memorandum to Prime Minister, Sept. 16, 1953).

19. The Cabinet noted the report of the Prime Minister and agreed that the Federal District Commission be authorized to undertake a project for the improvement of the Quebec approach to the Chaudiere Bridge in the National Capital District at an estimated cost of $250,000, on the understanding that the City of Hull would assume the maintenance of the improvements; an amount of $250,000 to be allocated from the National Capital Fund and placed to the credit of the Commission for the project; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1445, Sept. 17).

Dry skimmed milk; sale by Agricultural Prices Support Board.

20. The Prime Minister reported that stocks of dry skimmed milk powder now held by the Agricultural Prices Support Board amounted to 10 million pounds. Of this, 2 3/4 million pounds was roller-process, costing 8 cents per pound plus storage since date of purchase. The balance, 7 1/4 million pounds, was spray-process costing 11.5 cents per pound plus storage since date of purchase. On both lots, cumulative storage charges now amounted to about 1/2 cent per pound. In accordance with previous decisions of the government, approximately 600,000 pounds of spray-process powder had been earmarked for relief gifts.

A firm offer had now been received from Eastern Townships Produce Limited of Sherbrooke, Quebec, for the purchase of 9 million pounds of dry skimmed milk, including almost the entire stock of roller-process, at a price of approximately 4.5 cents per pound, f.o.b. warehouse. If this offer were accepted, a product which cost approximately $944,000 would be sold for approximately $405,000.

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The price of 4.5 cents per pound quoted by Eastern Townships Produce Limited, was about in line with current domestic and export values of dry skimmed milk for animal feed. U.N.I.C.E.F., the only other prospective purchaser which would not interfere with Canadian trade, would likely be prepared to offer 1 cent per pound, the price which they were presently paying for U.S. supplies. The United States holdings now totalled about 400 million pounds and the U.S. government was currently donating quantities of dry skimmed milk powder from their stocks to various relief agencies.

As some of the stocks held by the Agricultural Prices Support Board were now more than nine months old, and as the product could not be stored indefinitely without deterioration, it was recommended that the proposed sale to Eastern Townships Produce Limited of 9 million pounds of dry skimmed milk at 4.5 cents per pound, f.o.b. warehouse, be approved.

An explanatory note was circulated.

(Memorandum, Department of Agriculture, Sept. 16, 1953 - Cab. Doc. 213-53.)

21. The Cabinet agreed that the Agricultural Prices Support Board be authorized to sell 9 million pounds of dry skimmed milk to Eastern Townships Produce Limited, of Sherbrooke, Quebec, at a price of approximately 4.5 cents per pound, f.o.b. warehouse.

National Film Board; representation by Ottawa City Council on transfer to Montreal

22. The Prime Minister said that Mr. George J. McIlraith and Mr. Jean T. Richard, the Members of Parliament representing the two Ottawa constituencies, had written him regarding the possibility of arranging a meeting between members of the government and representatives of the Ottawa City Council to hear representations regarding the transfer of the National Film Board from Ottawa to Montreal.

23. The Cabinet noted with approval the Prime Minister's suggestion that he arrange a mutually convenient time for a meeting with representatives of the Ottawa City Council, who wished to make representations concerning the transfer of the National Film Board to Montreal; it being understood that all Ministers would be advised of the time, date and place of the meeting, in order that any who wished to attend might do so.

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Legislation

24. The Minister of Justice reported that, at a meeting held on September 14th, the Cabinet Committee on Legislation had approved in principle certain legislative proposals put forward by the Departments of Mines and Technical Surveys, National Health and Welfare, National Revenue, Trade and Commerce and Veterans Affairs.

The Committee, however, had held back for further consideration, following receipt of additional information, proposed amendments to section 35 of the Customs Act. This additional information was being supplied by the Departments of National Revenue, Finance and Trade and Commerce.

Explanatory notes had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Sept. 15, 1953 - Cab. Doc. 203-53 and attached Cab. Doc. 178, 200, 179, 182, 180, 177, 176 and 175-53).

25. The Cabinet, -

(a) approved in principle the following legislative proposals and agreed that draft measures be prepared accordingly:

Manitoba-Ontario Boundary legislation
Opium and Narcotic Drug Act amendment
Excise Act amendment
Excise Tax Act amendment
Atomic Energy Control Act amendment
War Service Grants Act amendment
Children of War Dead (Education Assistance) Act amendment
Veterans Benefit Act amendment

(b) agreed that proposed amendments to section 35 of the Customs Act be referred to the Interdepartmental Committee on External Trade Policy for review and report, before further consideration was given to the proposal by the Cabinet Committee on Legislation and by the Cabinet.

Civil aviation policy; application by Canadian Pacific Airlines for scheduled all-cargo air services

26. The Minister of Transport, referring to discussion at the meeting of September 9th, submitted a draft report from the Air Transport Board on the need for scheduled all-cargo air services in Canada and the application of Canadian Pacific Airlines Limited to operate a scheduled commercial all-cargo air service. He also submitted for consideration a draft statement of policy regarding the establishment of trans-continental and regional all-cargo air services in Canada.

Explanatory notes had been circulated.

(Draft Report, undated, Air Transport Board, Cab. Doc. 201-53; Minister's memorandum, Sept. 15, 1953 - Cab. Doc. 202-53).

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27. The Cabinet noted the draft report of the Air Transport Board on an application by Canadian Pacific Airlines for the establishment of scheduled all-cargo air services, and the draft statement of policy concerning the establishment in Canada of trans-continental and regional all-cargo air services, as submitted by the Minister of Transport, and deferred decision pending further consideration at a subsequent meeting.

Ministerial appointments

28. The Prime Minister reported on his intentions regarding certain Ministerial appointments.

29. The Cabinet noted with approval the Prime Minister's proposals respecting the appointment of the following Ministers and Acting Ministers:

(a) Mr. Winters to be Minister of Public Works;

(Instrument of Advice of Sept.17,1953)

(b) Jean Lesage, Esq., to be a Member of the Queen's Privy Council for Canada, and Minister of Resources and Development;

(Instrument of Advice of Sept. 17,1953)

(c) Dr. McCann to be Acting Minister of Resources and Development in the absence or incapacity of Mr. Lesage;

(Order in Council P.C. 1953-1449, Sept.17)

(d) Mr. Pickersgill to be Acting Postmaster General in the absence or incapacity of Mr. Cote;

(Order in Council P.C. 1953 - 1446, Sept. 17)

(e) Mr. Harris to be Acting Minister of Public Works in the absence or incapacity of Mr. Winters, and Mr. Chevrier to be Acting Minister of Public Works in the simultaneous absence or incapacity of both Mr. Winters and Mr. Harris;

(Order in Council P.C. 1953-1448, Sept. 17)

(f) Mr. Sinclair to be Acting Minister of Citizenship and Immigration in the absence or incapacity of Mr. Harris.

(Order in Council P.C. 1953-1447, Sept. 17)

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Public Service Re-arrangement and Transfer of Duties Act; transfer of certain functions from Minister of Resources and Development to the Minister of Public Works

30. The Prime Minister said that, concurrently with Mr. Winters' appointment as Minister of Public Works, he proposed to have certain functions now discharged in the Department of Resources and Development transferred to the Minister of Public Works.

31. The Cabinet agreed that, under the provisions of the Public Service Re-arrangement and Transfer of Duties Act, the powers, duties and functions vested in the Minister of Resources and Development by the Trans-Canada Highway Act be transferred to the Minister of Public Works and that the Trans-Canada Highway division and the Structural Section of the Engineering and Architectural division of the Department of Resources and Development be transferred to the Department of Public Works; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1456, Sept. 17)

Central Mortgage and Housing Corporation; transfer of Ministerial jurisdiction.

32. The Prime Minister said that, concurrently with Mr. Winters' appointment as Minister of Public Works, he also proposed to transfer the powers, duties and functions vested in the Minister of Resources and Development by the Central Mortgage and Housing Corporation Act, to the Minister of Public Works.

33. The Cabinet agreed that, under the provisions of the Public Service Re-arrangement and Transfer of Duties Act, all the powers, duties and functions vested in the Minister of Resources and Development by the Central Mortgage and Housing Corporation Act, be transferred to the Minister of Public Works; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1455, Sept. 17)

National Film Board; transfer of Ministerial jurisdiction

34. The Prime Minister recommended that the Minister of Citizenship and Immigration be designated as the Minister for the purpose of the National Film Act, in the place of the Minister of Resources and Development.

35. The Cabinet noted with approval the Prime Minister's proposal that the Minister of Citizenship and Immigration be designated as the Minister for the purpose of the National Film Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1454, Sept. 17).

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Civil Service; appointments

36. The Prime Minister submitted recommendations for certain appointments to the Public Service.

37. The Cabinet noted with approval the Prime Minister's recommendations for the following appointments to the Civil Service; Orders in Council to be passed accordingly:

(a) Robert Broughton Bryce, Esq., to be Clerk of the Privy Council and Secretary to the Cabinet, effective January 1st, 1954, at $15,000 per annum;

(Order in Council P.C. 1953-1453, Sept.17)

(b) Major General Hugh A. Young to be Deputy Minister of Public Works, effective November 15th, 1953, at $15,000 per annum;

(Order in Council P.C. 1953-1451, Sept. 17)

(c) Robert Gordon Robertson, Esq., to be Deputy Minister of Resources and Development, effective November 15th, 1953, at $13,500 per annum;

(Order in Council P.C. 1953-1452, Sept. 17)

Public Works; extension of term of office of Deputy Minister

38. The Prime Minister said that, as General Young's appointment as Deputy Minister of Public Works would only become effective on November 15th, 1953, it would be desirable to extend to that date the term of office of Mr. Murphy, the present Deputy Minister, who had passed retirement age.

39. The Cabinet agreed that Emmett Patrick Murphy, Esq., be continued in the office of Deputy Minister of Public Works until November 15th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1450, Sept. 17)

Parliament; opening

40. The Prime Minister suggested that Parliament be convened to meet on Thursday, November 12th,1953.

41. The Cabinet agreed that Parliament be summoned to meet on Thursday, November 12th, 1953; a proclamation to that effect to issue in due course and an announcement to be made that day by the Prime Minister.

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Runnymede Memorial; Canadian representation at unveiling by Her Majesty

42. The Prime Minister reported that the Imperial War Graves Commission had invited him to attend the unveiling by the Queen, on October 17th, 1953, of the Memorial erected at Runnymede in commemoration of deceased airmen of the Commonwealth. He was unable to accept the invitation, but Canada would be represented by the Hon. Charles G. Power, who had been the Minister responsible for the R.C.A.F. and for the Commonwealth Air Training Scheme during World War II and by the Minister of Veterans Affairs.

43, The Cabinet noted with approval the Prime Minister's report on the unveiling by the Queen on October 17th, 1953, of the Runnymede Memorial to deceased airmen of the Commonwealth, at which Canada would be represented by the Minister of Veterans Affairs and by the Hon. Charles G. Power.

R. G. Robertson,
Assistant Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

September 24, 1953

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Items discussed

National Film Board; transfer of headquarters to Montreal; representations by Ottawa City Council - 2.

Legislation 2.

Legislation; Northwest Territories Act amendment 2.

Legislation; National Harbours Board Act amendment 4.

Legislation; Canadian Forces bill 5.

Canada Elections Act; use of old election forms 6.

Veterans Charter; terminal date for service in a theatre of operations 7.

Korea; recent developments; Canadian contribution to Security Forces 8.

Civil aviation policy; Canadian Pacific Air Lines application for scheduled all-cargo air services 9.

Trans-Atlantic telephone cable 10.

Micro-wave relay rights for television; application of Bell Telephone Company 11.

Immigration policy; Israel 11.

Intergovernmental Committee for European Migration; sixth Session 13.

Defence Production; sale of property at Malton, Ontario 14.

Disposition of telephone facilities in British Columbia 14.

Claims for maltreatment; report of the Chief War Claims Commissioner 15.

Treasury Board; membership 15.

External Affairs; diplomatic appointments 15.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Thursday, September 24th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier),
Mr. W.R. Martin, Privy Council Office.

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National Film Board; transfer of headquarters to Montreal representations by Ottawa City Council

1. The Prime Minister, referring to discussion at the meeting of September 17th, made certain suggestions as to a possible date for a meeting with representatives of the Ottawa City Council on the transfer of the National Film Board to Montreal.

2. The Cabinet agreed that the Mayor and Council of the City of Ottawa be informed that the Minister of Public Works would not be available with his colleagues, the following week, to hear representations by Ottawa municipal authorities concerning the transfer of the National Film Board to Montreal, and that, in the circumstances, it might be preferable to arrange the meeting for Tuesday or Wednesday, October 6th or 7th.

Legislation

3. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a report on legislative proposals intended for introduction during the coming session of Parliament.

An explanatory note had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Sept. 23, 1953 - Cab. Doc. 216-53 and attached Cab. Docs.)

4. The Cabinet approved in principle the following legislative proposals and agreed that draft measures be prepared accordingly:

Auditors for National Railways Bill
(Memorandum, Minister of Transport, Sept. 15,1953 - Cab. Doc. 206-53)

National Parks Act amendments
(Memorandum, Minister of Resources and Development, Sept. 16,1953 - Cab. Doc. 211-53)

Legislation; Northwest Territories Act amendment

5. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, said that at a meeting held on Tuesday, September 22nd, 1953, the Committee had considered several proposed amendments to the Northwest Territories Act. One of the amendments was designed to empower the Governor in Council to appoint a member of the Northwest Territories Council to replace an elected member who resigned before expiration of his term of office.

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At the present time, the Northwest Territories Act provided that, where an elected member died or was unable to perform his duties by reason of incapacity or absence, he might be replaced by a person appointed by the Governor in Council. The Cabinet Committee had felt that, in principle, it was undesirable to provide for replacement of an elected member by appointment, and that it would be preferable to fill such vacancies through by-elections. As, however, there were real difficulties in the way of holding by-elections in the Territories, the suggestion had been advanced that such vacancies be filled by appointments made by the Commissioner in Council rather than the Governor in Council.

Explanatory notes had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Sept. 23, 1953 - Cab. Doc. 216-53; memorandum, Minister of Resources and Development, Sept. 16, 1953- Cab. Doc. 212-53).

6. Mr. Garson, referring to discussion at the meeting of September 9th , further reported that, after looking into the matter, it had been found that the Minister of Resources and Development could not be appointed Commissioner of the Northwest Territories (rather than the Deputy Minister as at present) without amending the Northwest Territories Act and one or two other statutes such as the Senate and House of Commons Act. Furthermore, there would be an anomaly in having a Federal Minister occupy the position of head of a body that was comparable to a provincial legislative body. An additional consideration was that the Council was responsible to the Governor in Council. If the Minister were a member of the Council, he might, on occasion, be in the position of being repudiated by his colleagues.

7. In the course of discussion it was suggested,-

(a) that, having regard to the geographical, administrative and other difficulties in the Northwest Territories, it was impractical to contemplate replacing elected members of the Council by by-elections; and,

(b) that it seemed preferable to provide replacements for elected members of the Council who resigned, by appointment made by the Governor in Council. (rather than by the Commissioner in Council) as was now done in the case of elected members who died or who were unable to perform their duties by reason of incapacity or absence.

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8. The Cabinet, -

(a) approved in principle proposed amendments to the Northwest Territories Act as recommended by the Minister of Resources and Development and agreed that a draft measure be prepared accordingly; and,

(b) noted the report by the Minister of Justice regarding the present statutory impediments which would have to be removed in order to appoint the Minister (rather than the Deputy Minister) of Resources and Development as Commissioner of the Northwest Territories.

Legislation; National Harbours Board Act amendments.

9. The Minister of Transport submitted proposed amendments to the National Harbours Board Act. These proposals had been considered by the Cabinet Committee on Legislation on September 22nd, 1953, and the Committee had,at that time,suggested certain modifications with which he concurred.

Explanatory memoranda had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Sept. 23, 1953-Cab. Doc. 216-53; memorandum, Minister of Transport, Sept. 16, 1953-Cab. Doc. 208-53).

10. The Cabinet approved in principle proposed amendments to the National Harbours Board Act and agreed that a draft measure be prepared accordingly; it being understood that the following changes be made in the proposed amendments as submitted by the Minister of Transport:

(a) the Act to be amended to empower the Governor in Council to give general, rather than specific, authority to the Board to exercise its functions within certain prescribed limits (paragraph 2 (ii) of Cab. Doc. 208-53);

(b) the Board to be authorized to award contracts up to but not exceeding $15,000 without public call for tenders (paragraph 2 (iii) of Cab. Doc. 208-53);

(c) the final date of submission of the Board's annual report to be extended from March 31st to April 30th (paragraph 2 (viii) of Cab. Doc. 208-53).

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(d) section 20 (b) of the Act, relating to the sale of certain types of seized goods after thirty days from the date of seizure, to be left unchanged (paragraph 2 (ix) of Cab. Doc. 208-53); and,

(e) no change to be made in the Act with respect to the establishment of funds for government employees' compensation purposes.

Legislation; Canadian Forces Bill

11. The Minister of National Defence said he proposed to introduce, during the course of the coming session, a Bill similar to the Canadian Forces Acts passed by Parliament in recent sessions. This Bill would amend certain provisions of the National Defence Act, Defence Services Pension Act and the Senate and House of Commons Act. These various proposals had been considered by the Cabinet Committee on Legislation on September 22nd, and the Committee had made certain observations with respect to some of the amendments proposed to be made to the National Defence Act.

Explanatory memoranda had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Sept. 23, 1953, - Cab. Doc. 216-53; memorandum, Minister of National Defence, undated.-Cab. Doc. 204-53).

12. In the course of discussion the following points emerged:

(a) One of the proposed amendments to be made to the National Defence Act (paragraph 2 (a) (iii) of Cab. Doc. 204-53) would authorize arrangements to be made for Canadian service authorities to arrest members of foreign forces in Canada. This amendment was designed to extend the arresting powers provided for in the Visiting Forces Acts to the armed forces of countries other than those covered by that legislation. However, as similar provisions were included in the N.A.T.O. Status of Forces Agreement, which would come into effect on September 28th, it was felt preferable, on the whole, to rely on such provisions for the time being at least and not to amend the Act as had been recommended.

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(b) Another proposed amendment to the National Defence Act (paragraph 2 (a) (vi) of Cab. Doc. 204-53) would permit the Code of Military Discipline to be made applicable to dependents who accompanied Canadian military personnel abroad. It was noted that, under U.S. law, the dependents of U.S. military personnel stationed in Germany were subject to military law,and that the United Kingdom was now contemplating similar provisions in respect of the dependents of U.K. armed forces in Germany. In the circumstances, it was desirable to make similar general provisions regarding criminal jurisdiction over dependents who accompanied Canadian military forces abroad, in order that our forces might generally be in the same position as Commonwealth and other military forces with whom they served outside Canada.

13. The Cabinet approved in principle proposed amendments to the National Defence Act, the Defence Services Pension Act and the Senate and House of Commons Act, as submitted by the Minister of National Defence, and agreed that a draft measure be prepared accordingly; it being understood that the following proposed amendments to the National Defence Act would be dropped:

(a) provision regarding the taking of disciplinary action where a member of the Reserve Force discloses to unauthorized persons information that he received by reason of his position as an officer or man (paragraph 2(a) (i);

(b) provision authorizing Canadian service authorities to arrest members of foreign forces in Canada or in connection with Canadian service establishments abroad (paragraph 2(a)(iii) of Cab. Doc. 204-53); and,

(c) provision for the postponement of legal actions against members of the armed forces abroad until their return to Canada (paragraph 2(a)(v) of Cab. Doc. 204-53).

Canada Elections Act; use of old election forms

14. The Secretary of State, referring to discussion at the meeting of August 13th, 1953, said that, with the coming into force of the Revised Statutes of Canada, 1952, on September 15th, 1953, all existing printed election material had technically become obsolete and the strict application of the new law would require the complete reprinting of such material for any by-election that might henceforward be required.

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As the Chief Electoral Officer now held a sufficient stock of forms and other by-election material to last probably until the next general elections, it was suggested that an amendment to the Canada Elections Act be introduced early in the coming session to authorize him to use the election material prepared pursuant to the Canada Elections Act, 1938, for by-elections.

(Memorandum, Chief Electoral Officer to Secretary of State, Sept. 24, 1953).

15. The Cabinet approved in principle a proposed amendment to the Canada Elections Act to authorize the Chief Electoral Officer to use election material, prepared pursuant to the Canada Elections Act, 1938, so long as it might be available, for the purpose of by-elections held under the Canada Elections Act, chapter 23 of the Revised Statutes of Canada, 1952, and agreed that a draft measure be prepared accordingly.

Veterans Charter; terminal date for service in a theatre of operations

16. The Minister of Veterans Affairs, referring to discussion at the meeting of September 9th, said he concurred in a recent recommendation of the Interdepartmental Committee on Re-establishment (Special Force) that eligibility of members of the armed forces in the Korean theatre of operations for special benefits under the Veterans Charter caase as of October 31st, 1953.

An explanatory note had been circulated.

(Minister's memorandum, Sept. 18, 1953 -Cab. Doc. 214-53).

17. The Cabinet agreed that, for purposes of eligibility for special benefits under the Veterans Charter, service in a theatre of operations do not extend beyond October 31st, 1953, and that no member of the forces be considered to have had service in a theatre of operations unless such service began on or before July 26th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1495-53, Sept. 24).

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Korea; recent developments; Canadian contribution to Security Forces

18. The Minister of National Defence reported that, at the United Kingdom's suggestion, consideration had been given to the size and organization of Commonwealth forces which would be needed in Korea when risk of renewal of hostilities had declined. On the basis that the present Commonwealth Division would be reduced to an integrated brigade group, it had been suggested that the composition might be as follows:

(a)	United Kingdom --	One Infantry Battalion One Field Artillery Regiment One Field Squadron,Royal Engineers
(b)	Canada --	One Infantry Battalion
(c)	Australia --	One Infantry Battalion
(d)	New Zealand --	One Transport Company
(e)	India --	One Field Ambulance

Insofar as naval forces were concerned, the following has been suggested:

(a)	United Kingdom --	One destroyer or frigate
(b)	Canada --	One destroyer or frigate
(c)	Australia --	One destroyer or frigate
(d)	New Zealand --	One frigate

If a Canadian contribution to the Korean Security Forces was approved on the suggested scale, the air transport required to service Canadian forces in Korea would be reduced accordingly.

An explanatory note had been circulated.

(Minister's memorandum, Sept. 23,1953 - Cab. Doc. 215-53).

19. Mr. Claxton further reported that recent developments arising out of the Korean truce were not encouraging. It was feared that President Syngman Rhee would not agree to the continuation of the truce and that he might attempt to unify Korea by military force. There was little doubt that the U.S.-equipped and well-trained South Korean Divisions could dispose of North Korean forces but they could not achieve any military success against Chinese forces. It had been stated clearly by the

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Secretary of State for External Affairs that Canada was prepared to do its share in any U.N. action to resist aggression in Korea, but that Canada had not undertaken to take any part in the unification of Korea by means of military force.

20. The Cabinet,-

(a) agreed that other Commonwealth nations participating in the United Nations action in Korea be informed that Canada would be prepared to agree to contribute one infantry battalion and one destroyer or frigate to the Commonwealth Security Forces that would be needed in Korea when the risk of renewal of hostilities had declined; and,

(b) noted the report by the Minister of National Defence on recent developments relating to the continuance of the Korean truce.

Civil aviation policy; Canadian Pacific Air Lines application for scheduled all-cargo air services.

21. The Prime Minister, referring to discussion at the meeting of September 17th, said the Canadian Pacific Air Lines' application to the Air Transport Board to operate a trans-continental scheduled all-cargo air service had given rise to arguments, on the one hand, that Trans Canada Air Lines' present solvent position, achieved largely by reason of the monopoly it enjoyed on trans-continental routes, would be jeopardized by the competition proposed by Canadian Pacific Air Lines and, on the other hand, that the type of service to be provided by the proposed C.P.A. all-cargo air services would not seriously affect the present level of T.C.A. revenues. It had also been argued that, with the type of plane C.P.A. planned to use, it could provide a lower cost service than T.C.A. could with the fully-depreciated North Stars.

An explanatory note had been circulated.

(Report Air Transport Board, undated-Cab. Doc. 217-53).

In the circumstances, he suggested that final decision be deferred until all interested parties had been given an opportunity to make representations direct to the government.

22. The Cabinet noted the Prime Minister's suggestion that the government grant a hearing to all parties interested in the application by Canadian Pacific Air Lines to the Air Transport Board, for a trans-continental scheduled all-cargo air service, and deferred decision pending further consideration.

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Trans-Atlantic telephone cable

23. The Minister of Transport, referring to discussion at the meeting of September 9th, 1953, said telegrams had now been received from the Minister of Trade and Commerce and the Canadian High Commissioner in London, following a meeting with the Secretary of State for Commonwealth Relations and the Postmaster General of the United Kingdom.

The United Kingdom were not willing to participate in a joint U.K.-Canada scheme and preferred the tripartite U.S.-U.K.-Canada arrangement. It was suggested that the Postmaster General and certain British officials come to Ottawa to discuss the latter proposal further. It was now for decision whether the government should agree to the tripartite plan or consider some other alternative.

24. In the course of discussion, it was pointed out that, under the tripartite arrangement, Canada would have the use of from six to nine of the thirty-six circuits contemplated, while its share of the capital cost of the cable would amount to 9 percent of the total outlay.

It was also mentioned that the New Brunswick Telephone Company and the Maritime Telephone and Telegraph Company had considerable experience in transmission services which might be useful for any proposed trans-Atlantic cable.

25. The Cabinet noted the report of the Minister of Transport on negotiations for the construction of a trans-Atlantic telephone cable, and agreed:

(a) that the United Kingdom Postmaster General and British officials concerned be invited to come to Canada to continue discussions; and,

(b) that, prior to the renewal of negotiations, the Canadian Overseas Telecommunication Corporation secure, particularly from certain companies in the Maritime Provinces, all information with regard to cable and wireless operations that might be relevant to consideration of the various proposals.

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Micro-wave relay rights for television; application of Bell Telephone Company

26. The Minister of Transport reported that the Bell Telephone Company of Canada had applied for micro-wave relay rights for television purposes from Toronto to Winnipeg and Toronto to Windsor. The Canadian Pacific Railway and the Canadian National Railways, jointly, had offered to enter into an agreement with the Bell Telephone Company for the use of these rights. The Company had refused to consider such an arrangement.

27. In the course of discussion, it was pointed out that, under existing legislation, the government had authority to consider the technical features of such an application. There was, however, no provision for consideration of questions relating to ownership or economic interest in an application. The telephone companies had no right to establish telegraph lines but they did operate teletype machines. Both the Railways and the Bell Telephone Company were seriously considering television transmission.

28. The Cabinet agreed that no one person or corporation should receive monopoly to operate a micro-wave relay system and that, if the technical features of the applications submitted were satisfactory under the terms of existing legislation, rights could be granted for the use of appropriate wave lengths for the establishment of a relay system.

Immigration policy; Israel

29. The Minister of Citizenship and Immigration reported that there had been increasing pressure from the Jewish population in Canada for immigration from Israel, and 2,000 applications were now pending, involving over 6,000 persons alleged to be close relatives of the applicants, mainly from citizens of Montreal and Toronto. Up to the present time, the Department of Citizenship and Immigration had been processing only those cases where security clearance was normally waived. Investigation had revealed that security arrangements in Israel were extremely bad and that proper security clearances could not be obtained. The problem had been considered by an interdepartmental committee which recommended:

(a) that provision be made for dealing with applications submitted by permanent residents of Canada for admission from Israel of parents, whether coming within the categories normally eligible for waiver of security clearance or not;

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(b) that, subject to the establishment of a Canadian mission in Israel, an officer from the Department of External Affairs or the Department of Citizenship and Immigration be appointed to a consular position to deal with immigration matters;

(c) that applications for the admission of residents of Israel which may be dealt with, be processed on the following basis:

(i) the application be referred to the Canadian post in Israel only after security clearance of the sponsor in Canada had been obtained;

(ii) upon receipt of an approved application from Canada, the Canadian official in Israel interview the prospective immigrant with a view to establishing definite identity and relationship to the sponsor and to developing any derogatory information;

(iii) all existing facilities for checking a prospective immigrant's background be thoroughly utilized;

(iv) where derogatory information of material significance was discovered, a visa to be refused and the interested parties advised only that the prospective immigrant was unable to meet immigration requirements;

and,

(d) consideration be given to the posting of an R.C.M.Police officer to the Canadian post in Israel at least for an initial period. Such officer not to be known as a security officer but to fill a consular or other position and to secure all possible information about prospective immigrants.

An explanatory note was circulated.

(Minister's Memorandum, Sept. 24, 1953 - Cab. Doc. 221-53).

30. The Cabinet noted the report of the Minister of Citizenship and Immigration on proposals for handling immigration from Israel and deferred decision pending further discussion at a later meeting.

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Intergovernmental Committee for European Migration; sixth session

31. The Minister of Citizenship and Immigration submitted instructions for the Canadian delegation to the sixth session of the Intergovernmental Committee for European Migration to be held at Venice, in October, 1953. It was recommended that the delegation be instructed to reiterate the general principles outlined in the instructions approved by Cabinet on April 9th, 1953, for the fifth session.

At the last session, the Canadian delegation had received no support from other member countries in attempting to discourage extension of the organization's activities. A revised draft constitution was then considered and would be voted on at the coming session. It now appeared possible that support might be forthcoming for certain amendments which would meet the more important Canadian objections to the draft.

An explanatory note was circulated.

(Minister's memorandum, Sept. 23, 1953-Cab. Doc. 218-53).

32. The Cabinet agreed:

(a) that the Canadian delegation to the sixth session of the Intergovernmental Committee for European Migration be instructed to reiterate the general principles set out in instructions approved on April 9th, 1953; it being understood.

(i) that the Canadian delegation might signify Canada's acceptance of the draft constitution of I.C.E.M. provided it was amendéd to meet the more important objections raised by Canada;

(ii) that, failing such amendments, the Canadian delegation could indicate that Canada was prepared to retain membership in I.C.E.M. without accepting the constitution; and,

(iii) that, in the event that the question of Canadian participation in 1955 was raised, the delegation would indicate that it would depend upon the prevailing circumstances, such as continuing need for special measures for the movement of migrants, absorptive capacity of Canada, etc.; and,

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(b) that, the Canadian delegation be composed as follows:

Head of Delegation

C.E.S. Smith, Esq.,
Director of Immigration.

Delegate

B.M. Williams, Esq.,
Permanent Canadian Delegation to the United Nations,
Geneva.

Official Adviser

J.R. Robillard, Esq.,
Canadian Immigration Mission,
Karlsruhe, Germany.

Defence Production; sale of property at Malton, Ontario

33. The Prime Minister submitted a recommendation from the Minister of Defence Production for the sale of certain property owned by the Crown at Malton, Ontario, to A.V. Roe Canada, Limited.

34. The Cabinet agreed to the sale to A.V. Roe Canada, Limited, of certain Crown property at Malton, Ontario, on the terms proposed by the Minister of Defence Production, subject to certain amendments in the wording put forward by the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1494, Sept. 24).

Disposition of telephone facilities in British Columbia

35. The Minister of Fisheries, referring to discussion at the meeting of May 5th, 1953, on negotiation for the sale of the government-owned telephone and telegraph service in British Columbia, pointed out that there continued to be considerable dissatisfaction in that province and it would be helpful if the sale could be completed as soon as possible.

36. In the course of discussion it was indicated that:

(a) The C.N.R. had offered to purchase the telegraph facilities for $750,000. The British Columbia Telephone and Telegraph Company had offered only $400,000 for the telephone facilities but the Department considered they were worth $1,000,000.

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(b) If the government were to continue to operate these services, at least $2,000,000 would be required to bring them up to a standard that would be adequate.

37. The Cabinet deferred consideration of the sale of government-owned telephone and telegraph services in British Columbia until a later meeting pending submission of a report by the Minister of Transport.

Claims for maltreatment; report of the Chief War Claims Commissioner

38. The Secretary of State mentioned that the Chief Commissioner on War Claims was ready to make his report on the handling of claims for maltreatment. While he felt unable to meet the full recommendations of the Ministerial committee his report went a long way toward doing so.

39. The Cabinet agreed that the report of the Chief Commissioner on War Claims with regard to maltreatment awards be considered at a subsequent meeting.

Treasury Board membership

40. The Prime Minister submitted a recommendation for revising the membership of the Treasury Board.

41. The Cabinet agreed that the membership of the Treasury Board be revised as proposed by the Prime Minister; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1496, Sept. 24)

External Affairs; diplomatic appointments

42. The Prime Minister said that the Secretary of State for External Affairs had recommended the appointment of two ambassadors.

43. The Cabinet noted with approval the recommendation by the Secretary of State for External Affairs of the following appointments:

(a) General Maurice Pope, presently Canadian Ambassador to Belgium, to be Canadian Ambassador to Spain; and,

(b) Jules Leger, Esq., Assistant Under-Secretary of State for External Affairs, to be Canadian Ambassador to Mexico.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

September 29,1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Tuesday, September 29th, 1953, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier),
Mr. W.R. Martin, Privy Council Office.

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Canadian Legion; meeting with government

1. The Prime Minister said the Minister of Veterans Affairs had suggested, prior to his departure for Europe, that the government might receive members of the Dominion Command of the Canadian Legion at 12 o'clock noon, on Tuesday, November 10th. This date was agreeable to the Canadian Legion.

(Memorandum, Privy Council Office, Sept. 29,1953)

2. The Cabinet agreed that the Prime Minister and other members of the government receive members of the Dominion Command of the Canadian Legion at 12 o'clock noon, on Tuesday, November 10th, 1953, in the Prime Minister's office.

Canadian Shipowners Association; meeting with government

3. The Prime Minister, referring to discussion at the meeting of September 9th, suggested that he and other members of the government might receive representatives of the Canadian Shipowners Association some time during the week of October 12th, if the Ministers primarily concerned could be present at that time.

(Memorandum, Privy Council Office, Sept. 29, 1953).

4. The Cabinet agreed that the Prime Minister and other members of the government receive representatives of the Canadian Shipowners Association at 12 o'clock noon, on Thursday, October 15th, 1953, in the Prime Minister's office.

Legislation; amendments to National Housing Act and Bank Act respecting mortgage lending

5. The Minister of Finance recommended, with the concurrence of the Minister of Public Works, that the National Housing Act and the Bank Act be amended to ensure maintenance of a high level of housing construction. The continuing high demand for housing and the strong possibility that present sources of mortgage funds had about reached the limit of expansion or would do so in the near future indicated that remedial action was required.

Since 1945, the Federal government had provided the funds for 25 percent of National Housing Act loans made by private lenders and, in latter years, had made direct loans in centres with populations of less than 55,000. Recently, these direct loans had been extended to other areas (centres with populations up to 70,000) to prevent the shortage of funds from becoming too acute.

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At the present time, the life insurance companies accounted for approximately 80 percent of the institutional lending on mortgages. However, they were approaching their historic high in the proportion of their assets held in the form of mortgage debt, and it was not unlikely that they might feel obliged to reduce the scale of their mortgage lending in the near future. The only other significant private sources of funds for mortgage lending was the pool of savings mobilized by the banks. As the banks, however, could not lend on the security of real estate mortgages, it was now suggested that both the National Housing Act and the Bank Act be amended to enable Canadian banks to enter the field of mortgage lending on private housing construction. Such amendments would provide for the establishment by Central Mortgage and Housing Corporation of a system of mortgage insurance. Although such a provision did not appear to be strictly necessary, it was also recommended, as a final guarantee of the liquidity of the banking system, that the Bank of Canada be empowered to lend to chartered banks against the security of mortgages.

The introduction of such a system to replace the present joint loan plan would eliminate the subsidy element provided by the government and require an increase in the rate of interest which the individual borrowers would be required to pay. To offset this, it was suggested that the normal mortgage term be extended from 20 to 25 years. It was further recommended that maximum ratios of National Housing Act loans be adjusted to provide moderately lower down payments and that the regular ceiling now set at $10,000 should, because of the increase in costs since its establishment, be raised to a higher level, say $12,500.

It was felt that any objections lenders might have to the longer term could be satisfactorily met both by the government's insurance provision and by providing, further, that N.H.A. mortgages incorporate a provision whereby, at the end of the first 10 years, the interest rate would be automatically adjusted up or down to the rate of interest then current.

It was recommended that bills be introduced during the coming session to make the required amendments to the National Housing Act and that an attempt be made to obtain royal assent for such amendments by no later than February 28th, 1954. Consequential amendments to the Bank Act would also be required.

An explanatory note and draft press statement were circulated.

(Minister's memorandum, Sept. 29, 1953 - Cab. Doc. 225-53, and attached draft press statement.)

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6. During the course of discussion the following points emerged:

(a) The only practicable alternative to the proposed scheme would be to have the government borrow from the banks and make direct loans for private housing construction. This course of action would have several obvious disadvantages. The government did not have facilities to service such mortgages whilst the banks could do so readily through their numerous branches in small as well as in large centres across Canada. Furthermore, it was undesirable in principle that the government should be placed in the position of having to foreclose on defaulters, which would be the case if it held the mortgages.

(b) At the present time, by far the greatest portion of outstanding mortgages on private dwellings in Canada was held by seven large life insurance companies. By the very nature of their organization and operations, these companies could not service the smaller and more remote centres, with the result that it was becoming increasingly difficult for individuals there to secure mortgages from the life insurance companies. It was hoped that this difficulty would be largely overcome after the new scheme was introduced because of the banks' branch system.

(c) In the initial stages at least, it was envisaged that, under the new scheme, banks would be empowered only to make "insured" mortgage loans. After experience had been gained, it might perhaps be found advisable to allow the banks to enter the general mortgage field on private dwellings without any restrictions.

(d) In announcing the scheme to the public, it was important to stress that, although the rate of interest to be paid by individual borrowers would be slightly higher, this would be greatly outweighed by the various advantages accruing to the borrowers, i.e. greater availability of mortgage funds, more equitable distribution of such funds as between the larger and smaller centres, decrease in the down payments, and lower aggregate monthly carrying charges resulting from the longer mortgage period.

7. The Cabinet,-

(a) approved the recommendations of the Minister of Finance, concurred in by the Minister of Public Works, that a system of residential mortgage insurance be established and that the chartered banks, as well as other financial institutions, be enabled to lend on insured home mortgages under it,

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and agreed that an appropriate announcement be made by the Prime Minister on Thursday, October 1st; and,

(b) agreed that the amendments to implement the new scheme be made to the National Housing Act and the Bank Act; draft measures to be prepared accordingly for introduction during the coming session of Parliament; it being understood that royal assent should be sought not later than February 28th, 1954.

Commonwealth; meeting of Finance Ministers in Australia

8. The Prime Minister said arrangements had now been completed for a meeting of Commonwealth Finance Ministers in Sydney, Australia, between January 8th and 15th, 1954. These meetings, to be attended by the Minister of Finance, would be preceded by a meeting of Commonwealth officials beginning January 4th. The Prime Minister of Australia proposed to announce the arrangements to the House of Representatives at 8 p.m. (Canberra time) on Wednesday, September 30th.

(Letter, Sept. 29, Office of the High Commissioner, Australia, to Prime Minister and enclosed telegram).

9. The Cabinet noted the Prime Minister's report on the arrangement to hold a meeting of Commonwealth Finance Ministers at Sydney, Australia, from January 8th to 15th, 1954, and agreed that an appropriate announcement be made to the press simultaneously with Mr. Menzies' statement to the Australian House of Representatives.

Custodian of enemy property; release of assets to owners in certain communist countries

10. The Secretary of State, reported that, in 1946 and 1947, the government had given authority for the release, under specific conditions, of assets held by the Custodian to their former owners in France, Belgium, Denmark, Greece, Luxembourg, The Netherlands and Norway. Subsequently, the position had been taken that, in hardship cases only, assets held by the Custodian could be released to former owners in Czechoslovakia, and Poland, provided the aggregate value of such releases to any one country did not exceed $1,500 a month. In practice the same had been done for owners in Albania, Bulgaria, Danzig, Estonia, Latvia and Lithuania.

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It was now recommended that approval be given to the application of the same policy in respect of those areas of communist China formerly occupied by the Japanese.

An explanatory note had been circulated.

(Minister's memorandum, Sept. 18, 1953-Cab. Doc. 222-53).

11. The Cabinet agreed that the Custodian of Enemy Property release assets to former owners in Albania, Bulgaria, Czechoslovakia, Danzig, Estonia, Latvia, Lithuania, Memel, Poland and those areas of communist China formerly occupied by the Japanese, provided that such releases were made in hardship cases only and on specific request by the former owners, and that the aggregate value of releases did not exceed $1,500 per month for each country; it being understood that this decision would be reviewed in the event it were subsequently ascertained that assets so released were not actually turned over to their rightful owners.

Israel; immigration to Canada

12. The Minister of Citizenship and Immigration referred to discussion at the meeting of September 24th, when he had submitted recommendations on steps which might now be taken to allow certain relatives of Jewish residents of Canada to move from Israel to Canada.

An explanatory note had been re-circulated.

(Minister's memorandum, Sept. 24,1953-Cab. Doc. 221-53).

13. During the course of discussion the following points emerged:

(a) Although there should be no discrimination against the admission to Canada from Israel of relatives of Jewish residents of Canada under the criteria suggested by the Minister of Citizenship and Immigration, precautions should be taken against fraud in claims of family relationship.

(b) As security arrangements for the clearance of prospective immigrants were poor in Israel, it was not unlikely that a certain number of Communists might gain access to Canada. Any such cases that were discovered after admission to Canada could be deported to their country of origin.

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14. The Cabinet approved the recommendations of the Minister of Citizenship and Immigration regarding the admission of immigrants from Israel and agreed,-

(a) that, despite the fact that security clearance could not be obtained, provision be made for dealing with applications submitted by permanent residents of Canada for the admission from Israel of parents, whether coming within the categories normally eligible for waiver of security clearance or not, provided such parents had at least two years residence in Israel if not eligible for waiver and that the Minister be authorized, in his discretion, to admit relatives of other degrees where he thought it desirable, on the understanding that such extension of admissible groups would be kept to the minimum he considered practicable;

(b) that, subject to the establishment of a Canadian legation or other post of the Department of External Affairs in Israel, there be appointed an officer in a consular position at that post to deal with immigration matters in Israel;

(c) that all applications for the admission of residents of Israel be processed on the following basis:

(i) the application to be referred to the Canadian post in Israel only after security clearance of the sponsor in Canada had been obtained;

(ii) upon receipt of an approved application from Canada, the consular officer to interview the prospective immigrant and subject him to a thorough interrogation, with a view to establishing identity and relationship to the sponsor and to reveal, if possible, any derogatory information;

(iii) such facilities as did exist for checking a prospective immigrant's background to be thoroughly utilized before a visa was granted; and,

(iv) where derogatory information of material significance was discovered, a visa to be refused and the interested parties advised only that the prospective immigrant was unable to meet immigration requirements;

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(d) that consideration be given to the posting of an R.C.M.Police officer to the Canadian post in Israel, at least for an initial period.

South-western Ontario; tornado damage

15. The Minister of Citizenship and Immigration, referring to discussion at the meeting of September 9th, submitted a report on the estimates of damage. It would appear that the Disaster Fund Committee was not likely to meet until late in October. Meanwhile, interim payments had been made by the County Relief Funds. There was no uniformity in estimates of damage, and the assessments in respect of counties had been made by officials at all levels of government. The provincial government had announced that it would make two contributions:

(a) 50 percent of the out-of-pocket expenses of municipal councils; the expenses being those caused by the tornadoes to municipal works and property not provided for in the 1953 municipal budgets; and,

(b) 50 percent of any amount donated by any municipal council toward meeting needs in the areas affected, provided the donations were voted before August 1st.

Some misunderstanding had arisen as to the meaning of this proposed second contribution.

An explanatory note was circulated.

(Minister's memorandum, Sept. 29, 1953- Cab. Doc. 226-53).

16. During the course of discussion, it was pointed out that the net damage was not very great and the province should be able to look after the required needs. However, there existed precedents for other disasters and embarrassment might be created if the Federal government were not to follow its stated policy when an approach had been received from the provincial government for assistance. Some municipal councils were of the opinion that grants from higher authority were to be taken as reimbursement to the municipality for the amount of their grants.

17. The Cabinet noted the report of the Minister of Citizenship and Immigration on tornado damage in south-western Ontario, and deferred decision, pending further discussion at a later meeting, following receipt by the Minister of a statement from the government of Ontario on what contribution the province proposed to make.

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Flood hazard investigation; Greater Winnipeg area

18. The Prime Minister, said the Minister of Public Works had submitted a summary of a report on investigations carried out by the Department of Resources and Development, as directed by the Cabinet in June, 1950, into measures for the reduction of the flood hazard in the Greater Winnipeg area.

The cost of protection would vary from $12 million for a flood of the 1950 magnitude to $82 million for the magnitude of the highest known flood, that of 1826. The report of these investigations had been presented to the government of the Province of Manitoba for consideration.

(Memorandum, Minister of Public Works, Sept. 28, 1953- Cab. Doc. 223-53).

19. The Cabinet noted the submission by the Minister of Public Works of a summary of investigations carried out into measures for the reduction of the flood hazard in the Greater Winnipeg area.

Trade negotiations with Japan; Japanese membership in G.A.T.T.

20. The Secretary of State for External Affairs referring to discussion at the meetings of July 6th, and September 9th, 1953, submitted a memorandum on trade negotiations with the Japanese and the accession of Japan to the General Agreement on Tariffs and Trade.

An explanatory memorandum was circulated.

(Minister's memorandum, Sept. 29, 1953- Cab. Doc. 224-53)

21. The Minister of Trade and Commerce, said that while he was in Geneva, in connection with the eighth session of Contracting Parties to the G.A.T.T., the Japanese delegation had sought Canadian support for their provisional admission. Although the Japanese recognized that the Canadian position in this connection was conditional upon conclusion of a satisfactory trade agreement with Canada, they showed, at the time, little inclination to pursue negotiations.

The United States had advised the Japanese to conclude a trade agreement with Canada on the basis of the latest Canadian proposals. The difficulty, from the Japanese point of view, had been their desire to make bilateral agreements, and their objection to concluding an agreement with Canada which would stand in the way of a discriminatory bilateral agreement with the Argentine. The Japanese fear was that, unless they could renew concessions

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to the Argentine on wheat, they might lose some of their markets in that country. They had expressed the desire informally, to obtain a specific escape clause by which they might obtain release from the Canadian government of their obligations, should they need to make a discriminatory arrangement with countries such as the Argentine.

The Japanese proposed to defer application of the principle of non-discrimination for at least a year when the position would be subject to review. Meanwhile, they would be prepared to guarantee dollar allocations for importation of wheat, barley and wood pulp, most of which were obtained in the dollar area and which were the three most important exports from Canada. This proposal was not considered acceptable because it could not be reconciled with Canadian commercial policies. Consideration had been given to whether the Japanese might be able to accept Canadian proposals if Canada were to amend them by exempting 5 percent, or possibly 10 percent, of Japan's total imports of wheat from non-discriminatory requirements for a period of one year.

22. In the course of discussion, the following points emerged:

(a) It would be undesirable to meet the Japanese request for an escape clause or grant them the exemption of a percentage of imports from the non-discriminatory provision. Any such arrangement would make it very difficult to give Canadian support for the admission of Japan to G.A.T.T.

(b) If, in the negotiation of a trade agreement with Canada, the Japanese were allowed a measure of discrimination, the reaction of certain Canadian manufacturers of products similar to those imported from Japan would be unfavourable.

(c) It appeared that further negotiations with respect to the trade agreement with Japan would be continued in Ottawa rather than in Geneva. Directions could be given to the Canadian negotiators as required, and it would be best to observe developments further before making any substantial concessions.

23. The Cabinet noted the reports of the Minister of Trade and Commerce and the Secretary of State for External Affairs concerning trade negotiations with Japan and discussion at Geneva of Japanese membership in the G.A.T.T. and agreed:

(a) that the bilateral negotiations for a trade agreement with Japan should be continued in Ottawa and the Canadian negotiating group be instructed:

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(i) not to pursue discussion of any percentage exemption of Japanese imports from non-discrimination requirements;

(ii) not to make any move for the reduction of the original list of Canadian commodities to be accorded full non-discriminatory treatment; and,

(iii) for the time being, to reaffirm the proposals for full non-discriminatory treatment for the list of commodities, with the sole exception of specific Japanese bilateral agreements now in force;

(b) that the Canadian delegation to the meeting of the Contracting Parties to the G.A.T.T. be instructed:

(i) if a position had to be taken before a satisfactory bilateral agreement with Japan had been reached or was assured, the delegation should indicate that, in the absence of a suitable basis for trading relations between Canada and Japan, Canada would not be able to apply the G.A.T.T. to that trade, although it would have no objection to other countries so doing with regard to their trade; the delegation to be authorized to intimate that, in the event that future bilateral discussions resulted in the establishment of an acceptable basis for trade, the Canadian government would then be prepared to consider having the G.A.T.T. govern Canadian-Japanese trade relations, subject to the provisions of the bilateral agreement;

(ii) if, by the time a position has to be taken, a bilateral agreement has been reached or can confidently be expected, the delegation should agree to the application of the G.A.T.T. to trade relations with Japan, on the understanding that the bilateral agreement would prevail in any respect in which it went further than the G.A.T.T. in the direction of non-discrimination; and,

(iii) in the case of either (i) or (ii) occurring, the delegation should discourage the granting of excessive latitude to the Contracting Parties to take action against Japanese exports when their own trade was not directly affected.

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Gander, Newfoundland aerodrome; additional development

24. The Minister of Transport said tenders had been submitted in July for development of runways at Gander, Newfoundland, and on September 9th, his Department had accepted the bid of the North Shore Construction Company, Limited, to carry out the work at a cost of $1,750,000; The contractor now claimed that he had calculated the tender very closely on the assumption of being able to make substantial progress during the summer and early fall, and that delay in awarding the contract made it impossible for him to adhere to his original bid. He had requested an increase in the contract, including contingencies, to $1,885,000. The matter had been submitted to the Treasury Board for its consideration but the Board was not prepared to agree to an increase without reference to Cabinet.

25. In the course of discussion it was pointed out that, even if the contractor were allowed an increase in certain items of work due to the lateness of the season, the improvements at the airfield would not be ready before next year, and if new tenders were called for, the same situation would apply.

26. The Cabinet agreed that the North Shore Construction Company, if it so desired, could proceed with work on development of runways at Gander, Newfoundland, at the beginning of the next season at the original contract price but that, if the Company felt this would entail hardship and did not wish to proceed, a call for new tenders would be made without delay.

Cheese; sale to the United Kingdom

27. The Minister of Trade and Commerce reported that the United Kingdom had allocated $2 million for the purchase of Canadian cheese. After discussion, and in the light of supplies, the offer to purchase was adjusted to 10 million pounds. Negotiations with the trade in Canada had been carried out and had reached an impasse. The trade wanted a price of 28½ cents per pound. The United Kingdom would go no higher than 25½ cents. Efforts had been made by him and by the High Commissioner in London to get the offer up, but without success. If the U.K. could not secure supplies in Canada, it would purchase in Europe.

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The Agricultural Prices Support Board had in storage about 5 million pounds of 1952 cheese which had cost about 30½ cents with carrying charges. If no sale were made to the United Kingdom, the Board would be obliged to buy another 10 million pounds from the Ontario Cheese Producers Association at the end of October at 30 cents. With the prospect of no other market for the available stocks it seemed desirable to accept the United Kingdom offer. It would mean a loss to the government of something over $450,000.

28. In the course of discussion it was pointed out that it would be valuable to have a certain quantity of Canadian cheese on the U.K. market with the prospect that, if the United Kingdom dropped its rationing programme, it would be more readily possible to go into the open market there .

29. The Cabinet noted the report of the Minister of Trade and Commerce on negotiations for the sale of cheese to the United Kingdom, and deferred decision pending discussions between the Minister and the Minister of Agriculture.

Strike on Canadian deep-sea ships

30. The Minister of Labour reported on the strike of crews of Canadian deep-sea ships. The dispute concerned the union demand for an increase in wages of $50 per month across the board, a forty-hour week, and an eight-hour day at sea. The conciliation board had recommended that there be no change in working conditions. There had been a minority report. The Companies had accepted the board's recommendation. The union had not and had decided to go on strike on Friday, last.

31. The Cabinet noted the report of the Minister of Labour on the strike of the crews of Canadian deep-sea ships.

Loss of aircraft in northern Quebec

32. The Minister of Mines and Technical Surveys said that, during a visit to the Iron Ore Company of Canada, it had been suggested to him that not sufficient effort was being put forth to find a plane which was lost in late August on a flight between Fort Chimo and Roberval. There were seven people aboard including a student surveyor attached to the Department of Mines and Technical Surveys.

33. The Minister of National Defence said the R.C.A.F. had carried out extensive search operations but with no result, the most recent being September 21st-24th.

34. The Cabinet agreed that the Minister of National Defence communicate with the Manager of the Iron Ore Company of Canada and explain what steps had already been taken in the search for a lost plane in northern Quebec and consider whether further steps should be taken

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United Nations; General Assembly; eighth session

35. The Secretary of State for External Affairs reported that the eighth session of the U.N. General Assembly was now under way and that the general debate had concluded. The western nations were attempting with some assistance from the Arab-Asian group, to show a united front against the Communists. There was little public discussion of the political conference to be held on Korea although this subject dominated the thoughts of everybody at the Assembly.

On the western side, real efforts were being made to keep the differences which existed between the United States and other nations from becoming questions of public discussion. The Americans, already, had publicly made some concessions with respect to the political conference which might be helpful. There seemed to be an even chance of the conference being held but, in the light of the attitude of President Syngman Rhee, it was highly doubtful that it would be successful.

The Indian troops guarding prisoners who had not wished to return to their homes were performing a difficult task successfully, but if the conference was not to be held it was not likely that they would stay in Korea.

Privately, the United States Secretary of State felt that the only solution to the Korean problem was neutralization of Korea, withdrawal of all forces, free elections and an international guarantee. This was not acceptable to Syngman Rhee. The American delegation for the conference had been chosen but its terms of reference and instructions were not clear.

The whole atmosphere at the session was quite different from what had prevailed at previous sessions. The Communist delegates were apparently intent upon creating as friendly an atmosphere as possible.

36. The Cabinet noted the report of the Secretary of State for External Affairs on the eighth session of the General Assembly of the United Nations.

Public service rearrangement and transfer of duties Act; transfer of certain functions from the Minister of Resources and Development to the Minister of Public Works

37. The Prime Minister, referring to discussion of September 17th, said there were certain other duties relating to housing which should be transferred to Mr. Winters with his appointment as Minister of Public Works.

38. The Cabinet agreed that, under the provisions of the Public Service Rearrangement and Transfer of Duties Act, the powers, duties and functions vested in the Minister of Resources and Development by the National Housing Act and vested in him and other Ministers by certain other Acts and Orders in Council dealing with the procurement of and construction of defence projects and related services for the Department of National Defence as well as other matters, be transferred to the Minister of Public Works; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1521, Sept. 29).

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Appointments

39. The Minister of Justice submitted recommendations for certain appointments.

40. The Cabinet approved the recommendations of the Minister of Justice that appointments be made as follows:

(a) Louis Audette, Esq., to be one of Her Majesty's Counsel learned in the law;

(b) H.E. Hazelwood, Esq., to be Junior Judge of the County Court of Welland, Ontario, and local Judge of the High Court of Justice for Ontario during his term of office;

(c) A.H. Young, Esq., Q.C. to be Junior Judge of the County Court of York, and a local Judge of the High Court of Justice for Ontario during his term of office;

(d) W.P. Potter, Esq., Q.C. to be puisne Judge of the Exchequer Court of Canada;

Orders in Council to be passed accordingly

(Orders in Council P.C. 1953-1520,1953-1519,1953-1518, 1953-1517, Sept. 29)

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

October 7th, 1953

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber on Wednesday, October 7th, 1953, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton) (for morning meeting only)
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin), (for morning meeting only)
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),
The Minister of Labour
and Acting Minister of Veterans Affairs
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier),
Mr. W.R. Martin, Privy Council Office.

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Legislation

1. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted for consideration legislative proposals by the Ministers of Transport, Finance and Mines and Technical Surveys.

An explanatory memorandum had been circulated.

(Memorandum, Oct. 6, 1953, Chairman, Cabinet Committee on Legislation, Cab. Doc. 234-53 and attached Cab. Docs. 219-,220-, and 230-53.)

2. In the course of discussion it was suggested that all departments be urged to hasten the preparation of their legislative proposals, in order that the greatest possible numbers of bills might be drafted and approved for introduction prior to the convening of Parliament on November 12th.

3. The Cabinet,-

(a) approved in principle the following legislative proposals and agreed that draft measures be prepared accordingly:

United Kingdom Financial Agreement bill
(Cab. Doc. 220-53)
Explosives Act amendment
(Cab. Doc. 230-53)
Navigable Waters Protection Act amendment
(Cab. Doc. 219-53)

(b) noted with approval the suggestion that all departments be urged to hasten the preparation of their legislative proposals for the coming session, in order that as many bills as possible might be drafted and approved for introduction prior to the convening of Parliament on November 12th.

St. Lawrence Power Project; measures to expedite conclusion of litigation in the United States

4. The Minister of Transport, referring to discussion at the meeting of July 17th, 1953, said that, although the U.S. Federal Power Commission had, on September 4th, 1953, denied petitions for a re-hearing in the matter of the granting of a license to the New York State Power Authority for the development of power in the International Rapids Section of the St. Lawrence River, there was every indication that the opponents of the project would resort

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to every available legal remedy through the U.S. Court of Appeals and the U.S. Supreme Court to delay construction of the project as long as possible. If the litigation was allowed to run its normal course, it would be virtually impossible for the Supreme Court to dispose finally of the matter until the end of 1954.

The possibility of expediting court actions in the United States had been discussed by Canadian officials with the U.S. solicitors who had been retained on matters pertaining to the St. Lawrence project, and with representatives of the Ontario Hydro Electric Power Commission and the New York State Power Authority. As a result of these discussions it was recommended that a Canadian Minister seek an interview with the U.S. Secretary of State, and possibly the U.S. Attorney General, for the purpose of impressing upon them the great importance that Canada attached to starting construction of the power project at the earliest possible date. It could be pointed out to Messrs. Dulles and Brownell that, unless special steps were taken, litigation in the United States would probably prevent any work being done until the spring of 1955. To avoid this long delay, it should be suggested that, as soon as motions for review were lodged with the U.S. Court of Appeals by the opponents, the U.S. Attorney General formally request that Court to hasten its proceedings and fix an earlier date (say December 15th, 1953) for oral argument than normally would be the case. If the court agreed to take such a step there was every chance that the proceedings before that court and expected subsequent proceedings before the Supreme Court could all be finally concluded by early June, 1954, thus enabling construction to begin during the 1954 season. In the event the court declined to hasten its proceedings, it was suggested that the U.S. Department of Justice would then be justified, on grounds of urgency, in filing a petition with the U.S. Supreme Court for a writ of certiorari before judgement which would result in bringing the case direct to the Supreme Court for final disposition. Provided such a petition were granted by the Supreme Court, there was a possibility that the whole legal question might be disposed of finally by late March or early April, 1954.

An explanatory memorandum had been circulated.

(Memorandum, Interdepartmental Committee on the St. Lawrence Project, Oct. 6, 1953 - Cab. Doc. 235-53; memorandum, Privy Council Office, Oct. 5, 1953.)

5. In the course of discussion it was suggested that, as the Minister of Trade and Commerce was to meet the U.S. Attorney General in Washington the following day to discuss other matters, Mr. Howe might take the opportunity of mentioning our desire to see every step taken that might hasten the conclusion of litigation in the U.S. courts. If the Canadian Ambassador could arrange a meeting with the

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Secretary of State for the following day, October 9th, Mr. Howe might stay over to see him. If it were found to be desirable, the Secretary of State for External Affairs might join with the Minister of Trade and Commerce in presenting our proposals to Mr. Dulles.

6. The Cabinet agreed that the Canadian Ambassador in Washington try to arrange a meeting by the Minister of Trade and Commerce, and possibly the Secretary of State for External Affairs, with the U.S. Secretary of State on October 9th, to urge the active co-operation of the U.S. Administration in measures to expedite expected litigation on the issuance of a license by the Federal Power Commission to the New York State Power Authority for the development of power in the International Rapids Section of the St. Lawrence River.

Canadian Chamber of Commerce; meeting with government.

7. The Prime Minister said he had received a request from the Chairman of the Executive of the Canadian Chamber of Commerce seeking the usual annual interview with the government.

(Letter, Chairman of the Executive, Canadian Chamber of Commerce, to Prime Minister, Sept. 29, 1953).

8. The Cabinet agreed that the Canadian Chamber of Commerce be informed that the Prime Minister and other members of the government would be prepared to receive representatives of the Chamber on Monday, October 26th, at 12 o'clock noon, in the Prime Minister's office.

Strike in northern Ontario mines; talks with Premier of Ontario

9. The Prime Minister said the Premier of Ontario had, that day, discussed with him the strike in Northern Ontario. He had informed Mr. Frost that there was little, if anything, that the Federal government could do. However, as the current legislation on gold mining assistance would expire on December 31st, 1953, it might help if the government could announce, immediately, its intentions as to possible extension of the legislation.

10. In the course of discussion it was suggested that an announcement be made immediately by the Prime Minister stating that it was the government's intention, at the coming session of Parliament, to seek an extension for one year of the Emergency Gold Mining Assistance Act, substantially in the same terms as the current legislation, on the understanding that there would be minor adjustments to correct certain anomalies which had been discovered in administering the Act.

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11. The Cabinet,-

(a) noted the report by the Prime Minister on his recent discussions with the Premier of Ontario on the current strike in northern Ontario Mines; and,

(b) agreed that an immediate announcement be made by the Prime Minister to the effect that the government, at the coming session of Parliament, would seek Parliamentary approval for a one year's extension of the Emergency Gold Mining Assistance Act, substantially in the same terms as the current legislation, with minor modifications to correct certain anomalies which had been discovered in the operation of the Act.

Civil aviation policy; application by Canadian Pacific Air Lines for trans-continental scheduled all-cargo air service

12. The Prime Minister, referring to discussion at the meeting of September 24th, 1953, pointed out that the report of the Air Transport Board on the application of Canadian Pacific Air Lines for the operation of a trans-continental scheduled all-cargo air service would seem to indicate that, on its merits alone and without taking national air transport policy into account, the application was one which might warrant approval. However, in view of the important policy implications, he suggested again that, before reaching a final decision, it might be advisable to grant a hearing to Canadian Pacific Air Lines and Trans-Canada Air Lines so that both the applicant and T.C.A., which had now a monopoly on trans-continental air services, might make direct representations to the government.

13. The Cabinet agreed that the Presidents of Canadian Pacific Air Lines and Trans-Canada Air Lines be informed that the Prime Minister and other members of the government would be prepared to meet representatives of both companies on Friday afternoon, October 30th, and possibly on Saturday morning, October 31st, for the purpose of hearing any representations Trans-Canada Air Lines and Canadian Pacific Air Lines wished to make on the application by Canadian Pacific Air Lines for the operation of a trans-continental scheduled all-cargo air service.

Merchant shipping policy

14. The Minister of Transport, referring to discussion at the meeting of September 9th, 1953, said the combined Interdepartmental Committees on External Trade Policy and Merchant Shipping Policy had further considered the question of merchant shipping policy and had now submitted their report.

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The Committees agreed that, for reasons of national security, it was desirable to maintain some modern deep sea ships on Canadian registry, but recommended that no effort be made at this time to settle finally the minimum size of the fleet that was necessary. However, it was recommended that a policy of assistance be instituted on the basis of the approximate size of the present fleet, namely thirty-five 10,000-ton vessels.

After reviewing various methods of assistance, the Committees recommended for consideration that an annual payment be made to the operators for each qualifying ship limited to an amount that would cover the differences in wages, subsistence and insurance costs between a Canadian and a United Kingdom registered vessel. This amount would not necessarily be uniform for all ships as there might exist factors, such as size and nature of the ship's employment, which might justify a reduction from the maximum in the case of a specific ship. The payment would be calculated for a base period and once established would remain constant but would be subject to periodic but not too frequent reviews. The cost of such a programme, based on cost differentials prevailing in 1952, would run to something like $70,000 per ship, or between $2.5 million and $3 million per year for thirty-five ships.

The Committees considered that the problem of modernization could be handled by the industry itself if an operating subsidy were provided on an adequate basis, but, to ensure that the subsidy plan led to a modern fleet, it would be desirable, as a condition of obtaining an operating subsidy, that each qualifying operator provide a plan for the modernization of his fleet satisfactory to the Maritime Commission.

The Committees were also of the view that the policy for the sale of vessels and use of escrow funds agreed upon by Cabinet on May 26th, 1953, should be implemented.

An explanatory memorandum had been circulated.

(Memorandum, combined committees on External Trade Policy and Merchant Shipping Policy, Oct. 5, 1953 - Cab. Doc. 231-53).

15. In the course of discussion, the following points emerged:

(a) If the main consideration for maintaining a merchant fleet was that of security for the nation, the cost might well be treated as part of Canada's defence expenditures.

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(b) It was the view of N.A.T.O. that there was a shortage of merchant ships for possible war needs. It would be helpful to ascertain the latest position of the N.A.T.O. shipping committee, at the next Council meeting in Paris.

(c) A subsidy on the basis recommended would be constant for a considerable period and would not automatically cover a future increase in wages, or other factors taken into account in arriving at the amount of the subsidy. However, it would, to some degree, remove from operators the certainty that they would have to meet all wage increases they agreed to.

(d) The condition of individual ships of the present fleet was so bad that, if a programme of modernization was to be undertaken, the operators would have to be assured of a continuing subsidy for some time.

(e) The operation of a merchant fleet by Canada was not competitive, and considerations of commercial policy were opposed to a programme of subsidization.

16. The Cabinet deferred decision on the report of the combined Interdepartmental Committees on External Trade Policy and Merchant Shipping policy until a later meeting, pending the hearing of representations by the Canadian Shipowners Association at a meeting with the government on October 15th, 1953.

Trans-Atlantic telephone cable

17. The Minister of Transport, referring to discussion at the meeting of September 24th, 1953, reported that, following discussions with British officials, a draft agreement had now been prepared between the Canadian Overseas Telecommunication Corporation, the United Kingdom, and the American Telephone and Telegraph Company on the construction and operation of a trans-Atlantic telephone cable.

The draft provided for exclusive Canadian-United Kingdom use of six telephone and six telegraph circuits. C.O.T.C. felt that Canadian interests would be adequately protected. The arrangements precluded the American Telephone and Telegraph Company from operating a micro-wave relay system except for transmission purposes from cable-head in Canada. There was no undertaking as to security and it would be necessary to employ a certain number of technical personnel on the system to meet, as far as possible, Canadian security requirements.

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18. In the course of discussion it emerged that:

(a) The American Telephone and Telegraph Company had a charter, granted by the Secretary of State in 1927, for certain transmission purposes, but that further expansion of a micro-wave relay system other than that required for cable purposes would need a specific permit and it would, therefore, not be possible for the Company to enter directly into television and radio transmission.

(b) In order to ensure full security for messages, cypher telegrams would have to continue to be used.

(c) The C.O.T.C. felt that, in the not too distant future, another cable would be required to meet increased demands for services.

19. The Cabinet agreed in principle to the signing of an agreement along the lines indicated by the Canadian Overseas Telecommunications Corporation with the United Kingdom and the American Telephone and Telegraph Company on construction of a trans-Atlantic telephone cable, but deferred final authorization of signature pending the formal submission of the draft agreement and consideration whether an Order in Council was necessary.

Disposition of government telephone and telegraph facilities in British Columbia

20. The Minister of Transport, referring to discussion at the meeting of September 24th, 1953, submitted a report on disposal of the government-owned telephone and telegraph services in British Columbia. Different valuations had been placed on the existing plant by the Department of Transport, the Canadian National Telegraphs and the British Columbia Telephone Company. The Canadian National Railways had offered to purchase the long distance telegraph facilities between Prince George and Prince Rupert for $750,000. The B.C. Telephone Company had offered only $400,000 for the remainder of the system.

The Department of Transport and Treasury Board officials had reviewed the operation of the system and had concluded that the railway offer was acceptable, but considered $1 million to be the minimum acceptable offer for the portion of the system on which the Telephone Company was bidding.

If it is decided to sell the system at present it was recommended that the following conditions be made:

(a) that there be no reduction in any of the telecommunication services now provided by the system without the consent of the Minister of Transport;

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(b) that the new operators undertake to expand the facilities as and when required to meet new demands for service;

(c) that the greatest possible number of the present government telephone and telegraph service employees be given employment by the new operators; and,

(d) that the operation of the existing radio telegraph and telephone system serving Alice Arm, Stewart, Telegraph Creek, Atlin and Hazelton be the responsibility of one or other of the new operators; this to be the subject of negotiation before sale was completed.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 6, 1953- Cab. Doc. 239-53).

21. In the course of discussion it was pointed out:

(a) Retention by the government of the telephone and telegraph facilities in British Columbia would involve the expenditure of at least $3 million to bring services up to standard.

(b) Retention of the system would involve the development of two telephone systems in the Province of British Columbia and this was particularly undesirable in view of the rapid development under way in the northern part of the Province.

(c) The general view was that the facilities should be disposed of but not at a ridiculously low price. The offer for the telephone facilities was particularly low.

22. The Cabinet agreed that negotiations for the sale of the government-owned telegraph and telephone services in British Columbia be continued; it being understood that the offer from the Canadian National Railways for certain facilities was acceptable, but that the bid from the British Columbia Telephone Company for the remaining facilities would need to be improved before being acceptable.

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Radio and television licences

23. The Minister of Transport reported that certain applications for private radio and television broadcasting licences had been approved by the Board of Governors of the Canadian Broadcasting Corporation.

24. The Cabinet noted the report of the Minister of Transport concerning applications for private radio and television broadcasting licences and agreed:

(a) that licences be granted for the establishment of A.M. broadcasting stations at Brampton, Ont., by E.F. Job; at Montmagny, Que., by Radio Alleghanys, Inc.; at Trois Rivieres, Que., by F. Rufiange and C. Couture; and at Eastview, Ont., by the Eastview Broadcasting Company Limited; Orders in Council to be passed accordingly following the presentation of formal submissions by the Minister of Transport;

(b) that a licence be granted for the establishment of an F.M. broadcasting station at Kingston, Ontario, by the St. Lawrence Broadcasting Company Limited; an Order in Council to be passed accordingly following a submission; and,

(c) that applications for licences for television broadcasting stations in Calgary, Edmonton, Kingston, Kitchener and Saskatoon, be considered and finally dealt with at the next Cabinet meeting.

Butter; release of government stocks

25. The Minister of Agriculture reported that, during the first eight months of 1953, creamery butter production in Canada had shown a consistent increase over the previous year. Consumption had also shown an increase but not sufficient to take up the increased production. Estimates of production and consumption for the remainder of the season appeared to indicate that there were ample supplies of butter for this year.

The government carryover from 1952 production amounted to 19 million pounds, which, with 1953 purchases of 34 million pounds made a total holding, as at October 1st, 1953, of approximately 53 million pounds. Since offerings of butter to the government ceased about one month ago, the price had gradually increased from the support level of 58 cents and it was now at 62 cents in Toronto and Winnipeg and 61 cents in Montreal. A wholesale price of 62 cents, or 4 cents above the support level, was hardly

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warranted at this season of the year, and it was suggested that some stocks of government butter be sold so as to stabilize the butter market.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 7, 1953- Cab. Doc. 263-53).

26. The Cabinet agreed that the Minister of Agriculture be authorized to sell butter held by the government at a price of approximately 61 cents per pound, subject to variation about that figure in the discretion of the Minister, so as to stabilize the butter market.

Cheese; sale to the United Kingdom

27. The Minister of Agriculture, referring to discussion at the meeting of September 29th, 1953, said the estimated cheddar cheese production for 1953 would be approximately 72 million pounds, an increase of 8 percent over 1952 but lower than in any other year of Canada's history. The government now had on hand 5 million pounds of 1952 cheese purchased from the Ontario Cheese Producers' Association. The amount of First Grade 1953 cheese in the hands of the Association, which it appeared likely would be sold to the government on November 1st, amounted to 8 million pounds, making a total of government holdings on November 1st of 13 million pounds.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 7, 1953- Cab. Doc. 237-53)

28. In the course of discussion it was argued on the one hand, that the offer from the United Kingdom was 25 cents per pound and cheese was now selling at 28¼ cents in Montreal and 29 cents in Toronto. The price had gradually edged up over the last few months. If the U.K. offer were not taken up, stocks now held by the Agricultural Prices Support Board, plus what would be sold to the government on November 1st, could be disposed of without too great a loss.

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On the other hand, it was argued that, if the accumulated stocks as of November 1st were sold on the market in Canada, it was unlikely that a sale price near the support price could be obtained, and government holdings would remain high unless they were sold at a considerable loss. It appeared desirable to have 10 million pounds removed from the domestic market by a sale to the United Kingdom at 25 cents per pound, thus reducing the loss to the government and maintaining the domestic price.

29. The Cabinet agreed:

(a) that efforts be made to sell as much cheese as possible both on the domestic market and externally in the next few weeks; and,

(b) that the matter be kept under review and, as the United Kingdom offer was open until November 1st, the question be reconsidered at a later meeting.

Canned pork; proposed sale

30. The Minister of Agriculture reported that the Agricultural Prices Support Board had received an offer for the purchase of 50 million pounds of canned pork at $2.678 per case or 11.488 cents per pound f.a.s. Montreal, This had been submitted on behalf of Dutch interests.

As at September 25th, the stocks of unsold canned pork amounted to approximately 53 million pounds. While no spoilage was yet apparent, there was some evidence of deterioration such as slight discoloration. The present offer seemed low, but there were other groups endeavouring to secure substantial blocks of canned pork for export.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 2, 1953- Cab. Doc. 238-53).

31. In the course of discussion it was pointed out that the sale of stocks had been slower than hoped and that the signs of deterioration made it desirable to dispose of the remaining stocks as soon as possible.

32. The Cabinet agreed that negotiations for the sale for export of as much as possible of the government held stocks of canned pork be continued, and that efforts be made to secure a higher price than the 11.488 cents per pound f.a.s. Montreal quoted for a bulk sale of the entire government holdings; the question to be considered further at a future meeting.

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Visit of the President of the United States

33. The Prime Minister said that President Eisenhower had accepted an invitation to visit Ottawa from November 13th to November 15th. A draft press release was read. It was hoped that, in the course of his visit, the President would attend a Cabinet meeting and speak to both Houses of Parliament, probably on the afternoon of November 14th.

34. The Cabinet noted the report of the Prime Minister concerning the proposed visit of President Eisenhower to Ottawa.

Petroleum; developments in Canadian Arctic

35. The Minister of Resources and Development, referring to discussion at the meeting of April 2nd, 1953, said the Advisory Committee on Northern Development had considered the proposal from the Standard Oil Company of New Jersey, U.S. and the Imperial Oil Company of Canada to carry out exploration for petroleum, in co-operation with the Geological Survey of Canada and the Royal Canadian Air Force, in the Canadian Arctic Archipelago, particularly on Bathurst and Cornwallis Islands. Although the prospects of finding oil in this area were unusually favourable, the Committee felt that the exploration would not be justified on economic grounds alone without a strategic requirement. The Chiefs of Staff had said that, from the Canadian point of view, the development of oil in the Arctic Islands did not represent a current strategic requirement. He concurred in the Committee's recommendation that the exploration for petroleum resources in northern Canada be continued by the Geological Survey of Canada, as part of the regular departmental programme, rather than by commercial surveys as had been proposed by the Standard Oil Company and the Imperial Oil Company.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 25, 1953-Cab. Doc. 229-53.)

36. The Cabinet approved the recommendation of the Minister of Resources and Development that the exploration for petroleum resources in northern Canada be continued by the Geological Survey of Canada Branch, Department of Mines and Technical Surveys, as part of the regular departmental programme, rather than by commercial surveys as had been proposed by the Standard Oil Company of New Jersey, U.S. and the Imperial Oil Company of Canada.

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Indian affairs; trapping privileges on Rideau Canal and Trent Canal reserve lands

37. The Minister of Citizenship and Immigration said the Ontario fur production programme had been initiated in 1947 in the interest of Indians, with the co-operation of the Department of Lands and Forests of Ontario. In connection with it, he recommended that trapping privileges on certain canal lands in the Rideau and Trent Canal systems be granted only on the recommendation of the Department of Citizenship and Immigration, and that his Department control and supervise trapping operations on such lands. While these functions would be exercised primarily in the interst of the Indians, licenses would continue to be issued to other persons entitled thereto by prior use and occupation or by ownership of contiguous lands.

An explanatory memorandum had been circulated.

(Memorandum, Privy Council Office, Oct. 5, 1953- Cab. Doc. 232-53).

38. The Cabinet agreed that the Minister of Transport and the Minister of Citizenship and Immigration make whatever arrangements were required to ensure that trapping privileges on certain canal lands in the Rideau and Trent Canal systems in Ontario be granted only on the recommendation of the Department of Citizenship and Immigration (primarily in the interest of Indians) and that the Department control and supervise trapping operations on such lands.

Veterans Affairs; sale of portion of Divadale property

39. The Minister of Labour, as Acting Minister of Veterans Affairs, said that, following the Cabinet decision of February 6th, 1953 and pursuant to Order in Council P.C. 1953-1004 of July 2nd, 10.5 acres of the Divadale property in Toronto had been sold to the Canadian National Institute for the Blind at a price of $2,500 per acre. He now recommended that an additional 11.65 acres be sold to various welfare societies under conditions similar to those which had covered the original sale.

An explanatory memorandum had been circulated.

(Memorandum, Veterans Affairs, Sept. 30, 1953- Cab. Doc. 227-53).

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40. The Cabinet approved the recommendation of the Acting Minister of Veterans Affairs that 11.65 acres of the Divadale property at Toronto be declared surplus to Crown Assets Disposal Corporation for sale to the Ontario Society for Crippled Children, the Canadian Council for Crippled Children, the Canada Paraplegic Association, the National Society for the Deaf and the Hard of Hearing and the Canadian Arthritis and Rheumatism Society, subject to conditions similar to those which had covered the sale of 10.5 acres of the property to the Canadian National Institute for the Blind.

War claims; prisoner-of-war benefits; report of the Chief Commissioner

41. The Secretary of State, referring to discussion at the meeting of September 24th, 1953, submitted a report by the Chief War Claims Commissioner concerning prisoner-of-war payments made pursuant to Order in Council P.C. 1953-857 of May 26th.

The report said there was evidence that prisoners in the European theatre had suffered hardships but that they had not been so continuous, severe or uniform in nature as to justify an automatic award on the scale of that given to former prisoners in the Far East. However, as there were indications that the majority of prisoners-of-war in the European theatre had been maltreated, the Chief Commissioner recommended that they be relieved from proving subsisting incapacity for work after their liberation, and had suggested a formula for adjudicating claims which would greatly simplify the processing of such claims and which, at the same time, would likely give greater satisfaction to the majority of exprisoners-of-war.

If the recommendations of the Chief War Claims Commissioner were approved, it was suggested that the Prime Minister make an early announcement and release the report to the press.

An explanatory memorandum had been circulated.

(Memorandum, War Claims Commissioner , Oct. 5, 1953 -Cab. Doc. 223-53, and attached report of Chief War Claims Commissioner, Oct. 6, 1953.)

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42. The Cabinet,-

(a) approved the recommendations of the Chief War Claims Commissioner regarding payment of compensation to ex-prisoners-of-war in the European theatre; and,

(b) agreed:

(i) that the report be submitted to the Governor General for his information; an Order in Council to be passed accordingly.

(Order in Council 1953-1547,Oct. 7th)

(ii) that the report be released to the press the following day, together with an appropriate statement by the Prime Minister.

South Saskatchewan project; recent developments

43. The Minister of Agriculture, referring to discussion at the meeting of July 6th, 1953, said that, on August 28th, he had written to the Premier of Saskatchewan and had drawn his attention to two points regarding the South Saskatchewan Development project. The first had to do with the position taken by the Province of Alberta as to the total amount of water to be allocated to the project. The restrictions that Alberta wished to have placed on the allocation would make it impossible to develop the project fully. It was pointed out to Premier Douglas that this matter should again be referred to the Prairie Provinces Water Board for final determination.

The second point was related to the undertaking previously made by Premier Douglas that, in order to eliminate any suggestion of a power subsidy by the Federal government, the Province of Saskatchewan was prepared to pay $20 million over a period of years towards the construction of the dam itself. He had pointed out to Mr. Douglas that, in view of the length of time required to complete the project, the Federal government did not feel that the payment by the province of a fixed sum of $20 million would necessarily remove the element of power subsidy, and that the sum actually to be paid should either be a percentage of total costs or should be determined only after actual costs had been ascertained.

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Subsequently, he had an opportunity of discussing both these points with Premier Douglas who had agreed that the question of allocation of waters to the South Saskatchewan project should again be submitted to the Prairie Provinces Water Board. The Board would be considering this matter towards the end of October. Mr. Douglas had also agreed that the amount of money to be contributed by the province towards construction of the dam on account of power might be left for determination after actual costs had been ascertained.

In order to determine precisely what the actual cost of the project might be, it had been suggested that the Federal government might now call for tenders on the understanding that such call for tenders would not commit the government to proceed with construction after the bids had been received.

44. The Cabinet noted the report by the Minister of Agriculture on recent discussions he had had with the Premier of Saskatchewan regarding the South Saskatchewan project.

New Brunswick; hydro-electric power development

45. The Prime Minister reported that, on September 11th, 1953, he had received a letter from Premier Flemming of New Brunswick seeking Federal assistance in the development of hydro-electric power in the St. John Valley. The main feature of the request was a suggestion that the Federal government might agree to advance to the province, over a period of years, slightly less than $45 million for the development of these projects, and that such monies might be advanced either interest free or at a rate of 2½ percent.

He had replied to Mr. Flemming on September 16th pointing out that, in connection with the South Saskatchewan Development project, the Federal government had taken the position that it was not the policy of the government to participate in hydro-electric developments in any of the provinces, and that whatever was done about the South Saskatchewan project would have to be on the understanding that it involved no subsidy for power development unless and until there was a change in that regard that could be applied generally in all provinces.

(Letter, Premier of New Brunswick to Prime Minister, Sept. 11, 1953, letter Prime Minister to Premier of New Brunswick, Sept. 16, 1953).

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46. In the course of discussion the following points emerged:

(a) Even though the proposed power project in the St. John Valley was of vital importance insofar as the economic development of New Brunswick was concerned, the Federal government could not assist without a change in Federal policy concerning provincial power developments.

(b) It seemed possible that, unless New Brunswick found some way of developing its projects, these resources might be exploited through bringing in U.S. interests for financing at costs that would be difficult for the province to meet.

(c) In order to lend as great assistance as possible to New Brunswick, within the framework of existing Federal policy, it was suggested that a special interdepartmental committee be established under the chairmanship of the Deputy Minister of Finance, with instructions to consult with appropriate New Brunswick officials on all phases of the problem.

47. The Cabinet, -

(a) noted the report by the Prime Minister on a recent request by the Premier of New Brunswick that the Federal government lend financial assistance in the development of power in the St. John River Valley; and,

(b) agreed that a special interdepartmental committee, comprising the Deputy Minister of Finance (Chairman), the Secretary to the Cabinet-designate (Mr. Bryce), the Deputy Minister of Agriculture, the Deputy Minister of Fisheries, the Deputy Minister of Resources and Development-designate (Mr. Robertson) and others as required, be established for the purpose of consulting with appropriate provincial officials and reviewing problems related to the proposed power development in the St. John River Valley.

Summoning of Parliament

48. The Prime Minister, referring to discussion at the meeting of Sept. 17th, said he proposed, formally, to advise the Governor General to issue a Proclamation summoning Parliament to meet on Thursday, November 12th,1953.

49. The Cabinet noted the Prime Minister's intention of advising the Governor General to issue, a Proclamation summoning Parliament to meet on Thursday, November 12th, 1953.

(Instrument of Advice, Oct. 7, 1953).

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Labour; compulsory check-off in new collective agreements for employees of the ports of Montreal and Quebec

50. The Minister of Transport reported that new collective agreements covering the ports of Montreal and Quebec were now under negotiation. Strong pressure was being brought to bear by the Brotherhood of Railway and Steamship Clerks to ensure that a compulsory check-off provision be included in the new agreements. The Conciliation Board at Quebec had recommended in favour of the compulsory check-off, whereas the Conciliation Board of Montreal had only recommended that a voluntary check-off be included in the agreement.

51. The Minister of Labour said that Frank Hall, the Canadian Vice-President of the Brotherhood, had submitted written representations in support of compulsory check-off at Montreal and Quebec. Decision might be deferred pending consideration by all Ministers of Mr. Hall's representations.

52. In the course of discussion the following points emerged:

(a) The compulsory check-off feature had been incorporated in eollective agreements covering the non-operating trades of the Canadian National Railways. However, the government railways were classed amongst the proprietary corporations under the Financial Administration Act, i.e., those Crown agencies which enjoyed a fairly large degree of independence and conducted undertakings which were, to a certain extent, competitive with private commercial enterprises. Serious consideration should be given to this whole question before it were agreed that the compulsory check-off could be extended to employees of"departmental" or "agency" corporations (as defined in the Financial Administration Act) such as the National Harbours Board.

(b) On the question of compulsory check-off, consideration might usefully be given to the possibility of providing that such check-off could only be included in collective agreements after a properly supervised secret ballot amongst all employees of the agency concerned, whether or not such employees were members of the trade union negotiating the agreement.

53. The Cabinet deferred decision on inclusion of a compulsory check-off feature in new collective agreements covering National Harbours Board employees at Montreal and Quebec, pending consideration of the representations by the Canadian Vice- President of the Brotherhood of Railway and Steamship Clerks.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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TOP SECRET

CANADA
CABINET CONCLUSIONS

VOL. XXXVI

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CABINET CONCLUSIONS

Meeting

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber, on Wednesday, October 14th, 1953, at 10:30 a.m. and 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Leader of the Government in the Senate
(Senator Robertson),(for morning meeting only)
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
and Acting Minister of Fisheries
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote) (for morning meeting only)
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier),
Mr. W.R. Martin, Privy Council Office.

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Canadian Association of Broadcasters; request for meeting with government

1. The Prime Minister, referring to discussion at the meeting on September 17th, 1953, reported that arrangements had now been made for a delegation from the Canadian Association of Broadcasters to meet with members of the government on October 27th, at 12 o'clock noon. Confirmation would be sent to the Ministers most directly concerned.

2. The Cabinet noted the report of the Prime Minister that arrangements had been made for a delegation from the Canadian Association of Broadcasters to meet with members of the government on Tuesday, October 27th, at 12 o'clock noon.

Applications for television licences

3. The Minister of Transport, referring to discussion at the meeting of October 7th, submitted certain applications for television licences which had been approved by the Board of Governors of the Canadian Broadcasting Corporation.

4. The Cabinet agreed:

(a) that television broadcasting licences be granted to the Central Ontario Television Company Limited, Kitchener; the Sunwapta Broadcasting Company Limited, Edmonton; the Calgary Television Company Limited, Calgary; the Brookland Company Limited, Kingston, and A.A. Murphy and Sons, Limited, Saskatoon; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1576, Oct. 14).

(b) that the Ministers of National Revenue, Transport, Justice and Citizenship and Immigration review the considerations which should govern the granting of radio and television broadcasting licences; a report to be made to the Cabinet at a later date.

S.S. "Sampep"; United Kingdom claims for fire damage

5. The Minister of Transport, referring to discussion at the meeting of June 12th, 1953, reviewed the circumstances surrounding the damage which had been caused by fire to the S.S. "Sampep", under charter of the United Kingdom Ministry of Transport.

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6. In the course of discussion it was pointed out, on the one hand, that, if it were agreed to settle the matter by payment of $50,000, there would be an admission of some negligence on the part of officers or servants of the Crown.

On the other hand, it was pointed out that there had been two other ships damaged by the fire and arbitration proceedings had been started. An appearance of discrimination against the U.K. government would be created if nothing were done on the U.K. claim. If it were established by arbitration that there was liability on the part of officers or servants of the Crown, the amount would be considerably in excess of $50,000. To avoid the appearance of discrimination it seemed desirable to accept the U.K. offer.

7. The Cabinet agreed that the sum of $50,000 be paid to the United Kingdom government in full and final settlement of any claims they might have in respect of damages to the superstructure and cargo of the S.S. "Sampep", arising from a fire while the ship was moored at the government assembly wharf at Port Alberni, B.C. in August, 1947; Treasury Board to be informed accordingly.

Cheese; sale to the United Kingdom

8. The Minister of Agriculture, referring to discussion at the meeting of October 7th, said the domestic price of cheese had now risen to 29½ cents per pound and small quantities of government stocks had been disposed of on the domestic market. The offer from the United Kingdom was still open.

9. The Cabinet noted the report of the Minister of Agriculture and agreed that the question of the sale of cheese to the United Kingdom be considered at a meeting prior to November 1st, when the United Kingdom offer of 25 cents per pound would lapse.

Finance; old age pension overpayments

10. The Minister of Finance, referring to discussion at the meeting of March 19th, 1953, sought direction as to whether the provisions of section 95 (3) of the Financial Administration Act should be invoked to recover overpayments by the provinces, of pensions paid under the Old Age Pension Act prior to 1951, from present pensions under the Old Age Security Act.

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11. In the course of discussion it was pointed out that, as a matter of principle, there was little disagreement on recovering public money from persons not entitled to receive it under the law, but there would be considerable administrative and other difficulties in following this course. For the most part, the claims arose out of improper application of the means test under the Old Age Pensions Act. Owing to the short life expectancy of many recipients of pensions under the Old Age Security Act, it would be doubtful if full overpayments could be collected. Furthermore, action to collect monies would involve considerable hardship in many cases.

12. The Cabinet agreed that no action be taken to invoke the provisions of section 95(3) of the Financial Administration Act to recover overpayments, made during the period 1927-1951, to persons seventy years of age or more in receipt of means test pensions under the Old Age Pensions Act.

Legislation; Customs Act; amendment respecting value for duty

13. The Minister of Finance reported that, in accordance with a Cabinet decision of September 17th, 1953, the Interdepartmental Committee on External Trade Policy had considered the advisability of amending section 35 of the Customs Act which defined value for duty.

The Committee had concluded that, while there were reasons justifying an amendment that would, in effect, provide that value for duty should be not less than the cost of production, there were also reasons for not taking such action in the near future. The Committee had refrained from recommending for or against such an amendment and had simply reported on the main considerations. It had, at the same time, submitted a draft amendment to the Customs Act for consideration by Cabinet if it were agreed that an amendment along these lines should be introduced.

An explanatory memorandum had been c rculated.

(Memorandum, Chairman, Interdepartmental Committee on External Trade Policy, Oct. 13, 1953-Cab. Doc. 247-53.)

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14. In the course of discussion the following points emerged:

(a) During the past few years there had been a problem created by the movement into Canada from the United States, not only of textiles but of other end-of-season and end-of-line products at very much reduced prices. Unless something were done to cope with this movement it was not improbable that a crisis might develop in the Canadian manufacturing fields affected by it.

(b) An increase in tariff rates would not overcome the difficulty. If something effective were to be done, it would probably have to be by a modification of the basis for fixing valuation for duty.

(c) There was considerable doubt as to the advisability of fixing valuation for duty on a"cost of production"basis. Such a course would have several serious disadvantages. It would likely give rise to demands for protective measures on a "cost of production" basis for Canadian primary producers.

(d) A preferable course might be to provide that valuation would be based on average prices over a period covering a normal marketing period for any given article in the country of origin. Such periods would have to be varied in length depending on the normal sale cycles of the various products.

(e) Before any decision were reached, information should be secured as to the extent of the problem and the effect an amendment on the "average price", or any other acceptable basis, might have on it.

15. The Cabinet noted the report of the Interdepartmental Committee on External Trade Policy on a suggested amendment to section 35 of the Customs Act relating to valuation for duty, and agreed that the Committee be directed to consider the problem further and submit a report showing -

(a) details as to the extent of the problem involved in end-of-season and end-of-line imports from the United States;, including information as to the number, and character of Canadian industries concerned and the extent to which they were affected; and,

(b) whether the problem might be met by providing under the Customs Act that values for duty should be fixed on the basis of average prices over a period covering the normal run of a commodity in the country of origin.

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Labour; check-off in government agencies

16. The Minister of Labour, referring to discussion at the meeting of October 7th, referred to the letter he had received from the Canadian Vice-President of the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, urging that the government give favourable consideration to the inclusion of check-off provisions in the collective agreements now being negotiated between the Union and the National Harbours Board in respect of Montreal and Quebec harbour employees.

Copies of the letter had been circulated.

(Letter, Vice-President of Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees to Minister of Labour, Oct. 5,1953-Cab. Doc. 243-53.)

17. In the course of discussion the following points emerged:

(a) At the present time, two Crown agencies had included check-off provisions in collective agreements covering their employees. Some 90,000 C.N.R. employees in the non-operating trades were now subject to compulsory check-off and at least some of the employees of the National Harbours Board at Halifax in similar trades were subject to voluntary irrevocable check-off.

(b) If check-off provisions were now included in the new collective agreements for the harbours of Montreal and Quebec, it would probably mean eventual extension of check-off provisions to a majority of, if not all Crown agencies. At the present time, National Harbours Board employees totalled 2,692, of which 1,857 were covered by collective agreement and 835 were not unionized.

(c) Whenever pressure had been brought to bear to have Parliament enact legislation covering inclusion of check-off provisions in collective agreements, the government had taken the stand that check-off of union dues was one of the bargaining points to be settled between labour and management and should not be the subject of legislation. The government, however, had not publicly taken a stand for or against the check-off provisions as such.

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(d) In view of this, it might be considered anomalous if the government refused to allow its agencies to include the check-off feature as a bargaining point to be settled in negotiating with labour unions. On the other hand, many Crown agencies were supported, at least in part, by public funds and it did not seem desirable that there should be a limitation, such as a compulsory or irrevocable check-off would involve, on Canadians taking employment in agencies which were, at least, partly supported by them as taxpayers.

(e) An exception could be justified in the case of the Canadian National Railways since employees of the government railways, in practice, had to be dealt with in exactly the same manner as employees of the Canadian Pacific Railway. For other Crown agencies, however, it might be best to limit the check -off to a voluntary revocable check-off. It might be that in cases where security considerations were of paramount importance, employees should not be allowed to be unionized.

18. The Cabinet agreed,-

(a) that in principle, and with the exception of the Canadian National Railways, which were in a special position, the government would not favour the inclusion of check-off provisions in collective agreements covering Crown agencies if they went beyond the voluntary revocable check-off;and,

(b) that the Minister of Transport inform the National Harbours Board accordingly in respect of collective agreements being negotiated for Montreal and Quebec harbour employees.

Fisheries; sale of salmon and cod to Italy

19. The Secretary of State reported on negotiations for the sale to Italy of quantities of cod and salmon from Newfoundland and Gaspe. It had first been feared that, because of exchange difficulties, the Italian government might not be willing to purchase. It had now been learned, however, that the Italian exchange control had authorized the release of $1 million for this purpose and that additional amounts might possibly be made available after further study have been given to the problem.

20. The Cabinet noted the report by the Secretary of State concerning sales to Italy of cod and salmon from Newfoundland and Gaspe.

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St. Lawrence project; meeting of Secretary of State for External Affairs with U.S. Secretary of State

21. The Secretary of State for External Affairs, referring to discussion at the meeting of October 7th, said arrangements had now been made for him to meet the U.S. Secretary of State in Washington on Tuesday, October 20th. He proposed to seek Mr. Dulles' co-operation in measures to expedite anticipated litigation in U.S. courts concerning the license granted to the New York State Power Authority by the Federal Power Commission.

22. The Cabinet noted with approval the report by the Secretary of State for External Affairs on his forthcoming meeting with the U.S. Secretary of State for the purpose of discussing measures to expedite anticipated litigation in U.S. courts concerning the development of power in the International Rapids Section of the St. Lawrence River.

Pacific Halibut Convention; ratification

23. The Secretary of State for External Affairs, said that the interested agencies in Canada and the United States had agreed that it was desirable that the North Pacific Halibut Convention become operative not later than November 1st, 1953.

He recommended, with the concurrence of the Minister of Fisheries, that the Convention be ratified and that the instrument of ratification be exchanged with the U.S. Government on or before November 1st, 1953.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 9, 1953-Cab. Doc. 246-53).

24. The Cabinet approved ratification of the North Pacific Halibut Convention signed on March 2nd, 1953, and agreed that the appropriate instruments of ratification be exchanged with the government of the United States on or before November 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1573,Oct. 14).

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Fisheries; amendment to Fishing Vessel Indemnity Regulations

25. The Minister of Public Works, as Acting Minister of Fisheries, referring to discussion at the meeting of July 6th, 1953 reported that the fishing vessels indemnity scheme had been launched successfully. Up to the present time, insurance on fishing vessels had been taken out or applied for, to a total value of over $1 million. The greatest number of these vessels were in Newfoundland. He recommended that six minor amendments be made to the regulations to clarify certain provisions.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, Oct. 13, 1953-Cab. Doc. 245-53).

26. The Cabinet approved amendments to the Fishing Vessel Indemnity Regulations as recommended by the Acting Minister of Fisheries; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1569, Oct. 14)

Fisheries; amendments to Lobster Trap Indemnity Regulations

27. The Minister of Public Works, as Acting Minister of Fisheries, referring to discussion at the meeting of July 6th, 1953, said there had been a poor response to the lobster trap indemnity scheme. Only seven policies had been issued for about one thousand eligible fishermen in the Northumberland Strait area. It was clear that certain amendments would be necessary before the plan could be offered effectively in the next area (Bay of Fundy) for the season opening on November 1st and in southwestern Nova Scotia on December 1st. The fishermens' main objections were that the indemnity of $1.50 per trap was too low in relation to trap values, particularly in those areas where trap values averaged up to $7 or $8, and that the initial 25 percent deductible was considered to be too high.

It was now recommended that the scheme be equated more closely to the fishing vessel indemnity scheme and that, while maintaining the 25 percent deductible, different types of coverage be established to cover different value categories of traps.

An explanatory memorandum was circulated.

(Memorandum, Department of Fisheries, Oct. 13, 1953-Cab. Doc. 248-53).

28. The Cabinet approved amendments to the Lobster Trap Indemnity Regulations as recommended by the Acting Minister of Fisheries; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1570, Oct. 14).

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Marketing of fish; establishment of special interdepartmental committee

29. The Secretary of State, referring to discussion at the meeting of September 17th, 1953, recommended that a special interdepartmental committee be established to enquire into the marketing of fish taken on the Atlantic coast, with special reference to salt cod.

30. The Cabinet agreed that a special interdepartmental committee, comprising representatives of the Departments of Trade and Commerce, Fisheries and Finance, be established to consider and report on the marketing of fish taken on the Atlantic coast, with special reference to salt cod.

National Gallery; acquisition of paintings from Liechtenstein collection

31. The Minister of Citizenship and Immigration, referring to discussion at the meeting of February 6th, 1953, said the Trustees of the National Gallery had continued negotiations with the Prince of Liechtenstein and had recommended that further action be taken to secure additional pictures from his collection. It was the only private collection of any size from which to build up the Gallery. It was recommended that funds be appropriated to enable the National Gallery Trustees to negotiate with the Prince of Liechtenstein. There was a possibility that the Prince might accept blocked funds in part payment.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 7, 1953- Cab. Doc. 244-53.)

32. The Cabinet approved the proposal of the Minister of Citizenship and Immigration for the purchase by the Trustees of the National Gallery of pictures from the Liechtenstein collection.

Trans-Atlantic cable; agreement with U.K. Post Office and American Telegraph and Telephone Co.

33. The Minister of Transport, referring to discussion at the meeting of October 7th, submitted a recommendation for the conclusion of an agreement between the Canadian Overseas Telecommunication Corporation, the

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United Kingdom Postmaster General, the American Telegraph and Telephone Company and the Eastern Telephone and Telegraph Company, covering the construction and operation of a trans-Atlantic cable between the United Kingdom and the United States.

34. The Cabinet approved an agreement between the Canadian Overseas Telecommunication Corporation, the United Kingdom Postmaster General, the American Telegraph and Telephone Company and the Eastern Telephone and Telegraph Company covering the construction and operation of a trans-Atlantic cable between the United Kingdom and the United States via Newfoundland and Nova Scotia; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1572, Oct. 14)

Newfoundland; pension rights of railway employees

35. The Prime Minister, referring to discussion at the meeting of May 26th, 1953, said representations had been made by the Newfoundland Railway Employees Welfare Association and by representatives of the railway unions to both the Secretary of State and the Premier of Newfoundland about the pension rights of former Newfoundland Railway employees. It was claimed that the formula approved by Cabinet and designed to safeguard these pension rights, in accordance with clause 39 (1) of the Terms of Union, did not fully provide for a number of individual cases.

Mr. Pickersgill now recommended that the special interdepartmental committee established at the above meeting be reconvened for the purpose of reconsidering the formula previously approved in the light of the representations.

(Letter, Secretary of State to Prime Minister, Oct. 13, 1953)

36. The Cabinet agreed that the special committee established on May 26th, 1953, be reconvened to reconsider the formula designed to protect acquired pension rights of former Newfoundland Railway employees in the light of representations made to the Secretary of State and to the Premier of Newfoundland since the formula was approved.

Appeal from general court-martial

37. The Minister of National Defence said that ex-Signalman R.B. MacDonald had been found guilty by a general court-martial in Korea, on March 10th, 1952, of the murder of Private H.C. Harrison. He had been sentenced to death but, because of extenuating circumstances, the sentence had been commuted to one of life imprisonment. The commuted sentence was now being

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served in Dorchester Penitentiary. A later appeal had been disallowed by the Court-Martial Appeal Board and, as the disallowance had been unanimous, no appeal lay to the Supreme Court but only to the Governor General in Council. Such an appeal had now been made.

After a careful review of all the circumstances it was felt that the petition should be disallowed.

38. The Cabinet agreed that the petition to the Governor in Council by ex-Signalman R.B. MacDonald against the sentence of a general court-martial held in Korea, on March 10, 1952, be disallowed; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1571, Oct. 14)

Deep-test oil wells; application for benefits under Income Tax Act

39. The Minister of Mines and Technical Surveys submitted recommendations for the granting of benefits under the Income Tax Act in respect of certain deep-test oil wells in Saskatchewan and Alberta.

40. The Cabinet agreed that special benefits under the Income Tax Act be granted to the Regent Drilling Company Limited in respect of its Sohio-Standard-Regent Wood Mountain No. 1 deep-test well in Saskatchewan, and to New Superior Oils of Canada Limited in respect of its New Superior et al Solomon Creek No. 1 deep-test well in Alberta; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1953-1574 and 1953-1575, Oct. 14).

Financial Administration Act; transfer of certain additional powers from the Governor in Council to the Treasury Board

41. The Prime Minister submitted a recommendation for the transfer of certain powers to the Treasury Board, pursuant to section 5(2) of the Financial Administration Act.

42. The Cabinet agreed that certain powers now exercised by the Governor in Council be transferred to the Treasury Board pursuant to section 5 (2) of the Financial Administration Act, as recommended by the Prime Minister; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1568, Oct. 14).

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Judiciary; appointments

43. The Minister of Justice submitted recommendations for certain judicial appointments.

44. The Cabinet approved the recommendations of the Minister of Justice and agreed that judicial appointments be made as follows; Orders in Council to be passed accordingly:

(a) His Honour N.V. Buchanan, a Judge of the District Court of the District of Northern Alberta to be Chief Judge of the Court;

(Order in Council P.C. 1953-1579, Oct. 14)

(b) P. Gresczuk, Esq., of Edmonton, Alberta, to be a Judge of the District Court of the District of Northern Alberta and a Local Judge of the Supreme Court of Alberta;

(Order in Council P.C. 1953-1580, Oct. 14)

(c) Donald A. Ross, Esq., of Flin Flon, Manitoba, to be a Judge of the County Court of the Dauphin Judicial District in Manitoba, and a Local Judge of the Court of Queen's Bench;

(Order in Council P.C. 1953-1581, Oct. 14).

Canadian National Railways; reappointment of directors

45. The Minister of Transport submitted recommendations for the reappointment of two directors of the Canadian National Railways.

46. The Cabinet approved the reappointment of H.J. Symington, Esq., and B.L. Daly, Esq., as directors of the Canadian National Railways; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1577, Oct. 14).

Senate; appointments

47. The Prime Minister reported on proposed appointments to the posts of Speaker of the Senate and Leader of the Government in the Senate.

48. The Cabinet,-

(a) approved the appointment of Senator Wishart McL. Robertson as Speaker of the Senate; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-1582, Oct. 14)

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(b) noted with approval the Prime Minister's intention of recommending the appointment of Senator W.R. MacDonald as Minister without Portfolio and Leader of the Government in the Senate .

(Instrument of Advice, Oct. 14,1953).

House of Commons; Speaker and Deputy Speaker

49. The Prime Minister reported on proposed nominations for the posts of Speaker and Deputy Speaker of the House of Commons.

50. The Cabinet noted with approval the Prime Minister's proposal to move for the election of L.R. Beaudoin, Esq., as Speaker, and W.A. Robinson,Esq., as Deputy Speaker of the House of Commons.

Parliamentary Assistants; appointments

51. The Prime Minister submitted recommendations for appointments as Parliamentary Assistants.

52. The Cabinet agreed that the following Members of Parliament be appointed Parliamentary Assistants; Orders in Council to be passed accordingly:

Name	Assistant to Minister
W.M. Benidickson, Esq.,	Finance
J.G.L. Langlois, Esq.,	Transport
C.E. Bennett, Esq.,	Veterans Affairs
Roch Pinard, Esq.,	External Affairs
Dr. F.G. Robertson	National Health and Welfare
Maurice Bourget, Esq.,	Public Works
T.A.M. Kirk, Esq.,	Postmaster General

(Orders in Council P.C. 1953-1583,1584,1585, 1586,1587,1588,1589, Oct. 14).

Speech from the Throne; movers and seconders of reply

53. The Prime Minister submitted proposals respecting the movers and seconders of the Address in reply to the Speech from the Throne in the Senate and the House of Commons.

54. The Cabinet noted with approval the Prime Minister's recommendation that Mme. Marianna Beauchamp Jodoin and Mrs. Muriel McQueen Fergusson be asked respectively to move and second the Address in reply to the Speech from the Throne in the Senate, and that A.H. Hollingworth, Esq., and George Villeneuve, Esq., be asked to move and second respectively in the House of Commons

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Search and rescue; addition to membership of Interdepartmental Committee

55. The Minister of Mines and Technical Surveys said the Interdepartmental Committee on Search and Rescue, established by Cabinet on January 16th, 1946, comprised representatives of the Departments of Justice (R.C.M.Police), Transport, Fisheries and National Defence. He suggested that a representative of the Department of Mines and Technical Surveys be added.

56. The Cabinet agreed that a representative of the Department of Mines and Technical Surveys be added to the membership of the Interdepartmental Committee on Search and Rescue.

Indian Act; discussions with representatives of Indian bands

57. The Minister of Citizenship and Immigration said that, to implement an undertaking he had made at the time the Indian Act revision came into effect, he would shortly receive representatives of the main Indian groups in Canada for the purpose of reviewing the provisions of the Act in the light of experience since its coming into effect.

58. The Cabinet noted the report of the Minister of Citizenship and Immigration on forthcoming meetings with Indian representatives for the purpose of reviewing the provisions of the Indian Act in the light of experience since the revised Act came into effect.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

OCTOBER 21st, 1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber, on Wednesday, October 21st, 1953, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin) (for morning meeting only)
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage),

The Assistant Secretary to the Cabinet
(Mr. Robertson),
Mr. W.R. Martin, Privy Council Office.

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Textile Workers Union of America; request for interview

1. The Prime Minister said the Secretary-Treasurer of the Canadian Congress of Labour, had requested, on behalf of the Textile Workers Union of America, a meeting with the government at which a brief on the condition of the textile industry would be presented.

(Letter to Prime Minister from Secretary-Treasurer, Canadian Congress of Labour, Oct. 16, 1953).

2. In the course of discussion, it was pointed out that, when similar representations had been received from an affiliate of the Canadian Federation of Agriculture, it had been explained that the government met with the Federation itself every year and that if it agreed to receive a delegation from one branch of the Federation, a precedent would be established making it difficult not to receive other affiliates, should they request similar interviews. The same considerations would apply to labour unions.

3. The Cabinet agreed that the Prime Minister, or the governments as such, should not receive a delegation from the Textile Workers Union of America, but that the Secretary-Treasurer of the Canadian Congress of Labour be informed that the Minister of Labour would arrange, with his colleagues most directly concerned, for a meeting at which the Textile Workers Union of America could present a brief on conditions in the textile industry.

Legislation; report of Cabinet Committee

4. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a report on legislative proposals intended for introduction during the coming session of Parliament.

An explanatory memorandum had been circulated.

(Memorandum, Chairman Cabinet Committee on Legislation, Oct. 20,1953 - Cab. Doc. 254-53 and attached Cab. Docs. 251-,240-,241-,249-53).

5. Mr. Garson indicated that the Committee would like a further opportunity to discuss the section in the proposed revision of the Criminal Code concerning treason.

6. The Cabinet,

(a) approved in principle the following legislative proposals and agreed that draft measures be prepared accordingly:

The Bank of Canada Act amendment
(Cab. Doc. 251-53)

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The Vocational Training Co-ordination Act amendment, on the understanding that certain minor points be discussed and settled by officials of the Departments of Labour and Finance prior to drafting.
(Cab. Doc. 240-53)
Territorial Lands Act amendment
(Cab. Doc. 241-53)
The Department of Resources and Development Act repeal and re-enactment
(Cab. Doc. 250-53)

(b) approved in principle the proposals to revise the Criminal Code with the exception of those for section 47 (concerning treason), which would be discussed at a later meeting; and,

(c) approved for introduction the draft bill concerning measures for the use of election material in the Canada Elections Act 1938.

Trade negotiations with Japan

7. The Minister of Trade and Commerce, referring to discussion at the meeting of September 29th, 1953, reported that the reaction of the Japanese government to the revised Canadian proposals about commodities covered in existing trade agreements between Japan and other countries, had now been received. Japan was prepared to accord non-discriminatory treatment to the nine Canadian commodities mentioned, namely, wheat, barley, wood pulp, flaxseed, primary copper, lead in pigs, zinc spelter, synthetic resins, and milk powder, provided Canada would agree to exempt from non-discrimination the amounts of wheat which Japan proposed to include in a renewed agreement with the Argentine and the proposed trade agreement with Turkey. These amounted to U.S. $27 million for the Argentine, and U.S. $6 million for Turkey. If this proposal were agreeable, the Japanese government would be prepared to import a minimum of 450,000 tons of wheat from Canada in the current wheat year. This amount would probably have to be increased because of the poor Japanese crop prospects.

The proposed agreement included the right of both countries to impose increased valuations for duty on imports causing or threatening to cause injury to domestic industry. Canada had the power to do this under section 43 of the Customs Act, subject to certain conditions provided for in the "escape clause" of the G.A.T.T. The Japanese would not wish to have this article appear in the agreement as it might cause difficulties in securing ratification by the Diet. It was proposed that the matter be dealt with through a published exchange of notes. The Japanese also

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proposed that the paragraph dealing with complete non-discrimination for the nine Canadian commodities would not appear in the agreement,but the understanding would be spelled out in a public exchange of notes. The actual amounts of wheat exempted would not be stated nor would the countries concerned. These matters would be included in a separate and secret exchange of notes.

The vote on Japan's temporary accession to the G.A.T.T. was likely to be taken in the next few days, and now that agreement between Canada and Japan appeared to be settled, the Japanese were anxious to receive Canadian support for their accession.

It was recommended, with the concurrence of the Secretary of State for External Affairs and the Minister of Finance, that Cabinet indicate whether an agreement along the lines suggested would be acceptable and that, if it were, Canadian officials be authorized to meet with the Japanese officials to put the agreement in treaty form and work out the text of the proposed exchange of notes. Direction was also sought as to whether the substance of Article II on special valuation procedures be published in an exchange of notes rather than in the text of the agreement and whether,on receipt of the confirmation of the Japanese government's acceptance of the agreement, Canada was prepared to support the temporary accession of Japan to the G.A.T.T.

(Memorandum, Secretary of State for External Affairs, Oct. 20, 1953-Cab. Doc. 256-53).

8. In the course of discussion, it was pointed out that the principal difficulty,from the Canadian point of view, would be the existence of a secret exchange of notes. Even so, everything would be known except the countries which Japan wished to exempt from non-discrimination and the dollar amounts of wheat involved. If questions were asked in Parliament, it might be stated that, while Canada disliked being a party to such an exchange of notes, it was necessary to secure an agreement which appeared to be in the best interests of the country. The advantage of the agreement was so great that the government felt it should accede to the Japanese request.

9. The Cabinet agreed:

(a) that a trade agreement between Canada and Japan along the lines outlined was acceptable;

(b) that Canadian officials be authorized to meet with the appropriate Japanese officials to put the agreement in treaty form and to work out texts for the exchange of notes proposed;

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(c) that the substance of Article II, on special valuation procedures, be dealt with in a published exchange of notes rather than as part of the text of the agreement, on the understanding that, in the exchange, the Japanese would recognize Canada's right to resort, in specified circumstances, to special valuation procedures;

(d) that the portion of Article IV dealing with complete non-discrimination be dealt with as a published exchange of notes rather than as part of the text of the agreement, and that the reservations in the case of wheat be covered by notes not to be published;

(e) that, on receipt of confirmation of Japanese acceptance of an agreement as outlined, authority be given to the Canadian delegation to the G.A.T.T. to support the temporary accession of Japan to the General Agreement; and,

(f) that, if Japan's application for accession to the G.A.T.T. was accepted, authority be given to the delegation in Geneva to state that Canada would be prepared to work out with the Japanese a suitable instrument for the application of the General Agreement between Canada and Japan as soon as the bi-lateral agreement between the two countries has been ratified, and on the understanding that the bi-lateral agreement and related undertakings would prevail in any respect in which they differed from or were not specifically provided for in the G.A.T.T.

Wheat Board Act; representations from Premier of Saskatchewan

10. The Prime Minister said he had received a letter from the Premier of Saskatchewan stating that grain handling facilities were inadequate to cope with the grain produced this year and the large carry-over from the last crop. The government of Saskatchewan, therefore, was renewing its request that the Federal government, at the next session of Parliament, take steps to amend the Canadian Wheat Board Act so as to provide for a direct cash advance on farm-stored grain.

(Letter, from Premier of Saskatchewan to Prime Minister, Oct. 14th, 1953).

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A reply had been sent to Mr. Douglas informing him that the matter was under study and that any action the government felt it was necessary to take would be announced to Parliament in the usual manner.

11. The Cabinet noted the report of the Prime Minister on representations received from the Premier of Saskatchewan concerning a request for amendment of the Wheat Board Act so as to provide for a direct cash advance on farm-stored grain.

Gut Dam; settlement of claims against Canada

12. The Secretary of State for External Affairs, referring to discussion at the meetings of May 13th and June 12th, 1953, reported on developments with respect to claims against Canada arising out of the operation of the Gut Dam.

The claimants' attorneys appeared anxious to drop the idea of the establishment of an international arbitral tribunal because this might involve Congressional approval, and, as alternatives, had suggested the creation by Canada and the United States of a fund against which claims for damages attributable to the Gut Dam could be prosecuted, or conclusion by Canada of an agreement with the Lake Ontario Land Development and Beach Protection Association, whereby an arbitral tribunal would be established with the approval of the U.S. State Department, the expenses of arbitration to be met by the government of Canada and the Association. Both alternatives appeared to be wholly unacceptable because, amongst other things, they were based on the assumption that Canada admitted some liability. The U.S. State Department had not admitted the Canadian claim to immunity even though new evidence had been uncovered which supported the view that, in strict law, Canada had no undischarged obligation arising out of the construction and operation of the Gut Dam.

It was recommended that the attorneys for the claimants be informed that the alternative proposals were unacceptable, that the Canadian offer for arbitration was still open and that the U.S. State Department be informed that the government of Canada did not accept the United States position on immunity.

(Minister's memorandum and attached draft aide-memoire Oct. 19, 1953 - Cab. Doc. 253-53).

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13. In the course of discussion it was pointed out that, in its proposals, Canada was not arbitrarily deciding that there was no liability. It was relevant that, although the Gut Dam had been out for nine months, there had been no appreciable effect on water levels.

14. The Cabinet agreed:

(a) that the attorneys for the Oster group of claimants (Lake Ontario Land Development and Beach Production Association, Inc.) be informed that their alternative proposals, with regard to the settlement of claims against Canada as a result of the operation of Gut Dam were wholly unacceptable, and that the Canadian offer for arbitration, as embodied in the draft agreement, stood as the only appropriate and practical method of determining the claims; and,

(b) that the U.S. State Departments be advised, along the lines submitted in the draft aide memoire, that the government of Canada did not accept the United States position on immunity in this matter and that, while reserving its rights, it was still prepared to consider arbitration.

National Film Board; move to Montreal

15. The Prime Minister, referring to discussion at the meeting of September 24th, 1953, said that, as the representations of the city authorities on the location of the Film Board had now been heard, it was desirable that a decision should be made as to whether or not the plan to move the Board to Montreal should be changed.

16. In the course of discussion the following points were made:

(a) The question of whether to move to Montreal had been considered by the Film Board at two separate meetings and it was on the basis of their recommendation that the decision had been taken. The circumstances leading to that decision had not altered. The Board had recently passed a resolution expressing their view that the original decision ought to be confirmed.

(b) The Film Board would be concerned with the production of films for television both for the English-speaking and the French-speaking network. A Montreal location had advantages, and its bilingual aspect was an advantage generally for the Film Board.

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(c) The arguments against a move were that the operating part of the Board would be farther from the government departments for whom a great part of its work would be done; that problems of control and co-ordination would arise; and that the removal from Ottawa of government organizations that could quite properly be located within the national capital was undesirable. All of these considerations had, however, been present at the time of the original decision and did not appear sufficient to justify its reversal.

17. The Cabinet agreed:

(a) that no change be made in the decision to move the operating portion of the National Film Board from Ottawa to Montreal; and,

(b) that the Department of Public Works proceed to call for tenders for the construction of the new building for the National Film Board.

Oil pipe lines and works under Federal jurisdiction; mechanics' liens

18. The Minister of Justice said an appeal would shortly be argued before the Supreme Court on a decision of the Court of Appeal of British Columbia that, as a pipe line owned by Trans Mountain Oil Pipe Line Company Limited was within the exclusive jurisdiction of Parliament, it was not subject to a lien under the British Columbia Mechanics' Lien Act. Two questions arose: one as to the position the Department of Justice ought to take in intervening in the case; and the second on the question whether there ought to be some form of protection, in the case of Federal works, equivalent to the protection that was afforded under provincial legislation to persons employed on such works. On the first point, he thought that the Federal position in the case ought to be a neutral one. As to the question of protection, if the decision were to go in favour of the validity of provincial legislation without any injury to Federal jurisdiction generally, that might be the most desirable result.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct.19,1953- Cab. Doc. 252-53).

19. The Cabinet noted the report of the Minister of Justice concerning an appeal before the Supreme Court from a decision by the British Columbia Court of Appeal concerning the application of provincial Mechanics'Liens Acts to a work under Federal jurisdiction and agreed:

(a) that the Attorney General of Canada, in intervening in the case before the Supreme Court, take a neutral position; and,

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(b) that it was desirable that protection should be available, in the case of works under Federal jurisdiction, similar to that provided by Mechanics' Liens Acts for persons employed on works under provincial jurisdiction, and that, if the decision of the Supreme Court made action necessary, the Department of Justice consider and advise on the best means by which such protection could be provided.

Merchant shipping policy

20. The Prime Minister, referring to discussion at the meeting of October 7th, said the representations on merchant shipping policy made by the delegates from the Canadian Shipowners Association had been substantially that, if there were to continue to be a Canadian merchant marine, it would have to be subsidized to the extent of about $3.5 million for 35 vessels. With regard to modernization, their position had been that, if better vessels were wanted and if they were to be constructed in Canadian yards, there would have to be capital assistance in addition to an operating subsidy. If an operating subsidy could not be provided, the alternative, in their view, was the removal of the present restrictions on the transfer of vessels so that they could deal with their ships in the way they thought best.

21. In the course of discussion, the following points emerged:

(a) The Shipowners Association had submitted figures concerning the wages paid by the Canadian merchant marine, their revenues, U.S. dollar earnings, profits, taxes paid to Federal and provincial governments and other matters during the period 1946 to 1951. It was clear that the merchant marine constituted a substantial element in the economy and that its possible disappearance was a matter that would require careful consideration. *

(b) Recent discussions in London by the Permanent Board on Ocean Shipping had thrown doubt on the likelihood of working out a satisfactory shipping pool under N.A.T.O. for war conditions. The United States had made substantial reservations of vessels from the pool. This might lead to its total breakdown. The result would be to increase the importance of having some modern merchant vessels on Canadian registry.

* In this connection an explanatory note was circulated, (Cab. Doc. 255-53, undated).

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(c) If the principal argument in favour of a Canadian merchant fleet was that of security, the proper place for any subsidy would be in the Defence Vote. It would be desirable to know whether the Chiefs of Staff considered a merchant marine to be sufficiently important for security reasons, that they would be prepared to see funds applied for its support rather than to other defence purposes.

(d) Whether assistance were provided for the merchant marine or not, there seemed no reason to provide assistance to the shipbuilding industry at this stage. Current employment in the industry was some three times the figure that the Cabinet had agreed to be the necessary minimum.

22. The Cabinet agreed that the decision on merchant shipping policy be deferred for further consideration at the meeting the following week and that, in the interim, the Minister of National Defence secure from the Chiefs of Staff their views concerning the importance for national security of a minimum merchant fleet on Canadian registry and whether it was of such a degree of importance that they would be prepared to recommend the allocation of amounts for operating assistance out of the defence vote.

Employees of Crown agencies; check-off provisions in collective agreements

23. The Minister of Transport, referring to discussion at the meeting of October 14th, said he had now ascertained from the Department of Labour that check-off provisions of various types had been granted to employees of several Crown agencies. So far as the National Harbours Board in Halifax was concerned, an agreement, which had not yet been signed, provided for a voluntary irrevocable check-off which might be terminated by an employee 15 days before the expiration date of the contract. A very similar provision had been agreed to by Eldorado Mining and Refining Limited in negotiations with the United Mine Workers and by the Canadian Overseas Telecommunications Corporation. The Canadian Broadcasting Corporation had agreed to a compulsory check-off for new employees - the "Rand formula" - and other provisions with regard to employees already on the staff. The Polymer Corporation had agreed to a compulsory check-off but it was understood this had been renegotiated. In view of this information, it did not appear possible to adhere to the decision against provisions that went beyond the voluntary freely revocable check-off.

(Report, Deputy Minister of Labour, Oct. 21, 1953, and attached appendices).

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24. The Cabinet agreed that the decision at the meeting of October 14th, with regard to check-off provisions for employees of Crown agencies, be modified to provide that the approval of the government be limited to provisions for a voluntary check-off with a revocation privilege available at least during the period of fifteen days before the termination of a collective agreement and that the approval of the government do not extend, in the case of Crown agencies to:

(a) the compulsory check-off; and,

(b) the voluntary check-off with no revocation privilege or with a revocation privilege more limited than one available during the last fifteen days of an agreement.

German war criminals

25. The Minister of National Defence, referring to a discussion at the meeting of August 13th, 1953, said he had received a telegram from the Canadian Ambassador in Bonn stating that the Mixed Clemency Board in the United Kingdom Zone of Occupation in Germany, established to review the cases of German servicemen convicted of war crimes, would meet in the near future. Approximately 80 cases would be considered, including those of Kurt Meyer and Johann Neitz. Meyer was the only person now held by western authorities serving a life sentence. Neitz was serving a sentence of 21 years. It appeared to be almost certain that the Board would recommend their release or a reduction of their sentences. Canada had a right to have an observer attend the meetings of the Board. It appeared desirable to secure the services of a prominent Canadian lawyer, who was also an ex-service man, to attend the hearings and report to the government.

26. The Cabinet agreed that the Minister of National Defence be authorized to secure the services of counsel, preferably with military service, to attend the forthcoming hearings of the Mixed Clemency Board in the United Kingdom Zone of Occupation in Germany and report thereon to the government, so that appropriate recommendations might be made in the cases of Kurt Meyer and Johann Neitz.

Canadian National Railways; purchase of coal from the Colonial Coal Company

27. The Minister of Mines and Technical Surveys reported that the Dominion Coal Board and the Canadian National Railways had been considering the purchase of coal from the Colonial Coal Company, which would probably close in the near future. The Company had been encountering

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increasing difficulties but the government of the Province of Nova Scotia was attempting to find a seam, nearby, which would enable it to stay in operation. The Dominion Coal Board and the C.N.R. proposed that purchases from the Company be stepped up as a measure of assistance pending the possible opening of a new seam. Increased purchases would not involve taking more coal in total from the Company than had been originally agreed upon.

28. In the course of discussion, it was pointed out that, if it were decided to proceed with the purchases, it should be on the understanding that the government's obligations had been discharged in full to this particular Company.

29. The Cabinet agreed that the Canadian National Railways be authorized to increase its present rate of purchases of coal from the Colonial Coal Company, on the understanding that the total of 101,000 tons to be purchased over the 12-month period, as originally agreed upon, be not exceeded.

St. Lawrence project; meeting with United States Secretary of State

30. The Secretary of State for External Affairs, referring to discussion at the meeting of October 14th, said he had had a meeting with the United States Secretary of State. Mr. Dulles and American officials appreciated the Canadian uneasiness about delays which might occur in anticipated litigation in the United States courts concerning the licence granted to the New York State Power Authority by the Federal Power Commission. Mr. Dulles had agreed, without reservation, to send a letter to the United States Attorney-General, stating that it was in the national interest of the United States to dispose of the litigation as expeditiously as possible. If the Attorney-General took action, there appeared to be a fair chance of the matter being disposed of by the summer of 1954.

31. The Cabinet noted the report of the Secretary of State for External Affairs concerning discussions with the Secretary of State of the United States about litigation over the St. Lawrence project.

Korea; further developments

32. The Secretary of State for External Affairs said he had discussed with Mr. Dulles the proposed political conference on Korea. Mr. Dean, the head of the U.S. delegation to the conference, had already gone to Korea and was prepared to take up with the Communists any questions concerning the composition of the conference and, indeed, anything which they might raise. The Americans had been interested in the Canadian suggestion that the conference might be got underway if the eight or nine smaller nations already nominated agreed to withdraw from the conference and leave the meeting to the powers most immediately concerned, with perhaps the Chairman of the Neutral Nations' Commission brought in as Chairman.

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The Communists in Korea now appeared determined to stop the procedure of questioning of prisoners which they had initially been most anxious to carry out. The fact that so few prisoners had agreed to return to Communist China and to North Korea had been a blow to the Communist authorities. The prisoners not yet interviewedwere playing into Communist hands by refusing to appear before the interviewing teams.

33. The Cabinet noted the report of the Secretary of State for External Affairs concerning further developments in the Korean situation.

Judicial retirement

34. The Minister of Justice submitted a recommendation for a judicial retirement.

35. The Cabinet approved the recommendation of the Minister of Justice, and agreed that His Honour Thomas Herbert Barton, Junior Judge of the County Court of York, be retired and be granted an annuity as recommended; an Order in Council to be passed accordingly:

(Order in Council P.C. 1953-1626, Oct. 21).

Appointments

36. The Minister of Justice submitted recommendations for certain judicial appointments.

37. The Secretary of State for External Affairs submitted a recommendation for an appointment as Ambassador and an appointment to the Buffalo and Fort Erie Public Bridge Authority.

38. The Prime Minister reported that the Minister of Finance had recommended the extension of the term of the Chairman of the Canadian Farm Loan Board.

39. The Minister of Citizenship and Immigration submitted a recommendation for an appointment to the National Film Board.

40. The Prime Minister submitted a recommendation for the appointment of Commissioners of Internal Economy.

41. The Cabinet approved the recommendations as submitted and agreed that appointments be made as follows; Orders in Council to be passed accordingly:

(a) His Honour Farquhar John MacCrae, Judge of the County Court of Ontario to be a Junior Judge of the County Court of York;

(Order in Council P.C. 1953-1627, Oct. 21).

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(b) J.E. Pritchard, Esq., of Toronto, to be Judge of the County Court of Ontario and a Local Judge of the High Court of Justice for Ontario;

(Order in Council P.C. 1953-1628, Oct. 21).

(c) John J. Robinette, Esq., of Toronto, to be a Judge of the Supreme Court of Ontario, a Member of the Court of Appeal for Ontario; and ex officio a Member of the High Court of Justice for Ontario;

(Order in Council P.C. 1953-1629, Oct. 21).

(d) C.D. Stewart, Esq., of Barrie, to be a Judge of the Supreme Court of Ontario, a Member of the High Court of Justice for Ontario and ex officio a Member of the Court of Appeal for Ontario;

(Order in Council P.C. 1953-1630, Oct. 21).

(e) Charles Pierre Hebert, Esq., to be Canadian Ambassador to Belgium and concurrently Canadian Minister to Luxembourg, effective December 1st, 1953;

(Order in Council P.C. 1953-1622, Oct. 21).

(f) John C. Murray, Esq., of Ottawa, to be a member and Chairman of the Canadian Farm Loan Board for a period of three months from October 25th, 1953, at a salary of $9,000 per annum;

(Order in Council P.C. 1953-1623, Oct. 21).

(g) Harry L. Roper, Esq., of Halifax, to be a member of the National Film Board;

(Order in Council P.C. 1953-1624, Oct. 21).

(h) John Murphy Teal, Esq., of Fort Erie, to be a member of the Buffalo and Fort Erie Public Bridge Authority vice William G. Wilson, Esq., deceased;

(Order in Council P.C. 1953-1631, Oct. 21).

(i) the Ministers of Finance, National Revenue, Veterans Affairs and Citizenship and Immigration, to act with the Speaker of the House of Commons as Commissioners for the purposes and under the provisions of the House of Commons Act.

(Order in Council P.C. 1953-1621, Oct. 21).

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Deep-test oil well; application for benefits under Income Tax Act

42. The Minister of Mines and Technical Surveys submitted a recommendation for the granting of benefits under the Income Tax Act in respect of a certain deep-test well.

43. The Cabinet agreed that the special benefits under the Income Tax Act be granted to the Seaboard Oil Company of Delaware, Calgary, Alberta, in respect of its Seaboard-Sylvan No. 10-4 well; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1625, Oct. 21).

South Saskatchewan River project

44. The Minister of Agriculture said he was to speak at the Annual Meeting of the South Saskatchewan River Association on October 27th, and wished to have the views of the Cabinet as to what he might say about the government's present position on the project.

The governments of the Provinces of Alberta and Manitoba were now, it seemed, prepared to agree to the recommendations of the Prairie Provinces Water Board on the impounding of water for the project. The Saskatchewan government had already concurred in the recommendation of the Board.

The Saskatchewan government had also agreed to bear the share of the cost of the dam that could properly be attributed to the power development without mentioning specific figures until the facts relative to the costs were available.

45. Mr. Gardiner proposed to state at the meeting that in order to arrive at definite figures on costs, it was the intention of the government to ask for tenders for the project at the earliest possible date but that no definite statement would be made about construction until such time as an agreement had been reached between the Federal government and the Province of Saskatchewan. Such a statement might forestall demands by Members of Parliament, when the House of Commons met in November, for the immediate building of the project.

(Letter Minister of Agriculture to Prime Minister Oct. 19th, 1953).

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46. In the course of discussion it was pointed out that calling for tenders would commit the government to proceed with the construction of the project. Firm tenders could not be secured on any other basis than an understanding that construction would begin.

47. The Cabinet deferred decision concerning the position to be taken by the Minister of Agriculture with regard to the South Saskatchewan project to a later meeting at which the Minister of Finance could be present.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

October 22nd, 1953

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Items discussed

South Saskatchewan project

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, October 22nd, 1953, at 12:00 noon.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretary to the Cabinet
(Mr. Robertson),
Mr. W.R. Martin, Privy Council Office.

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South Saskatchewan project

1. The Prime Minister, referring to discussion at the meeting of October 21st, reviewed the present position with respect to the South Saskatchewan project. It did not seem desirable to continue matters on the present indefinite basis. The point had been reached where a decision should be taken as to the government's position.

2. In the course of discussion it was argued on the one hand that:

(a) It would be desirable to find out by calling for tenders just how much the project would cost; no commitment being given as to when construction might take place.

(b) All but a small portion of the land needed for the project had been or could be acquired quite easily and there was no difficulty on that account.

(c) Even if the project were proceeded with, its cost would be spread over ten or twelve years. The financial effect would not be serious in any given year.

(d) A price had been secured privately from W.C. Wills and Co., for the building of the project. This amounted to the sum of $82.5 million and the contractor was willing to put up a bond of $5 million. This figure could be used as a basis for negotiations with the province which might lead to an agreement.

(e) It had been indicated each year in the House of Commons how the water impounded by the dam would be used and that, by the time the dam was built, some 200,000 acres would be irrigated. Also that, to irrigate the remaining 250,000 acres, pumping would be required which would be paid for by individual farmers.

(f) The economy of Saskatchewan was precarious as long as there was complete reliance on wheat. Surpluses were accumulating now. Moreover, the history of weather cycles suggested that dry years could not be far off. The project would give a broader base and greater stability to the economy of the province.

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On the other hand, it was argued that:

(a) The calling of tenders to build the dam would, in fact, imply a clear commitment that the government was prepared to proceed with the building of the project.

(b) Even assuming that the figure of $82.5 million was accurate (of which the provincial government would pay about a quarter as the appropriate share for power purposes) the uncertainties in relation to defence costs in the next few years, particularly with respect to the Korean situation and continental defence, made it unwise to enter into any immediate commitment of this magnitude. It might well turn out that the cost would be very much greater than $82.5 million.

(c) No really complete indication had been given by the provincial authorities as to what use they would actually make of the water which would be available with the building of the dam. There should be complete details, including the charges that would be made to users.

(d) While expenditures would be spread over several years, there would be a very large over-all commitment which would substantially affect budgetary requirements.

(e) If a decision were taken to proceed with the project, representations would undoubtedly be made for developmental projects in other parts of the country.

3. The Cabinet agreed that the Minister of Agriculture be authorized to say, in his remarks to the Annual Meeting of the South Saskatchewan River Association, that the Federal government would continue discussions with the government of Saskatchewan to see whether a satisfactory agreement could be reached on the basis of which the building of the South Saskatchewan dam could be considered, but that, with the present uncertainties as to the magnitude of defence requirements in the next few years, there could be no commitment, even if a satisfactory agreement were reached, that construction would be started in the near future.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

October 28, 1953

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No. 63-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, October 28th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Leader of the Government in the Senate
(Senator Macdonald),
The Minister of Resources and Development
(Mr. Lesage)

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier),
Mr. W.R. Martin, Privy Council Office.

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Natural gas; domestic and export policy

1. The Prime Minister said he had discussed with the Premier of Alberta the question of outlets for natural gas produced in that province.

The Petroleum and Natural Gas Conservation Board had concluded its hearings on the possible eastward movement of gas in Canada and its export to the United States. A report from the Board to the government of Alberta could be expected in a few weeks.

Mr. Manning agreed that it would be in the national interest for gas produced in Canada to be used, as far as possible, by Canadians but he doubted whether those concerned in the all-Canadian pipeline project could secure adequate financial backing for their enterprise. In the circumstances, it might be wise for the various potential operators to consider merging their activities. The market in southwestern Ontario, and particularly in the Toronto area, was a substantial factor in affecting any decision on the movement of gas from Alberta. Pending construction of an all-Canadian pipeline, the Premier thought a barter arrangement with United States interests might be considered. The Minneapolis area could take substantial quantities of gas from Canadian sources and, in return, the Toronto area might be supplied from the United States. In this connection, the Consumers Gas Company had bought gas in situ in the United States and were contemplating the employment of a Tennessee gas company to pipe it to the Toronto area. Meanwhile, as substantial quantities of gas were not being used, wells were being capped, exploration was slowing down and funds in the United States and Canada for investment in Alberta were not being employed. When the report of the Board was received, Mr. Manning would like to discuss the whole matter again with Federal authorities.

2. In the course of discussion, it was pointed out that the Consumers Gas Company of Toronto had only purchased an option on the gas in the United States. The proposal whereby the Minneapolis area would be temporarily provided with Canadian gas would involve construction of a pipeline some 400 miles in length. Such an investment would mean that gas would have to go to that market over a good many years in order to pay for it. For that and other reasons a gas supply on an uninterruptible basis for some years would have to be assured.

3. The Cabinet noted the report of the Prime Minister on discussions he had had with the Premier of Alberta concerning the possible movement of gas from Alberta to Eastern Canada and to the United States.

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Federal-provincial relations; meeting with members of the government of British Columbia

4. The Prime Minister said the Premier of British Columbia had requested that members of his government meet with the Federal government within the first ten days of December to discuss federal-provincial relations and matters pertaining to the development of British Columbia.

(Letter, Premier of British Columbia to Prime Minister, Oct. 20, 1953).

5. In the course of discussion, it was indicated that some of the matters likely to be raised at a meeting would relate to the federal-provincial taxation agreements, increased railway service in the northern part of British Columbia, and a request, already made to the President of the Canadian National Railways, that the Pacific Great Eastern Railway be linked up with the main railway system through a connection with the Peace River area.

6. The Cabinet agreed that the Premier of British Columbia be informed that, while it would not be possible to arrange a meeting with the full Cabinet, the Prime Minister, together with his colleagues from British Columbia and any other Ministers directly concerned, would meet with members of the British Columbia government on December 8th, 1953.

National labour unions; meetings with government

7. The Minister of Labour said the national labour unions had requested that their annual meetings with the government be held towards the end of the year before the Prime Minister's departure for the Far East.

8. In the course of discussion, it was pointed out that written replies had not yet been sent to the unions following receipt of their briefs last year. If meetings were to be held in the near future, there did not seem to be any point in preparing answers at this date. It was doubtful whether the government should continue the practice of replying in writing to these and similar briefs.

9. The Cabinet agreed:

(a) that the meetings with the Trades and Labour Congress of Canada, the Canadian Congress of Labour, the Canadian and Catholic Confederation of Labour, and the Railway Brotherhoods be held on December 2nd, 3rd and 4th, 1953, at 12:00 o'clock noon, and on December 4th, also, at 4:00 o'clock p.m.; the Minister of Labour to inform the unions concerned, arrange the details of the meetings and fix the time for each union; and,

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(b) that, because meetings with the national labour unions were to be held so soon, no written replies be sent to representations received last year, and that, at the meetings in December, the question of written replies be discussed with the unions, having in mind the considerations against providing detailed replies, in such a fashion, to representations made to the government.

Primary Textiles Institute; request for interview

10. The Prime Minister said the Executive Vice-President of the Primary Textiles Institute had requested that a small group from the Institute meet some members of the government to explain the position of the textile industry at the present time. The Institute was a federation of various trade associations in the primary textile field in Canada. One of the factors prompting the request was speculation in the press to the effect that the Customs Act might be revised.

(Letter, Executive Vice-President, Primary Textiles Institute to Prime Minister's Office, Oct. 23, 1953).

11. In the course of discussion, the following points emerged:

(a) The problems confronting the textile industry had to do with the tariff, dumping, and general trade and labour matters, and it might be useful to have the Ministers most directly concerned present at the meeting.

(b) A meeting was already being arranged by the Minister of Labour with the Textile Workers Union of America and it would, therefore, be difficult not to accede to the request of the Primary Textile Institute.

(c) Much of the difficulty in the textile industry had arisen because manufacturing capacity had been increased to an extent which ordinary marketing conditions would not justify. Now that competition was keener, several plants had to restrict their operations, with resultant unemployment.

(d) The textile industry was the most highly protected one in Canada. The tariff should be made to apply by ensuring that dumping did not occur but, if under the protection of the tariff and effective operation of the dumping provisions, the industry was still in difficulty, it would be up to the industry itself to work out some adjustment. Higher protection was not desirable.

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12. The Cabinet agreed:

(a) that the Minister of Trade and Commerce arrange with the Ministers most directly concerned for a meeting at which members of the Primary Textiles Institute could present a brief and explain the situation in the textile industry; and,

(b) that every effort be made to have a report from the Interdepartmental Committee on External Trade Policy, concerning a possible amendment of section 35 of the Customs Act with regard to valuation for duty, made available for consideration prior to this meeting and that with the Textile Workers Union of America.

Cheese; sale to the United Kingdom

13. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, referring to discussion at the meeting of October 14th, reported that the Ontario Cheese Producers Association had accepted an offer for the sale of cheese to the United Kingdom.

14. The Cabinet noted the report of the Acting Minister of Agriculture that the Ontario Cheese Producers Association had sold 10 million pounds of cheese to the United Kingdom at a price of 25½ cents per pound, f.a.s. Montreal.

International Labour Organization; instrument for amendment of constitution

15. The Minister of Labour reported that the 36th Annual Conference of the International Labour Organization, held at Geneva in June, had adopted an instrument for the amendment of the Organization's constitution to increase the size of the governing body from 32 to 40 so as to take account of increases in membership. There was no legal requirement for the government to seek Parliamentary approval before ratification of an instrument of this kind. The practice of seeking Parliamentary approval had been established when an international instrument involved military or economic sanctions, large expenditures of money, and important policy considerations, or where legislation was required for implementation. These criteria did not apply to the present amendment. It was recommended that ratification be given by the Governor in Council rather than by seeking prior approval of Parliament. If it were decided that the approval of Parliament should be sought, a resolution in the terms submitted might be introduced as soon as practicable after the start of the session.

(Minister's memorandum, Oct. 26, 1953 - Cab. Doc. 264-53).

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16. In the course of discussion, it was pointed out that, while no new principle or additional financial commitments were involved, it might be preferable, in order to avoid criticism, to have the amendment ratified in Parliament. On the other hand, it was desirable to avoid establishing a position in which approval by Parliament would be necessary every time a technical revision took place in the constitutions of the many international organizations to which Canada belonged.

17. The Cabinet agreed that the instrument of amendment of the constitution of the International Labour Organization to increase the size of the governing body of that organization from 32 to 40, so as to take account of increases in membership, be ratified, but that final decision as to whether prior Parliamentary approval should be sought, be deferred pending a report by the Secretary of State for External Affairs as to the precedents in procedures for ratification of international instruments, particularly those relating to the constitution of international organizations.

Uruguay; supplementary protocol to 1936 Trade Agreement

18. The Secretary of State for External Affairs reported that agreement had now been reached between the government of Uruguay and the Canadian Charge d'Affaires on the text of a protocol on internal taxes to supplement the Trade Agreement between Canada and Uruguay of August 12th, 1936. Under the proposed protocol, Canada and Uruguay would, with some minor exceptions, exchange national treatment on internal taxes, fees and other charges applied to each other's products. The principal effect of this proposed agreement would be to extend to Canadian whisky exported to Uruguay, treatment no less favourable than that accorded to similar products from other sources.

It was recommended that the Charge d'Affaires be authorized to sign the protocol on behalf of Canada, subject to ratification. The recommendation had been concurred in by the Minister of Trade and Commerce.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 27, 1953 - Cab. Doc. 269-53).

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19. The Cabinet,-

(a) approved the conclusion with Uruguay of a protocol to the 1936 Trade Agreement on the subject of internal taxes; and,

(b) agreed that the Canadian Charge d'Affaires in Uruguay be authorized to sign the protocol on behalf of Canada, subject to ratification; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1673, Oct. 28)

Cabinet Committee on Legislation; increase in membership

20. The Prime Minister suggested that the membership of the Cabinet Committee on Legislation be increased in order to ensure that there would always be enough members available to deal with the legislative programme.

21. The Cabinet noted with approval the Prime Minister's recommendation that the membership of the Cabinet Committee on Legislation be increased, and that it comprise the following:

Mr. Garson (Chairman)
Mr. Harris (Vice-Chairman)
Dr. McCann
Mr. Gregg
Mr. Winters
Mr. Lapointe
Mr. Cote
Mr. Pickersgill
Mr. Lesage

Privy Council; Chairman of Special Committee

22. The Prime Minister suggested that the Minister of National Revenue be Chairman of the Special Committee of Council, which was charged with the responsibility of considering and passing on Orders in Council that did not require consideration by the Cabinet.

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23. The Cabinet noted with approval the Prime Minister's recommendation that the Minister of National Revenue be Chairman of the Special Committee of the Privy Council.

Civil Service Act; new oath form for use by civil servants

24. The Prime Minister said the Clerk of the Privy Council was required to keep a register of the oaths taken and subscribed by civil servants under section 42 of the Civil Service Act. The actual oath form varied somewhat from department to department. It was now suggested that a standard printed form be made available to all departments, with the stipulation that it would be the only one accepted for registration by the Clerk of the Privy Council for persons sworn on and after January 1st, 1954,

A sample form of oath was submitted.

(Memorandum, Privy Council Office, Oct. 27, 1953).

25. The Cabinet approved a standard oath form for use by civil servants, under section 42 of the Civil Service Act, as submitted by the Prime Minister, and agreed that the Civil Service Commission inform all government departments that this form was available from the Queen's Printer, and would be the only one accepted for registration by the Clerk of the Privy Council for persons sworn on and after January 1st, 1954.

Appointment; Director of Bank of Canada

26. The Minister of Finance submitted a recommendation for the appointment of a Director of the Bank of Canada.

27. The Cabinet approved the appointment of Edgar G. Burton, Esq., of Toronto, as a Director of the Bank of Canada, effective November 2nd, 1953, to hold office for the remainder of the term of E.G. Baker, Esq., resigned, whose term would expire on February 28th,1955; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1674, Oct. 28).

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Appointments; Public Service

28. The Prime Minister reported that J.C. Lessard, Esq., would resign on December 31st, 1953, as Deputy Minister of Transport and Chairman of the Canadian Maritime Commission, to accept an appointment as Vice-President of Standard Railway Manufacturing Equipment (Canada) Limited of Montreal. He submitted recommendations for new appointments.

29. The Cabinet noted the report by the Prime Minister regarding the resignation, effective December 31st, 1953, of J.C. Lessard, Esq., as Deputy Minister of Transport and Chairman of the Canadian Maritime Commission, and approved the following appointments:

(a) C.W. West, Esq., to be Deputy Minister of Transport effective January 1st, 1954, at a salary of $13,500 per annum; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-1675, Oct. 28)

(b) J.R. Baldwin, Esq., Chairman of the Air Transport Board, to be Deputy Minister of Transport for Air Services, effective January 1st, 1954, without additional remuneration; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-1676, Oct. 28).

(c) L.C. Audette, Esq., to be Chairman of the Canadian Maritime Commission from January 1st, 1954, to October 31st, 1957; the unexpired term of office of Mr. J.C. Lessard, retired; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1677, Oct. 28)

(d) C.W. West, Esq., to be a member of the Canadian Maritime Commission for a term of five years from January 1st, 1954, without additional remuneration; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1678, Oct. 28).

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Appointments; External Affairs

30. The Secretary of State for External Affairs, reported that Major-General George P.Vanier, Canadian Ambassador in Paris, would retire from the diplomatic service at the end of the year. He recommended that Mr. Jean Desy, formerly Canadian Ambassador in Rome and, more recently, Head of the International Service of the Canadian Broadcasting Corporation, be appointed Canadian Ambassador to France.

31. The Cabinet noted the report of the Secretary of State for External Affairs on the impending retirement of Major-General George P. Vanier and approved the appointment of Jean Desy, Esq., to succeed General Vanier as Canadian Ambassador to France.

Korea; income tax exemption for military forces

32. The Minister of National Defence, referring to the decision at the meeting of September 24th, 1953, on the termination of special veterans benefits for members of the armed forces serving in Korea, said it should be considered whether the special income tax exemption, presently enjoyed by members of the armed forces serving in the Korean theatre ,should be continued beyond October 31st, 1953, the date on which special veterans benefits would cease to be applicable.

33. During the course of discussion it was pointed out, -

(a) that it would be difficult to defend an indefinite extension of the income tax exemption to members of the armed forces in the Korean theatre when similar benefits were denied Canadian military personnel serving in Europe; and,

(b) that, on the other hand, there would be justification for extending the privilege for the balance of the current taxation year.

34. The Cabinet noted the report by the Minister of National Defence on termination of the special income tax exemption granted members of the Canadian armed forces serving in the Korean theatre, and deferred decision pending further consideration at a subsequent meeting.

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Royal Roads; provision of additional accommodation

35. The Minister of National Defence said the Treasury Board had considered a recommendation for the construction of additional living quarters at Royal Roads, British Columbia, at an estimated cost of about $1,210,000.

At the present time 150 cadets of university age were crowded into dormitories designed for 110 younger cadets. Construction of the proposed new accommodation would provide for 150 cadets on a standard similar to that at the Royal Military College, and would release existing dormitory space for classrooms. In addition, it would provide accommodation, by doubling up during the summer months, for the university cadets, thereby releasing other accommodation in H.M.C. Dockyard, Esquimalt, which was urgently required for year round use by the Reserve Training Establishment.

Treasury Board had referred the recommendation to Cabinet as it had been before the Cabinet in October, 1952, but no decision taken. Otherwise, the Board was not opposed to the recommendation.

An explanatory memorandum had been circulated.

(Memorandum, Privy Council Office, Oct. 26, 1953 - Cab. Doc. 262-53).

36. The Cabinet approved in principle the construction of new dormitory accommodation at Royal Roads, B.C. at a total estimated cost of $1,210,000; it being understood that the Departments of National Defence and Finance would settle, in consultation, details relating to standards of accommodation and other specifications.

Trans-Canada Air Lines; Montreal-Mexico City service

37. The Minister of Transport, referring to discussion at the meeting of May 13th, 1953, reported that Trans-Canada Air Lines had planned its first scheduled flight between Montreal and Mexico City for the following Saturday, October 31st. As it was not expected, in the initial stages at least, that there would be many passengers destined to Mexico City, it was proposed to combine the Mexico service with the present T.C.A. service to Tampa, Florida. T.C.A. could use the same aircraft to carry traffic destined to both Tampa and Mexico but not any local traffic between Tampa and Mexico, since Canada's agreement with the United States did not authorize this.

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Although this seemed to be a reasonable proposal, and was done elsewhere in the international operations of T.C.A. and other air lines, the Civil Aeronautics Board of the United States had objected and stated that T.C.A. must use a separate aircraft solely for the Montreal-Mexico flight, which aircraft could, however, touch down at Tampa for refuelling purposes. Despite strong representations to the U.S. State Department, the Board had so far refused to depart from this position.

One question was whether T.C.A. should cancel its proposed first scheduled flight. It had also been suggested that the Air Transport Board might issue a show-cause order as to why the license of a U.S. air carrier, enjoying similar privileges through Whitehorse, should not be restricted to limit its license in the sense which the Civil Aeronautics Board was requiring T.C.A. to be limited on its Montreal-Mexico City service through Tampa.

38. The Cabinet noted the report by the Minister of Transport on objections raised by the U.S. Civil Aeronautics Board with respect to the proposal by Trans-Canada Air Lines to combine its new Montreal-Mexico City service with its existing Montreal-Tampa service, and agreed that the United States authorities be informed:

(a) that the proposals by Trans-Canada Air Lines respecting its Montreal-Mexico service appeared to the Canadian government to be within the spirit of the International Transit Agreement; and,

(b) that, in the event the Board refused to authorize the proposed combination of T.C.A. flights through Tampa, Canadian authorities would reconsider similar privileges which had been granted to U.S. air carriers through Canadian airports.

U.S. Senate Sub-Committee on Internal Security; request for interview

39. The Secretary of State for External Affairs said he had been informed that the U.S. State Department would, the following day, request that authority be granted to Mr. Robert Morris, Counsel for the Sub-Committee on Internal Security of the U.S. Senate, to have an interview with Mr. Igor Gouzenko at some convenient place in Canada.

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40. During the course of discussion the following points emerged:

(a) A correspondent of the Chicago Daily Tribune had recently published an interview with Gouzenko, which apparently had been solicited by Gouzenko himself, in which he had purported to have information about current Soviet espionage in Canada. It was probable that Gouzenko was anxious to have some new publicity, possibly to help a book he was shortly to publish. There was little doubt that he would welcome an opportunity to have talks with Mr. Morris.

(b) It was doubtful whether the government of Canada should accede to the sort of request that was now anticipated from the U.S. State Department since the Sub-Committee was not an agency of the U.S. government, but only of the Senate.

(c) After the 1946 espionage enquiry, the Canadian authorities had made available to the U.S. State Department all the information that had been obtained at that time. Since Gouzenko had been under protective custody of the R.C.M. Police since then, it was unlikely that he had any additional information of value either to Canadian or to U.S. authorities.

41. The Cabinet noted the report by the Secretary of State for External Affairs on an expected request from the U.S. State Department that arrangements be made to enable the Counsel for the Sub-Committee on Internal Security of the U.S. Senate, to have an interview with Mr. Igor Gouzenko at an appropriate place in Canada, and agreed that, if such a request were made, the State Department be reminded that all the information secured through the 1946 espionage enquiry had been turned over to the U.S. authorities, and be informed that the Canadian authorities would themselves question Mr. Gouzenko and that, if he had any additional information which might be of use to Canadian and U.S. authorities, it would be made available to the State Department.

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Federation of Mayors and Municipalities; request for meeting with government

42. The Prime Minister said the Canadian Federation of Mayors and Municipalities had enquired whether he and other members of the government would be prepared to meet the Federation's National Executive on Friday, November 27th, 1953.

(Letter, Canadian Federation of Mayors and Municipalities to Secretary to the Prime Minister, Oct. 23, 1953).

43. The Cabinet agreed that the Prime Minister and other members of the government receive the National Executive of the Canadian Federation of Mayors and Municipalities on Friday, November 27th, at 12 o'clock noon, in the Prime Minister's office; the Federation to be informed accordingly.

Deep-test oil well; application for benefits under Income Tax Act

44. The Minister of Mines and Technical Surveys submitted a recommendation for the extension of special benefits under the Income Tax Act and the Income War Tax Act to North Pacific Exploration Limited in respect of a deep-test well in Alberta.

45. The Cabinet agreed that special benefits under the Income War Tax Act and the Income Tax Act be extended to North Pacific Exploration Limited in respect of its North Canadian-North Pacific No. 1 deep-test well located in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1672, Oct. 28).

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

NOVEMBER 4th, 1953

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber, on Wednesday, November 4th, 1953, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott) (for morning meeting only),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson) (for morning meeting only),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
and Acting Minister of Fisheries
(Mr. Winters),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage) (for morning meeting only),

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)
Mr. W.R. Martin, Privy Council Office.

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Labour unions; annual meeting with government

1. The Prime Minister, referring to discussion at the meeting of October 28th, 1953, said unavoidable circumstances made it impossible for the Canadian Congress of Labour to meet with members of the government on December 3rd as had previously been agreed. The Minister of Labour had submitted a revised schedule of meetings.

(Memorandum, Minister of Labour to Prime Minister, Nov. 4, 1953).

2. The Cabinet agreed that the revised schedule for meetings with representatives of the four national labour unions be as follows:

Trades and Labour Congress of Canada -
12 o'clock noon, December 3rd,1953
Canadian and Catholic Confederation of Labour -
12 o'clock noon, December 4th, 1953
Railway Brotherhoods - 4 p.m. December 4th,1953; and,
Canadian Congress of Labour - 12 o'clock noon,
December 10th, 1953.

Regency; change in United Kingdom statute provisions

3. The Prime Minister reported that the Queen would, that day, send a message to the Houses of Parliament at Westminster suggesting that the U.K. Regency Acts, 1937 and 1943, be amended so that the Duke of Edinburgh would be the Regent should the necessity for a Regency arise. The Queen had also recommended certain other changes which would enable the heir apparent or heir presumptive to the throne ~~capable of being~~ the Regent if he or she had attained the age of eighteen years, and which would further enable the Queen Mother to be appointed as a Counsellor of State.

To act as

It was suggested that, concurrent with transmission of Her Majesty's message to the Houses of Parliament in London, a statement to the Press be issued by the Prime Minister's office at Ottawa indicating that the government of Canada was in full accord with the proposal that statutory effect be given to Her Majesty's wishes, though there was no necessity for any special action in Canada as the powers and authorities of the Sovereign were vested in the Governor General.

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4. The Cabinet noted the Prime Minister's report regarding the transmission to the British Parliament of a message from the Queen, recommending that the Regency Acts be modified to enable the Duke of Edinburgh to act as Regent in the event a Regency were required, and agreed that a statement be issued to the Press, that day, by the Prime Minister indicating that, although the government of Canada was in full accord with the proposal that statutory effect be given to Her Majesty's wishes, there was no necessity for any action here as all the powers and authorities of the Sovereign in respect of Canada were vested in the Governor General.

Duke of Edinburgh; visit to Canada

5. The Prime Minister said the Governor General had informed the Secretary of State that the appointment of Group Captain McNab as the senior Canadian official to accompany the Duke on his forthcoming visit to Canada would be acceptable. It had been suggested that Group Captain McNab might be named Chairman of any interdepartmental committee established to make the arrangements for the visit.

(Memorandum, Secretary of State to Prime Minister, Nov. 4, 1953).

6. During the course of discussion it was reported that, although the Duke of Edinburgh would make a brief appearance at the British Empire Games, to be held at Vancouver, he had indicated that he would not be in a position formally to open the Games. It was suggested that a special effort be made to have the Duke open the Games.

7. The Cabinet agreed, -

(a) that Group Captain McNab, who would be the senior Canadian official accompanying the Duke of Edinburgh on his forthcoming visit to Canada, also act as Chairman of any interdepartmental committee established to supervise arrangements for the visit; and,

(b) that the Canadian High Commissioner at London be directed to inform the Palace that it would be desirable, if at all possible, for the Duke of Edinburgh to officially open the British Empire Games to be held at Vancouver.

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Canadian Pacific Air Lines; commercial air service between Flin Flon and Lynn Lake, Manitoba

8. The Minister of Transport submitted a recommendation that authority be granted for the issue of a license to Canadian Pacific Air Lines for the operation of a commercial air service between Flin Flon and Lynn Lake, Manitoba, the proposed service to be operated in conjunction with the Company's scheduled commercial air service between Winnipeg and Flin Flon.

9. The Cabinet approved the granting of a license to Canadian Pacific Air Lines Limited for the operation of a commercial air service between Flin Flon and Lynn Lake, Manitoba; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1719, Nov. 5).

Parliament; legislation

10. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted certain bills and legislative proposals for approval.

Copies of the report of the Cabinet Committee on Legislation and explanatory memoranda had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Nov. 3, 1953- Cab. Doc. 274-53 and attached Cab. Docs. 258-, 267-, 266-,259-53.

11. The Cabinet

(a) agreed that the bill respecting the use of election material for by-elections, which had been approved for introduction at the meeting of October 21st, be introduced in the House of Commons in the first instance;

(b) approved for introduction the resolution and bill respecting the United Kingdom Financial Agreement, 1953; and,

(c) approved in principle the following legislative proposals as submitted - draft measures to be prepared accordingly:

bill to provide diplomatic immunities for Commonwealth Representatives in Canada (Cab. Doc. 258-53)
Bank Act revision (Cab. Doc. 267-53)
Quebec Savings Banks Act revision (Cab. Doc. 266-53)

Telegraphs Act amendment (Cab. Doc. 259-53)

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Legislation; Judges Act amendment

12. The Minister of Justice, referring to discussion at the meeting of December 12th, 1952, reported that it had again been suggested that section 37 of the Judges Act should be amended during the course of the coming session to provide that a judge might engage in the teaching of law if this did not interfere with his judicial duties.

An explanatory memorandum had been circulated.

(Draft bill, undated - Cab. Doc. 265-53; report of Cabinet Committee on Legislation, Nov. 3, 1953- Cab. Doc. 274-53).

13. During the course of discussion the following points emerged:

(a) Although section 37 of the Act appeared to preclude the teaching of law by judges, the practice had been common for a number of years and had been useful in providing universities and law schools with good lecturers. In some instances law schools might not have been established at all had it not been for the services rendered by the judiciary.

(b) If an amendment were introduced, it might be preferable to omit any reference to "the teaching of or lecturing in law", and to refer simply to the assuming of "academic functions" by judges.

(c) It might be considered anomalous, on the other hand, to allow judges to assume such academic functions in view of the increasing pressure for the appointment of more judges. Furthermore, such an amendment might have the result of encouraging a greater number of judges to teach law as a part time function .

14. The Cabinet approved in principle the proposed amendment to section 37 of the Judges Act to make it clear that judges might assume academic functions at universities and law schools provided this did not interfere with their judicial functions; a draft measure to be prepared accordingly.

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Legislation; Criminal Code revision

15. The Minister of Justice, referring to the discussion at the meeting of October 21st, 1953, recommended that the Criminal Code revision be re-introduced in Parliament with all the changes recommended by the Special Committee of the House of Commons during the last session.

There were certain sections in the Code, such as section 46 respecting treason, which the government might wish to amend further. However, such amendments could be moved at an appropriate time after the measure had been introduced.

Copies of an explanatory memorandum had been re-circulated.

(Memorandum, Minister of Justice, Oct. 13, 1953- Cab. Doc. 249-53; report of Cabinet Committee on Legislation, Nov. 3, 1953 - Cab. Doc. 274-53).

16. During the course of discussion it was noted that the Senate had, at the last session of Parliament, inserted a new provision to the effect that, where an accused had elected to be tried by judge alone, he could, at any time before the date for trial had been fixed, re-elect to be tried by jury. Such a provision might lead to abuses and enable an accused to postpone his trial more or less indefinitely. There should, perhaps, be some restriction on the length of time available to the accused to elect to be tried by jury rather than by a judge. Such a restriction might, for example, prescribe that an accused who had elected to be tried by a judge might re-elect, subsequently, to be tried by jury provided that the criminal assizes had not adjourned.

17. The Cabinet agreed:

(a) that the Criminal Code revision be re-introduced in Parliament with all the changes recommended by the Special Committee of the House of Commons during the last session of Parliament; and,

(b) that, at an appropriate time after introduction, the government might wish to sponsor further amendments to the Act, particularly to clauses 46 and 469.

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Legislation; Industrial Relations and Disputes Investigation Act amendment

18. The Minister of Labour recommended that several amendments be made to the Industrial Relations and Disputes Investigation Act during the course of the coming session. The addition of a new section 52A to the Act to require employers to give effect to a voluntary revocable check-off of union dues required particular consideration. He felt that the time had come when a provision of this character should be included in Federal legislation.

It would probably be inadvisable to introduce such a measure until the current strike in Northern Ontario had been settled, inasmuch as here the check-off was one of the important points of contention.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 22, 1953 - Cab. Doc. 263-53; report of Cabinet Committee on Legislation, Nov. 3, 1953 - Cab. Doc. 274-53).

19. During the course of discussion, the following points emerged:

(a) Provincial legislation regarding check-off of union dues had been enacted by six provinces but Ontario, Quebec, Manitoba and New Brunswick had not yet passed legislation of this sort.

(b) The government had, thus far, taken the stand that the check-off of union dues was properly a feature to be agreed upon by collective bargaining between management and labour. The check-off would no longer, in employments under federal jurisdiction, be a bargaining feature of collective agreements if it was now included in legislation as had been recommended.

(c) The voluntary revocable check-off was the most limited form of check-off. Its inclusion in Federal legislation at this time might make it easier to resist demands by the unions for legislation of a more stringent type.

20, The Cabinet:

(a) deferred decision on the proposed amendment of the Industrial Relations and Disputes Investigation Act, as recommended by the Minister of Labour, pending further consideration early in 1954; and,

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(b) agreed that no mention be made of the proposed amendment in the Speech from the Throne or in the opening of the forthcoming session.

Legislation; Civil Service Insurance Act revision

21. The Minister of Finance recommended that the Civil Service Insurance Act be revised with a view to discontinuing the present scheme of individual policies and to introducing a plan of group life insurance which would be compulsory for all contributors under the Public Service Superannuation Act.

Each person would be insured for the amount of his annual salary up to a maximum of $5,000. In order to avoid a sharp break in the amount of benefit, the insurance would decrease in equal steps between the ages of 61 and 70. The premium required would be 40¢ per month for each $1,000 of insurance. The present gratuities scheme (two months' salary upon death for civil servants who had more than two years of service) would be dropped. The only government contribution to the new scheme would be the amount that the government would otherwise have paid in gratuities each year.

If this proposal were approved, all persons now eligible for civil service insurance would be covered by the new plan with the exception of officers in the armed forces and the R.C.M. Police. Because of the different nature of service in the armed forces as compared with the public service, it would be difficult to extend the scheme to them. Members of the R.C.M. Police had not been considered for inclusion because they had recently arranged a group insurance plan of their own.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 26, 1953- Cab. Doc. 261-53).

22. During the course of discussion it was suggested:

(a) Although a group life insurance plan on a compulsory basis as suggested by the Minister of Finance would probably be well received by the majority of civil servants, there might be some dissatisfaction amongst the younger female employees who did not plan to make a career in the civil service.

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(b) Consideration might be given to measures to protect the position of civil servants who had purchased relatively large individual policies under the current Act and who would be obliged to pay additional premiums under the compulsory group insurance scheme.

23. The Cabinet approved in principle the recommendation of the Minister of Finance that the Civil Service Insurance Act be revised to discontinue the present scheme of individual insurance policies, and to introduce a new plan of group life insurance which would be compulsory for all contributors under the Public Service Superannuation Act, and agreed that a draft measure be prepared accordingly; it being understood that the details of the new scheme would be discussed with the National Joint Council of the Public Service.

Legislation; National Battlefields at Quebec Act amendment

24. The Minister of Resources and Development recommended that the Act respecting the National Battlefields at Quebec be amended during the coming session of Parliament to increase the statutory grant of the National Battlefields Commission from $100,000 to $125,000 annually over a four year period from April 1st, 1954 to March 31st, 1958.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 30, 1953- Cab. Doc. 270-53).

25. During the course of discussion it was suggested that, although the proposed increase in the statutory grant was not excessive, the administration of the Commission might be more efficient if it were eventually transferred to the National Parks Branch of the Department of Resources and Development.

26. The Cabinet approved in principle proposed amendments to the Act respecting the National Battlefields at Quebec, as recommended by the Minister of Resouces and Development; a draft measure to be prepared accordingly.

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Whitehorse, Yukon Territory; loan for water and sewage system

27. The Minister of Resources and Development reported that the population of Whitehorse had increased from approximately 400 in 1941 to 3,500 in 1953. There was every indication that the city would continue to grow, particularly if the prospects now being explored in the Yukon, including a large hydro-electric power development, should materialize.

During the war, the U.S. armed forces had constructed a temporary and limited water and sewage system in the city. Since then, several small additions to the system had been made as private ventures by individuals carrying on business in the city. The remainder of the city was serviced by wells and septic tanks, often in close proximity. Sanitary engineers of the Department of National Health and Welfare had reported that the situation constituted a menace to public health.

An adequate water and sewage system for Whitehorse would cost approximately $1 million. The greatest portion of the expenditure would occur in the first year and it was considered that $700,000 should be available for the fiscal year 1954-55. As the city and the Territorial government of the Yukon were unable to finance this project, it was recommended that a loan, repayable over a period of thirty years, be made by the Federal government at an interest rate of approximately 3 3/4 per cent.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 30, 1953- Cab. Doc. 271-53).

28. During the course of discussion it was suggested that the rate of interest would likely be 3 7/8 or 4 per cent rather than 3 3/4 per cent.

29. The Cabinet agreed that the Department of Resources and Development include in its estimates for the year 1954-55 a sum of $700,000 to be lent to the government of the Yukon Territory for the construction of a water and sewage system at Whitehorse, repayable over a period of thirty years in equal annual payments including interest at a rate to be determined by the Governor in Council; $300,000 to be advanced to the Territorial government on the same terms in the year 1955-56.

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Canadian National Hotels; segregation of operations

30. The Minister of Transport, referring to the discussion at the meeting of February 16th, 1953, submitted correspondence between himself, the Minister of Labour and the President of the Canadian National Railways on the latter's suggestion for establishment of an integrated Canadian National Hotel system divorced from the Company's railway operations.

The Department of Labour feared that labour unions would re-act unfavourably to the proposed re-organization as it might have the effect of making C.N. hotel employees subject to provincial labour legislation rather than Federal legislation, as was now the case.

The President of the Canadian National Railways had pointed out that the proposed reorganization had not been prompted by labour considerations. The proposal was part of a general plan to tidy up the corporate affairs of the C.N.R. system. The master plan for reorganization contemplated the continuation of one land company, one telegraph company, one steamship company, one hotel company and, if possible, one railway company. Mr. Gordon felt that too much emphasis had been placed on the labour relations aspect of the proposal. Labour would not be unduly prejudiced by the new plan as the position of C.N. hotels, after reorganization, would be exactly the same as that of all other hotels in Canada.

An explanatory memorandum had been circulated.

(Memorandum, Nov. 3, 1953-Cab. Doc. 275-53).

31. During the course of discussion it was suggested that there would be some advantage, from the labour relations point of view, if the C.N.R. management could implement all or at least a good portion of its re-organization plan at the same time and not set up the proposed hotel company in advance of the other proposed new companies.

32. The Cabinet agreed that the Minister of Transport inform the President of the Canadian National Railways that the government had no objection to the proposed reorganization of the corporate affairs of the Canadian National Railways, but would see advantages if one or two of the proposed five new companies could be established at the same time as the proposed new Canadian National hotel company.

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International Labour Organization; amendment to constitution

33. The Secretary of State for External Affairs, referring to discussion at the meeting of October 28th, 1953, reported that, although there was no legal necessity to do so, the practice had been established of seeking Parliamentary approval of international agreements involving military or economic sanctions, large expenditures, political considerations of a far-reaching character, or obligations the performance of which would affect private rights. However, in instances where international agreements were concerned solely with administrative or technical arrangements, such as in the case of the present amendment to the constitution of the International Labour Organization adopted at Geneva in June, 1953, it had not been the practice to seek Parliamentary approval.

34. The Cabinet noted the report by the Secretary of State for External Affairs on precedents relating to the ratification of various international agreements, and agreed that the amendment to the constitution of the International Labour Organization, adopted at Geneva in June, 1953, be ratified without seeking prior Parliamentary approval.

(Order in Council P.C. 1953-1712, Nov. 4).

Government telephone and telegraph service, British Columbia; sale of facilities

35. The Minister of Transport, referring to discussion at the meeting of October 7th, 1953, said a revised bid of $750,000 had now been received from the British Columbia Telephone Company. While the bid was not as high as Department of Transport and Treasury Board officials had considered as the acceptable minimum, it was $350,000 more than the previous offer and equal to the bid made by the Canadian National Railways for other parts of the system. In the circumstances, it appeared to be reasonable.

36. The Cabinet, agreed:

(a) that the bid from the British Columbia Telephone Company of $750,000 for the portion of the government-owned telephone and telegraph facilities in British Columbia not to be purchased by the Canadian National Railways was acceptable; and,

(b) that final arrangements be now made for sale of the whole system to the Canadian National Railways and the British Columbia Telephone Company.

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Pickled mackerel fillets; deficiency payments

37. The Minister of Public Works, as Acting Minister of Fisheries, referring to discussion at the meeting of September 9th, 1953, on the decline in prices received by fishermen in the Magdalen Islands for pickled mackerel fillets, said that substantially similar conditions existed in certain parts of Inverness and Richmond counties in Nova Scotia. The Fisheries Prices Support Board recommended that deficiency payments be made available on a similar basis for fishermen in those areas. Final returns respecting fishermen in Newfoundland, who had similar experience with pickled mackerel fillets, were not yet available. If conditions warranted like treatment in Newfoundland a further submission would be made.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 20, 1953- Cab. Doc. 272-53).

38. The Cabinet noted the report of the Acting Minister of Fisheries concerning recommendations by the Fisheries Prices Support Board with regard to pickled mackerel fillets, and agreed that a deficiency payment of up to 3 cents per pound be made to fishermen in portions of Inverness and Richmond Counties, Nova Scotia, selling the 1952 production of pickled mackerel fillets through the Fishermen's Co-operatives in Cheticamp, Grand Etang and Margaree Harbours, and through the Northside Marketing Club, Petit-de-Grat; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1715, Nov. 4).

Agreement on German External Debts

39. The Prime Minister, referring to discussion at the meeting of February 23rd, 1953, said Cabinet had approved the recommendation of the Minister of Finance that the High Commissioner for Canada in London be given power to sign, on behalf of the government of Canada, the Agreement on German External Debts. It was provided that the Agreement should enter into force upon the deposit of instruments of ratification with the government of the United Kingdom by the governments of the Federal Republic of Germany, France, United Kingdom and the United States. Such entry into force would be effective as to all governments signatory to the Agreement which by that time had deposited the required instruments for ratification. The Agreement came into force on September 16th, 1953. In order that it would be effective as to the government of Canada, it was recommended by the Secretary of State for External Affairs, with the concurrence of the Minister of Finance and the Secretary of State, that an

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instrument of notification specifying that the agreement has been approved by the Canadian government be deposited with the government of the United Kingdom.

An explanatory memorandum had been circulated. (Memorandum, Secretary of State for External Affairs, Oct. 30, 1953- Cab. Doc. 273-53).

40. The Cabinet agreed that the High Commissioner for Canada in London be authorized to inform the government of the United Kingdom, through the deposit of an instrument of notification, that Canada had approved the Agreement on German External Debts; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1713, Nov. 4).

United Nations Tin Conference; instructions to delegates

41. The Prime Minister reported that the Secretary General of the United Nations had invited Canada to participate in a United Nations Tin Conference to be reconvened in Geneva, on November 16th. The resumption of this Conference, originally convened in 1950, followed efforts to reach an agreement on general principles upon which an inter-governmental tin agreement might be based. Under normal conditions, Canada's import requirements of tin were not great. The United States, which imported over 50 percent of the available supplies, had, up to the present, been unenthusiastic about the proposed agreement and, although they had now agreed to reconvene the Conference, their representative would be in no position to commit his government to any specific course of action. The Inter-Departmental Committee on External Trade Policy, while recognizing that Canada's direct interest in such an Agreement was not great, had considered that Canada should be represented but that authorization should not be given in advance to commit the government to participate in an agreement. It was recommended by the Secretary of State for External Affairs, with the concurrence of the Minister of Trade and Commerce, that Canada be represented at the Conference, that the Canadian representatives should not press for conclusion of an Agreement, and that, if it appeared likely that an Agreement might emerge, further instructions should be sought.

An explanatory memorandum was circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 3, 1953- Cab. Doc. 277-53).

42. In the course of discussion, it was pointed out that there was really no urgency, from Canada's point of view, in seeking conclusion of an agreement. It would be preferable, to await the final conclusion of an agreement before coming to any decision.

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43. The Cabinet agreed:

(a) that Canada be represented at the United Nations Tin Conference, opening in Geneva on November 16th, and that the Chairman of the Canadian delegation be provided with full powers to negotiate and sign, subject to acceptance, an acceptable tin agreement;

(b) that Canadian representatives should not press for the conclusion of an agreement;

(c) that the delegation be instructed not to commit Canada in any way to participation in an agreement but that, if it appeared that a satisfactery agreement which would balance the interests of producing and consuming countries was likely to emerge , and if the United States indicated its willingness to participate, further instructions should be obtained; and,

(d) that the Canadian delegation be:

Chairman: G.C. Monture,Esq.,-Department of Mines and Technical Surveys
Alternate: V. Chapin, Esq., - Assistant Commercial Secretary, Brussels
Adviser: A representative from the Department of External Affairs.

Conference of the Food and Agriculture Organization; 7th Session; instructions to Canadian delegation

44. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, said that the 7th Session of the Conference of the Food and Agriculture Organization of the United Nations would convene in Rome on November 23rd. Authority was sought for Canadian participation and for the composition of the Canadian delegation. One of the main items to be considered was a proposal for the establishment of an internationally financed famine reserve fund, a proposal which might receive general support, particularly from under-developed countries likely to be the main beneficiaries. The Interdepartmental Committee on External Trade Policy had considered what guidance might be given to the delegation in this respect and had approved a paper but it had not yet been reviewed by the Minister of Agriculture. It recommended that the proposals for an internationally financed famine fund should be rejected. He suggested that agreement might be given now to the composition of the delegation but consideration of the instructions on the famine relief fund deferred until a meeting at which the Minister of Agriculture could be present.

An explanatory memorandum was circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 3, 1953-Cab. Doc. 278-53).

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45. In the course of discussion, the following points emerged:

(a) Creation of the fund would provide the Food and Agricultural Organization with a large sum of money to draw on as it saw fit without consultation with member governments.

(b) Canada had always taken the position that it should consider each case of food shortage on its merits and that no elaborate machinery was required for meeting emergencies of this kind.

(c) The Department of Resources and Development did not believe it necessary to have one of its officials included in the delegation. However, the presence of such an official at previous sessions had been considered useful.

46. The Cabinet agreed:

(a) that the Minister of Agriculture be Chairman of the Canadian delegation to the 7th Session of the Conference of the Food and Agricultural Organization of the United Nations to be held in Rome on November 23rd, 1953; that the composition of the remainder of the delegation be finally settled by the Minister in consultation with the Secretary of State for External Affairs and the departments most directly concerned; and that the necessary travelling and living expenses incurred in connection with the attendance of the Canadian delegation at the session be charged to the Department of Agriculture; and,

(b) that consideration of the guidance to be given to the Canadian delegation on an emergency famine reserve be deferred to a meeting at which the Minister of Agriculture could be present.

Proposed Joint United States-Canada Committee on Trade and Economic Affairs

47. The Prime Minister, referring to discussion at the meeting of September 9th, 1953, said that United States authorities had considered some further generalization desirable in the terms of reference of the proposed Joint United States-Canadian Committee on Trade and Economic Affairs. Certain revisions had been worked out and agreed to by Canadian and United States officials and it was proposed that the revised terms of reference be embodied in an exchange of notes between the Canadian Ambassador in Washington and the United States Secretary of State. The U.S. State Department was hopeful that all the necessary concurrences could be obtained in time for the

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proposed notes to be exchanged in Washington before President Eisenhower left for Ottawa on November 13th, On this assumption, a reference to the establishment of the Joint Committee had been included in the draft of the speech which the President would deliver to Parliament.

An explanatory memorandum was circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 3, 1953-Cab. Doc. 276-53)

48. In the course of discussion, it was pointed out that the text of the proposed exchange of notes seemed to be at variance with the previous decision taken by Cabinet that it would be desirable for the Canadian Section of the Committee to include either the Minister of Agriculture or the Minister of Fisheries, depending on the matters to be discussed at any particular meeting. This should be made clear in the exchange of notes. If such a change could not be agreed to in time, the point should be covered on the establishment of the Committee.

49. The Cabinet agreed:

(a) that the text of the proposed exchange of notes establishing the Joint United States-Canada Committee on Trade and Economic Affairs, as submitted by the Secretary of State for External Affairs be approved; subject to alteration of composition of the Canadian group on the Committee to include either the Minister of Agriculture or the Minister of Fisheries, in accordance with the decision of September 9th, 1953;

(b) that, subject to final confirmation of establishment of the Joint Committee being agreeable to the United States government, the Canadian Ambassador in Washington be authorized to complete the exchange of notes as soon as convenient;

(c) that arrangements be made for the simultaneous announcement of the establishment of the Committee in Ottawa and Washington; and,

(d) that, in order to allay any fears which might arise in other friendly countries that establishment of the Committee represented a move toward bilateral arrangements in the economic field between Canada and the United States, any public announcement in Ottawa regarding the establishment of the Committee would indicate that its work would constitute one aspect of the activities of the two countries in the economic field, which were directed towards promoting satisfactory trade relations on a multilateral basis throughout the free world.

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Appointments

50. The Prime Minister submitted a recommendation for an appointment to the Senate.

51. The Minister of Justice submitted a recommendation for a judicial appointment.

52. The Minister of Citizenship and Immigration submitted a recommendation for a re-appointment to the Film Board.

53. The Minister of Trade and Commerce submitted a recommendation for an appointment to the Wheat Board.

54. The Cabinet agreed that appointments be made as follows; Orders in Council to be passed accordingly:

(a) Mrs. Nancy Hodges, of Victoria, B.C., to be a member of the Senate of Canada;

(Order in Council P.C. 1953-1720, Nov. 5)

(b) Peter J. Macdonald, Esq., of Ottawa, to be a Junior Judge of the County Court of Carleton, and a Local Judge of the High Court of Justice for Ontario;

(Order in Council P.C. 1953-1717, Nov. 4).

(c) Charles Stein, Esq., of Ottawa, to be a member of the National Film Board for a period of three years, effective October 14th, 1953;

(Order in Council P.C. 1953-1718, Nov. 4)

(d) Walter Earle Robertson, Esq., of Winnipeg, to be a Commissioner of the Canadian Wheat Board, at a salary of $17,500 per annum, effective, November 1st, 1953.

(Order in Council P.C. 1953-1716, Nov. 4)

Deep-test oil well; application for benefits under Income Tax Act

55. The Prime Minister said the Minister of Mines and Technical Surveys had submitted a recommendation for the extension of special tax benefits, under the Income Tax Act and the Income War Tax Act, to Imperial Oil Limited in respect of a deep-test well in Alberta.

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56. The Cabinet agreed that special benefits under the Income Tax Act and the Income War Tax Act be extended to Imperial Oil Limited in respect of its Imperial-Dreau No. 12-11-78-22 deep-test well to be drilled in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1714, Nov. 4).

Speech from the Throne

57. The Prime Minister submitted a draft of the Speech from the Throne.

58. The Cabinet noted the draft of the Speech from the Throne and agreed that it be modified in accordance with certain suggestions made in the course of discussion.

Korea; further developments

59. The Prime Minister said the Secretary of State for External Affairs had reported that the United States was now considering seriously his suggestion that the eight or nine smaller nations eligible to attend the political conference might voluntarily refrain from being present, in the hope that the conference might meet. Mr. Pearson had gone to New York to consult the smaller nations concerned. This would be a face-saving device for the Chinese and might ensure that the discussions actually took place. Only the big powers, with perhaps the Chairman of the Neutral Nations' Commission, would then attend.

60. The Cabinet noted the report of the Prime Minister concerning further developments in relation to the Korean situation.

Federal-provincial assistance for the totally disabled

61. The Prime Minister, referring to discussion at the meeting of September 9th, 1953, said consideration should now be given to the possible establishment of a nation-wide Federal-provincial disability pension scheme for the totally disabled. The proposal, as it had developed thus far, involved payment to the provinces of half of the pension they would provide, up to $40 a month on a means-test basis, to persons totally incapacitated other than those covered by workmen's compensation, veterans' legislation and the like. The administration of the scheme would be a provincial responsibility.

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62. In the course of discussion, the following points emerged:

(a) Ontario and Alberta already had in operation a system of pensions payable to the totally disabled. Newfoundland also had a system but of a different and somewhat more complicated character. It was probable that, if a Federal-provincial scheme were announced, Ontario, Alberta, Newfoundland, British Columbia and Saskatchewan would initially make agreements with the Federal government under the proposed legislation.

(b) Although the health surveys were not complete, indications were that approximately 25,000 people would be covered by the scheme. On the basis of these figures, the cost of payments would be $12 million of which the Federal government's share would be $6 million.

(c) If the proposal were agreed to, the Minister of National Health and Welfare proposed to inform the provinces just prior to any announcement which might be made in the Speech from the Throne.

(d) The provisions of the present Ontario scheme had been very strictly administered with the result that many who had hoped to benefit from the allowances had been disappointed, and there had, therefore, been a good deal of criticism. Strict administration of the regulations had been considered desirable so that costs would not get out of hand. The same procedure might apply in any Federal-provincial scheme. The restrictions might be gradually eased as experience was acquired. There was a very real need in many parts of Canada for assistance of this kind where there were some extremely unfortunate cases of totally disabled persons unable to look after themselves.

(e) Rather than spend money in a way which might benefit a relatively limited number of people, it might be preferable to spend the same amount on improving other medical and welfare facilities. There was, for instance, a great shortage of nurses and further assistance by the Federal government would help, in fact, to meet this problem. It would be possible by a readjustment in the present health grants programme to give some assistance in the training of nurses.

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63. The Cabinet, after further discussion, agreed:

(a) that a measure be introduced at the next session of Parliament to provide for the nation-wide establishment of a Federal-provincial assistance programme for totally disabled persons; and,

(b) that, just prior to the announcement of the plan, the provincial governments be informed by the Minister of National Health and Welfare of the government's intentions in this respect.

Cabinet Defence Committee; report of Minister of National Defence

64. The Minister of National Defence reported on developments in recent meetings of the Cabinet Defence Committee:

(a) Under the mutual aid programme, it had been agreed to recommend that,

(i) where there was a continuing production for Canadian use, spare parts should generally be included with equipment given in the programme, and that, where production was being discontinued, the necessary spares on a lifetime basis should generally be included before discontinuance of production;

(ii) 110 F86 aircraft with General Electric J47 engines, together with one year's spare engines and training equipment, and 480 General Electric J47 engines should be included in the programme for 1954-55, and that the United States should be approached to supply spares for these engines;

(iii) 152 R1340 Wasp engines and 121 12D40 propellers and 6 Otter military aircraft be included in the 1953-54 programme;

(iv) authority be granted for the transfer, as mutual aid, of 9,000 one-mile radio sets, including spares;

(b) It was recommended that the Standing Group of the North Atlantic Treaty Organization be informed that Canada planned to undertake a programme to train 1200 N.A.T.O. pilots and navigators over a period of three years beginning in 1955, the cost to be a charge on the Canadian mutual aid programme. The present programme involved the training of 1600 pilots and navigators, and the proposed revision would reduce the annual cost considerably.

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(c) The plan submitted by SACLANT for the deployment of naval forces in the event of an emergency, which would involve the assignment of five or six Canadian ships in the eastern Atlantic, had been noted with approval.

(d) It had been agreed that the Department of Defence Production be authorized to negotiate on the purchase of "Banshee" aircraft, to be reconditioned in Canada, for use on the new Canadian aircraft carrier.

(e) It was recommended that authority be granted to the Department of Defence Production to procure under-water detection equipment, (Asdic) from Canadian manufacturers.

(f) It was recommended that authority be granted for the Canadian Army to purchase in the United States 20 155 mm. guns.

(g) It was agreed that the U.S. Navy be authorized to use the R.C.A.F. gunnery range on Lake Huron.

(h) Discussions had been held with reference to continental defence. From the successful thermo-nuclear explosions in the Soviet Union it was clear that the Soviet Union could manufacture formidable weapons and that they were further ahead in development in this field than had been thought possible. Continental defence loomed large in the calculations of the military planners in the United States. On the other hand, the concern of officials in the United States had been highly exaggerated in the press, and, on the whole, reasonable views prevailed in Washington. The Committee had agreed that an early warning line should be established along the 55th parallel and that Canada should undertake the planning and construction of the line without prejudice to a later decision on the division of costs. It was proposed to use the so-called McGill fence type of equipment which was much cheaper than the ordinary type of radar station. With the developments in the Soviet Union and the character of the aircraft which might be available it was now thought possible that any attack on the North American Continent might come from seaward directions rather than along the primarily overland routes.

65. The Cabinet noted with approval the report of the Minister of National Defence on matters dealt with at a recent meeting of the Cabinet Defence Committee.

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Standing Orders of the House of Commons; suggested changes

66. The Minister of Citizenship and Immigration said it was expected that a special committee of members of the House of Commons would be appointed at the coming session to consider changes in the Standing Orders of the House. The government might wish to suggest revisions along the lines which he outlined.

An explanatory memorandum was circulated.

(Minister's memorandum, Nov. 4, 1953-Cab. Doc. 279-53)

67. The Cabinet agreed:

(a) that the Minister of Citizenship and Immigration be authorized to inform the leaders of the other groups in the House of Commons that the government was proposing to suggest that the Standing Orders of the House of Commons be changed along the lines submitted, with the exception of the manner in which estimates would be dealt with; and,

(b) that, in the proposal relating to any discussions, it should be made clear that two opportunities could not be provided for considering estimates item by item, but beyond this reservation, the government had an open mind as to how the rules might be amended to provide for full discussion of the estimates.

Brazilian Telephone Company; proposed transfer of headquarters from Canada to Brazil

68. The Minister of Justice reported that the Brazilian Telephone Company, a subsidiary of the Brazilian Traction Company, was experiencing difficulty in financing new developments during the next four years estimated to cost approximately $180 million. These difficulties had been caused by exchange restrictions imposed by the government of Brazil. It was understood that the President of Brazil could give Brazilian status to a Canadian company operating in Brazil provided the company's headquarters were located in that country. If a decree to this effect were issued by the President, it would be possible to obtain Brazilian capital. The Company had therefore suggested that a bill be introduced in Parliament during the coming session to authorize the transfer of the Company's headquarters from Toronto to Brazil.

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69. During the course of discussion the following points emerged:

(a) The Brazilian Telephone Company, with an invested capital of $175 million, was a wholly owned subsidiary of the Brazilian Traction Company with an invested capital of $700 million. If the headquarters of the subsidiary were transferred to Brazil, as suggested, if might be difficult to ensure adequate protection for Canadian shareholders against unfavourable political or other developments in Brazil which might endanger the Company's assets.

(b) Although the proposed bill to authorize transfer of headquarters from Canada to Brazil would be a private measure, it would have to have the approval of government supporters if it were to gain approval in Parliament. In the circumstances, and in order to avoid any suggestion that the government was in any way responsible for any worsening of the Canadian shareholders' position that might occur following transfer of the headquarters, it should be ascertained whether the Brazilian Telephone Company could not effect the change of headquarters without Parliamentary approval.

70. The Cabinet noted the report by the Minister of Justice concerning an enquiry by the Brazilian Telephone Company as to whether the government would lend support to a private bill designed to authorize the transfer of the Company's headquarters from Canada to Brazil with a view to overcoming difficulties being experienced in the financing of the Company's projects, and agreed that the Minister enquire as to the possibility of the Company achieving the desired transfer of its headquarters by a direct surrender of its Canadian charter under the provisions of the Companies Act, without seeking Parliamentary approval.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

NOVEMBER 10th, 1953

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber, on Tuesday, November 10th, 1953, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters) (for afternoon meeting only)
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Robertson)
(Mr. Pelletier)
Mr. W.R. Martin, Privy Council Office,
Mr. R.A.J. Phillips, Privy Council Office.

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Parliament;legislation

1. The Assistant Secretary submitted certain legislative proposals and draft measures.

Copies of explanatory memoranda and draft bills had been circulated.

(Memorandum, Minister of National Health and Welfare, Oct. 21, 1953-Cab. Doc. 280-53; memorandum, Minister of Mines and Technical Surveys, Nov. 6, 1953 - Cab. Doc. 284-53; memorandum, Minister of Trade and Commerce, Nov. 6, 1953-Cab. Doc. 287-53).

2. The Cabinet,

(a) approved in principle the following legislative proposals as submitted, draft measures to be prepared accordingly:

Opium and Narcotic Drug Act amendment;
Emergency Gold Mining Assistance Act amendment;and
Export Credits Insurance Act amendment;

(b) approved,for introduction in the Senate in the first instance,the bill entitled "An Act respecting the Boundary between the Provinces of Ontario and Manitoba"; and,

(c) approved the following resolutions and bills for introduction in the House of Commons:

Territorial Lands Act amendment
National Parks Act amendment (and resolution)
Northwest Territories Acts amendment (and resolution)
Bill entitled "An Act respecting the appointment of Auditors for National Railways"
Pipe Lines Act amendment
Children of War Dead (Education Assistance) Act amendment (and resolution) .

Legislation; Department of Northern Affairs and National Resources bill

3. The Prime Minister, referring to discussion at meeting of October 21st, 1953, submitted a resolution and bill respecting the Department of Northern Affairs and National Resources.

Copies of the draft bill had been circulated.

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4. Mr. St-Laurent said that after consulting the Law Clerk of the House of Commons and officials of the Department of Justice, it had been ascertained that, by making it clear that the new Act was simply in substitution for the Department of Resources and Development Act , it would not be necessary to have a resolution. He suggested that section 13 of the bill be re-worded to leave no doubt on this point.

5. The Cabinet approved the bill respecting the Department of Northern Affairs and National Resources for introduction in the House of Commons, subject to revision of section 13 as suggested by the Prime Minister.

Legislation; War Service Grants Act amendment

6. The Minister of Veterans Affairs, referring to discussion at the meeting of September 17th, 1953, submitted a resolution and bill to amend the War Service Grants Act.

Copies of the draft bill had been circulated.

7. During the course of discussion it was argued ,on the one hand ,that section 9(1)(b) of the bill extended eligibility for re-establishment credit to the orphaned or abandoned children of a deceased veteran who had been entitled to this benefit. It would be inadvisable to establish new classes of beneficiaries under the War Service Grants Act so long after the conclusion of World War II. As a matter of general principle it would seem that veterans benefits, on the whole, should decrease progressively rather than increase.

It was argued ,on the other hand ,that there were a few deserving cases of destitute children of deceased veterans who would benefit greatly from the proposed amendment, which would not involve a substantial outlay of public funds. It was pointed out, further, that the need for a provision of this kind could not readily have been foreseen when the legislation was initially enacted.

8. The Cabinet approved for introduction the resolution and bill to amend the War Service Grants Act as submitted by the Minister of Veterans Affairs.

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Legislation; Canadian Forces bill, 1954

9. The Minister of National Defence, referring to discussion at the meeting of September 24th, 1953, submitted a resolution and bill entitled "Canadian Forces Act, 1954". The purpose of the measure was to make certain amendments to the Defence Services Pension Act, the National Defence Act, the Visiting Forces (North Atlantic Treaty) Act, the Senate and House of Commons Act and the Canadian Forces Act, 1950.

He drew particular attention to a proposed amendment to the National Defence Act, the purpose of which was to make civilian dependants of members of military forces abroad subject to the Code of Service Discipline rather than to the local civilian courts. Although it would probably be to the advantage of such persons to be tried by a Canadian court martial rather than by the courts of certain foreign countries, it might be difficult to explain satisfactorily why civilian citizens of Canada should be tried by a military court for purely civil offences. In the circumstances, he suggested that consideration be given to modifying the proposed amendment to enable civilian dependants of military personnel abroad to be tried by a Canadian judge at the place where the offence had been committed.

Attention was also drawn to clause 18 of the bill amending the Senate and House of Commons Act to make section 37 thereof applicable to duty performed by Members of Parliament in all three services and not only in the Army as was the case under present legislation.

Copies of the draft bill were circulated.

10. The Cabinet,

(a) approved for introduction the resolution respecting a bill entitled "Canadian Forces Act, 1954" ; and,

(b) deferred decision on introduction of the bill pending further consideration at a subsequent meeting.

Legislation; Atomic Energy Control Act amendment

11. The Minister of Trade and Commerce, referring to discussion at the meeting of September 17th, 1953, submitted a resolution and bill to amend the Atomic Energy Control Act.

Copies of the draft bill were circulated.

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12. The Cabinet,

(a) approved for introduction the resolution respecting the proposed amendment to the Atomic Energy Control Act; and,

(b) deferred decision on introduction of the bill pending further consideration at a subsequent meeting.

Civil aviation policy; application of Canadian Pacific Air Lines for scheduled all-cargo air service

13. The Prime Minister referred to the meeting of October 7th, 1953, and to the meetings members of the government had had with representatives of Canadian Pacific Air Lines and Trans-Canada Air Lines on October 30th and 31st, 1953, about the application of Canadian Pacific Air Lines for the operation of a trans-continental scheduled all-cargo air service. Section 15(2) of the Aeronautics Act provided that the Air Transport Board could not issue a license to operate a commercial air service to companies already engaged in the transport of goods or passengers for hire or reward by means other than aircraft, unless the Governor in Council was of opinion that it was in the public interest that such license be issued.

14. The Minister of Transport submitted a recommendation to the effect that it would not be in the public interest that the license applied for by Canadian Pacific Air Lines be issued.

(Draft submission to Council, Minister of Transport, undated - Cab. Doc. 288-53).

15. During the course of discussion it was argued, on the one hand, that the type of all-cargo service that could be provided by Trans-Canada Air Lines was not designed to take the fullest advantage of potential freight traffic. Canadian Pacific Air Lines were prepared to initiate a service immediately which would meet some of the potential demand in this field and which,it was hoped, would further stimulate development of the northwestern part of Canada. Although the proposed service would operate between Montreal, Toronto and Vancouver, it would by-pass such important centres as Winnipeg, Regina, Saskatoon and Calgary, thus leaving a field for Trans-Canada Air Lines to develop as they saw fit.

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It was argued, on the other hand, that the Canadian public met the costs of extensive aids to navigation, such as airports, which constituted an important if indirect subsidy not only to the government-owned line but to C.P.A. and all other commercial operators as well. It was likely that, without these subsidies, most if not all air carriers in Canada would suffer substantial deficits. In the circumstances, and particularly if there was somedoubt whether potential air freight traffic in Canada was sufficient to support two competing trans-continental lines, it seemed inadvisable, for the time being at least, to allow a second line to operate in this field. It was further pointed out that T.C.A. was currently purchasing Bristol cargo planes. More modern passenger aircraft were also now on order and, when delivery took place, the Company intended to convert a certain number of North Stars now on passenger service to all-cargo service. It thus would soon be in a position to provide much better air freight service than was possible by the present combined passenger-cargo flights.

It was suggested that consideration be given to the desirability of allowing greater competition on a regional basis. Traffic had now increased in some areas to a point where competition would likely have no ill effects on the air carriers and would have beneficial results insofar as the public was concerned.

16. The Cabinet,

(a) agreed that it would not be in the public interest, at this time, to grant the application by Canadian Pacific Air Lines for the operation of a trans-continental scheduled all-cargo air service; an Order in Council to be passed accordingly and the Air Transport Board to be so informed;

(Order in Council P.C. 1953-1755, Nov. 10)

and,

(b) deferred decision on the proposal that greater competition between air carriers be allowed on a regional basis pending further consideration at a subsequent meeting.

Speech from the Throne

17. The Prime Minister submitted a draft of the Speech from the Throne.

18. The Cabinet noted the draft of the Speech from the Throne and agreed that it be modified in accordance with certain suggestions made in the course of discussion.

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Donation of Canadian salted cod for Korean relief

19. The Secretary of State for External Affairs recalled that when the Cabinet had agreed, on September 9th, 1953, that the government should purchase the 1952 carry-over of salted codfish from Newfoundland and Quebec, it was contemplated that some of the fish might be donated for Korean relief. The Unified Command in Korea had now advised that such a donation would be welcome. The Department of Fisheries had recommended an amount to the value of $300,000.

An explanatory memorandum was circulated.

(Minister's memorandum, undated -Cab.Doc. 289-53).

20. The Cabinet agreed that government purchased salted codfish, to the value of $300,000, be sent as a contribution in kind to the United Nations Emergency Programme in Korea; the amount to be included in the main estimates of the Department of External Affairs for 1954-55.

Conference of the Food and Agriculture Organization; Seventh Session; instructions for Canadian delegation

21. The Minister of Agriculture, referring to discussion at the meeting of November 4th, during his absence, said he concurred in the proposed instructions to the Canadian delegation to the forthcoming session of the Food and Agriculture Organization on the establishment of an internationally financed Emergency Famine Fund.

22. The Cabinet approved the instructions to the Canadian delegation to the Seventh Session of the Conference of the Food and Agriculture Organization in the matter of the proposed establishment of an International Emergency Famine Fund.

Agricultural Products Co-operative Marketing Act; Quebec apples

23. The Minister of Agriculture reported that La Cooperative des Pomiculteurs de Frelighsburg of the Town of Frelighsburg, Quebec, had applied for an agreement under The Agricultural Products Co-operative Marketing Act for apples produced in 1953 and delivered to them for marketing. The initial payment requested was $1.00 per bushel for Fancy and better, and for 'C' grade, plus a guarantee for handling expenses not exceeding 95 cents per bushel. He proposed a price of 75 cents per bushel for Fancy and better, with 'C' grade excluded, and handling costs not to exceed 85 cents per bushel.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 6, 1953- Cab.Doc. 286-53).

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24. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that an agreement under The Agricultural Products Co-operative Marketing Act be made with La Cooperative des Pomiculteurs de Frelighsburg of the Town of Frelighsburg, Quebec, in respect of apples produced in 1953 and delivered to it for marketing, providing for an initial payment of 75 cents per bushel for Fancy and better, with 'C' grade excluded, and handling costs not exceeding 85 cents per bushel; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1757, Nov. 10)

Customs and Immigration officers at northern settlements; report by Minister of Resources and Development

25. The Minister of Resources and Development, referring to discussion at the meeting of January 22nd, 1953, reported that arrangements had now been made to appoint, as Customs and Immigration Officers, the senior government officials at a number of Arctic settlements. The primary object of this arrangement was to ensure that foreign visitors to the Canadian Arctic would be aware that the laws and rule of Canada applied.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 3, 1953-Cab. Doc. 282-53)

26. The Cabinet noted the report of the Minister of Resources and Development on the appointment of Customs and Immigration Officers at northern settlements.

Redress of grievance; Lieutenant-Colonel William Elmer Houston

27. The Minister of National Defence said Lieutenant-Colonel William Elmer Houston had submitted a petition for a redress of grievance with respect to the rejection by the Treasury Board of his claim for interim lodgings. The Treasury Board had rejected the claim on the ground that when a member of the services makes personal arrangements to suit his own purposes and thereby loses entitlement under regulations to financial benefits he might otherwise have enjoyed, relief should not be afforded by authorizing an exception to the regulations.

28. The Cabinet agreed that the petition for redress of grievance submitted by Lieutenant-Colonel William Elmer Houston be denied; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1759, Nov. 10).

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Merchant shipping policy

29. The Minister of Transport, referring to discussion at the meeting of October 21st, 1953, presented revised figures showing the contribution of the deep-sea dry-cargo Merchant Marine to the Canadian economy from 1946 to 1952. He suggested that operating subsidies be considered in the context of the contribution made by the Merchant Marine to the Canadian economy.

An explanatory memorandum had been circulated.

(Memorandum, Canadian Shipowners Association, Oct. 26, 1952-Cab. Doc. 283-53).

30. In the course of discussion it was argued, on the one hand, that:

(a) If, through lack of operating subsidies, Canadian deep-sea ships were transferred to foreign registry, it was to be expected that about 1600 Canadian seamen would lose their present employment and this nucleus of trained seamen would be lost. Canada would lose the U.S. dollar and other revenue derived from their operation and the shipyards would lose a great deal of repair and maintenance work.

(b) It was the practice in most countries possessing merchant fleets to provide either subsidies or other forms of benefit to improve their competitive position.

(c) The government was already subsidizing coastal vessels with various forms of assistance on particular services. It was pointed out, however, that such subsidies were justified in terms of the limitations on the operations of the vessels.

(d) A contribution of Canadian merchant ships to the N.A.T.O. shipping pool would increase Canadian influence in the disposition of merchant shipping in time of war. The future of the pool was now in doubt, but without a pool there would be greater need for Canadian flag vessels.

(e) If it were thought too difficult to justify subsidies for Canadian ships to undertake tramp work between distant ports all over the world, a good case might be made for subsidies designed to develop trade routes between foreign countries and Canada. Such subsidies might be as effective in encouraging trade.

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It was argued, on the other hand, that:

(a) The principal benefit to be derived from the maintenance of merchant ships under Canadian registry was for national security in time of war. It appeared that the view of the Chiefs of Staff was that the direct benefit of military character was not sufficient to justify the payment of subsidies from military funds. It also appeared that the present Canadian ships would not be fast enough or in good enough condition to be of much use in wartime.

(b) If subsidies were to be granted, it might be preferable, from the defence viewpoint, to use them to encourage the construction of new and faster vessels rather than to keep existing ships in operation.

(c) The provision of operating subsidies for the Merchant Marine would encourage requests for subsidies from other forms of enterprise. Subsidies amounted to a form of protection for uncompetitive industries. At a time when the general interest of Canada was to seek a further reduction of protective restrictions, embarkation in a subsidy plan would be quite undesirable.

(d) The provision of operating subsidies would, in effect, involve the use of public funds to support a wage level among seamen which was considerably higher than the income of other residents of Canadian coastal areas employed in fishing and related enterprises not subsidized by the government.

It was agreed that the position of the Canadian shipbuilding industry was not now a cause of concern since it was operating at well above the minimum level considered necessary to keep essential shipbuilding facilities in existence.

It was suggested that, if operating subsidies were refused, the limitations on the use of escrow funds might be modified in accordance with the Cabinet decision of May 26th, 1953.

31. The Cabinet agreed,

(a) that no operating subsidies be provided for Canadian deep-sea dry-cargo merchant ships at this time;

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(b) that owners of deep-sea vessels on Canadian registry be allowed to sell them on condition that the proceeds of sale were placed in escrow for the acquisition of modern vessels to be placed on Canadian registry; the conditions with regard to the use of escrow funds to be those agreed on at the meeting of May 26th, 1953;

(c) that no change be made in the present position under which Canadian vessels on U.K. registry could be sold only following agreement with the United Kingdom to prior transfer of the vessels to Canadian registry; and,

(d) that, if it appeared feasible to establish modern Canadian-flag vessels on certain routes that would be of benefit in the development of Canadian trade, consideration might be given, at a later date, to the question whether some form of assistance ought to be provided in such cases.

St. Lawrence power project; appointment of Board of Engineers

32. The Prime Minister proposed the designation of the Canadian members of the Joint Board of Engineers which was to be established in accordance with the order of October 29th, 1952, of the International Joint Commission. There was to be an exchange of notes on November 12th to record the agreement on the terms of reference for the Board.

33. The Cabinet,

(a) noted that arrangements were being made for an exchange of notes in Washington on November 12th, to record agreement on the terms of reference for the St. Lawrence River Board of Engineers; and,

(b) agreed that the following be designated as members of the Canadian Section of the Board:

The Minister of Transport
(Mr. Chevrier) (Chairman)
R.A.C. Henry, Esq., Montreal.

Alternates

Brig. Maurice Archer, Ottawa,
M.V. Sauer, Esq., Montreal.

an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1756, Nov. 10).

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Acquisition of property; Brewery Creek; Wellington Street

34. The Prime Minister recommended that the Federal District Commission be authorized to acquire, by direct negotiation, or, if necessary, by expropriation, approximately 17 acres of land required for the protection and park development of the western shore of Brewery Creek; the costs to be a charge on the National Capital Fund.

35. The Minister of Public Works recommended the acquisition of property owned by Wittington Investments on the south side of Wellington Street, comprising the Norlite Building, Orme Hall and the Brock Building, the total assessed value of which was $314,000. The Department of Public Works was, at present, renting space both in the Norlite Building and in Orme Hall, at a total cost of $109,521 per annum. The lease for the latter building would expire on November 11th, and the owners did not wish to renew it. Wittington Investments Ltd. had recently announced plans for the erection, on the site, of a building 110 feet above the sidewalk. Such a building would be seriously out of accord with the plans for the development of Wellington Street under the National Capital Plan. The acquisition of this property would be advantageous to the government, not only for the development of the area in accordance with the National Capital Plan, but also to ensure the continued availability of much needed space for government offices.

36. The Cabinet approved the recommendations of the Prime Minister and of the Minister of Public Works and agreed,

(a) that the Federal District Commission be authorized to acquire, by direct negotiation or, if necessary, by expropriation, approximately 17 acres of land for the protection and park development of Brewery Creek, in the city of Hull; the cost to be a charge on the National Capital Fund; an Order in Council to be passed accordingly;

(Order in Council P.C. 1953-1761 Nov. 10)

and,

(b) that the Department of Public Works be authorized to expropriate the area on the south side of Wellington Street, Ottawa, including the Norlite Building, Orme Hall and the Brock Building, and that the matter be referred to the Exchequer Court for adjudication as to the compensation.

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Visit of President of United States to Ottawa; arrangements

37. The Secretary of State for External Affairs suggested that departments and agencies of government be authorized to release their employees on November 13th, so that a suitable public reception might be tendered to the President of the United States on his arrival at Ottawa.

38. The Cabinet agreed that, to permit civil servants to tender a suitable public reception to the President of the United States, on his arrival at Ottawa, they be released from duty at 11:00 a.m. until the conclusion of the normal lunch period.

Deputy Minister of Fisheries; salary

39. The Prime Minister proposed that, because of the additional special duties which the Deputy Minister of Fisheries was being called upon to perform at this time, his salary be increased from $13,500 per annum to $15,000 per annum, effective November 15th, 1953.

40. The Cabinet agreed that the salary of Stewart Bates, Esq., Deputy Minister of Fisheries, be increased from $13,500 to $15,000 per annum, effective November 15th, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1758, Nov. 10).

House of Commons; Christmas adjournment

41. The Prime Minister mentioned that, if satisfactory progress were made, it might be suggested that the House of Commons should adjourn on December 17th or December 18th and resume sessions on January 11th, 1954.

42. The Cabinet agreed that it might be appropriate to indicate that a motion would probably be made at a later date that the House of Commons adjourn for the Christmas recess on December 18th, 1953, and resume on January 11th, 1954.

Appointments

43. The Prime Minister said that the appointments of nine members of the Federal District Commission would expire on November 12th. He suggested that it might be desirable to make re-appointments or replacements in the future for varying terms so that, of the entire Commission, four would retire every year. To accomplish this, seven re-appointments were now desirable, and two new appointments

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would be recommended in January, 1954.

44. The Cabinet approved the proposals of the Prime Minister with regard to future appointments to the Federal District Commission and agreed that the following re-appointments be made:

For the period ending December 31st, 1954

Dr. J. Henri Blanchard, Charlottetown, Prince Edward Island.

For the period ending December 31st, 1955

Gaston Amyot, Esq., Quebec, Quebec
Dr. A.F. Baird, Fredericton, New Brunswick
H.W.L. Doane, Esq., Halifax, Nova Scotia
C.E. Joslyn, Esq., Winnipeg, Manitoba

For the period ending December 31st, 1957

Mrs. Cora Casselman, Edmonton, Alberta
J.W. Sanderson, Esq., Prince Albert, Saskatchewan

an Order in Council to be passed accordingly .

(Order in Council P.C. 1953-1760, Nov. 10)

Cabinet; meetings during session

45. The Prime Minister made certain suggestions regarding Cabinet meetings during the forthcoming session of Parliament.

46. The Cabinet agreed that, during the session of Parliament opening on November 12th, the regular weekly agenda meeting of the Cabinet be held on Thursday mornings in the Privy Council Chamber, and that additional meetings be held on other days, if required, from 2 to 2:30 p.m. in Room 201, House of Commons.

R.G. Robertson,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 14th, 1953

(Meeting with the President of the United States)

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 16 of the House of Commons on Saturday, November 14th, 1953, at 11:45 a.m.

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Defence (Mr. Claxton),
The Minister of Transport (Mr. Chevrier),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of Finance (Mr. Abbott),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs (Mr. Lapointe),
The Minister of Citizenship and Immigration (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Postmaster General (Mr. Cote),
The Solicitor General and Associate Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate (Senator Macdonald),
The Secretary of State (Mr. Pickersgill),
The Minister of Resources and Development (Mr. Lesage)

Assistant Secretary to the Cabinet (Mr. Pelletier)
Mr. W.R. Martin, Privy Council Office.

Also present:

The President of the United States of America (Mr. Eisenhower),
The Representative of the United States of America to the United Nations (Mr. Lodge),
The Assistant to the President (Mr. Adams),
The Ambassador of the United States of America (Mr. Stuart)

The Canadian Ambassador to the United States of America (Mr. Heeney).

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1. The Prime Minister welcomed the President of the United States and his advisers. He expressed his appreciation that the President had found time to visit Canada and to have this informal talk about common problems. He and his colleagues would be glad to hear any comments Mr. Eisenhower might wish to make on the general problems faced by both Canada and the United States.

Relations with the Soviet Union

2. The President of the United States thought the most disturbing aspect of the present international situation was the implacable purpose of Russian leaders to dominate the peoples of the world. However, when those leaders spoke in their most truculent and arrogant tones, he felt Russia was not, at that particular time, ready to attack the free world. This seemed an indication of weakness as Soviet tactics should be designed to allay our fears. Obstructive, acrimonious and threatening attitudes only stimulated the free world to look to its defences. On balance, in the light of the great power possessed by the free world, he did not believe the Soviet authorities would provoke a war but they would endeavour by every means possible, to weaken us in such places as Korea, Indo-China, Iran and the Middle East. It was not too difficult to deal with a military threat. Divisions could be raised and the free world geared to war production. The real problem was to counter the gradual subversion of democratic ideas and the fomenting of trouble in under-developed parts of the world and in those nations which were weak and might be attracted by the promises of Communism. The cold war was disagreeable and we should never overlook its seriousness. However, he had every confidence in free men and felt that these disruptive tactics of Soviet leaders could be countered successfully.

Build-up of strength in Europe

3. Mr. St-Laurent asked the President if he felt satisfactory progress was being made in building up the strength necessary to deter aggression in Europe.

4. Mr. Eisenhower thought the goals set by planners were sometimes too high and if they were not reached, as frequently happened, this led to disappointment. Europe could not be any stronger than its economy, and what had to be done was to help the Europeans in every way to earn their own living and for the continent to obtain a viable economy. The free world could not establish a "Roman Wall" in the centre of Europe. North Americans would come to be hated in the process and the underlying difficulties standing in the way of a healthy economy would not be solved. The United States and its allies, however,

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had given a pledge to assist in defending free Europe from aggression and this had generated some confidence amongst the inhabitants. In turn, this would help in establishing sound economic health. If success, or even partial success, crowned the efforts of those associated with the European Defence Community and the Steel Community, and there was a measure of real convertibility, the North Atlantic Treaty plans would be more easily achieved. It was a slow process, but he was encouraged by the progress which thus far had been made in building up the deterrent strength in Europe under N.A.T.O. There was some disappointment over conditions in Italy in that Premier de Gasperi had not secured a majority in his "Legislative Assembly" and the management of affairs had devolved upon other individuals. However, there had been a marked advance in several other countries, for instance, Greece and Turkey.

Trieste

5. Mr. Eisenhower said he was not seriously worried over certain reactions to the decision taken by the United States and the United Kingdom to hand over the administration of Zone "A" at Trieste to Italian authorities. Neither the Yugoslavs nor Italians dared say that they were satisfied with the proposed arrangements, but he felt that the United Kingdom and the United States were justified in attempting to break the stalemate they had faced for seven years. The whole problem was really an emotional one to both parties, neither of whom gave much evidence of good sense and logic in discussing it. It was important to strengthen the southern flank of the European alliance and it was difficult to do so in the absence of a settlement of the Trieste dispute.

Korea

6. Mr. St-Laurent asked the President for an expression of his views on the Korean situation.

7. Mr. Eisenhower said that, while President Syngman Rhee could be extremely difficult at times, we should remember that he was the head of a country that had been invaded and that the condition of the people in South Korea was pitiful. Mr. Rhee had, for many years, been an outcast fighting for a unified Korea and, while it was easy for western authorities to decide what he should accept in the current negotiations, we should not be too unsympathetic in our outlook. There was no doubt, however, that this aspect of the Korean problem could be very harmful unless carefully handled.

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If Communist Chinese troops were withdrawn from North Korea, the possibility of China being recognized by the United States would be increased. The feeling in the United States, at the moment, was almost unanimously against recognizing China so long as that country maintained troops in Korea. From President Wilson's time, recognition in the minds of American citizens had implied approval and that was an attitude which the American government must always keep in mind. There had recently been some evidence that Russian authorities were striving, more than ever, to keep the Chinese within their sphere of influence. Anything which the West could do to weaken these bonds would be an advantage to the free world.

It should be remembered that Moscow, like the free world governments, also had some very difficult problems. Under its control were vast numbers of peoples, including satellite nations,with varying degrees of education and culture. The free world should obviously be watchful of every Soviet move, but it should not be paralysed with fright.

Canadian-United States problems

8. Mr. St-Laurent mentioned that Canada and the United States were co-operating in dealing with a great number of other than domestic problems. He did not doubt that, in most cases, satisfactory solutions would be found. Members of the services in both countries were studying matters in relation to continental defence and, in this connection, the Permanent Joint Board on Defence provided a useful organ for solving difficulties.

9. Mr. Eisenhower thought good progress was being made in achieving solutions to these problems. He hoped that advantage would be taken of other than normal diplomatic channels in various discussions which were constantly being held. The Joint Boards which had been established would be useful in this connection. As far as possible, he would like to be in a position to give advance notice to Canadian authorities of his intentions with respect to matters which affected more than U.S. domestic interests.

10. Mr. St-Laurent felt that Canada had no complaint in this connection. He thought that the American Ambassador's recent speech at the Canadian Club in regard to trade was a useful one and pointed up the domestic problems on both sides of the border. So far as possible, we should deal with those domestic problems in a manner which would not hurt either of our peoples.

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11. Mr. Eisenhower thought it essential that the importance of problems that arose from day to day should not be exaggerated. The important thing was to maintain free democratic governments on the North American continent. By the manner in which we handled our own domestic affairs we could set an example to other nations. If we succeeded in making democratic government stronger on this continent and maintaining our free institutions, what he considered smaller problems in the rest of the world could be solved. The struggle in the world today was between free men and dictatorships. Soviet Communism, according to the principles of Lenin, held that democracy had the seeds of destruction within itself. Free democratic peoples did not agree with this thesis. We should so manage our affairs that our society would not be destroyed from within. On the other hand, we should not attempt, forcibly, to impose our brand of democracy on others. Countries less well developed than the United States and Canada should remain free to grow and develop in their own way. By following this policy, North America would strengthen its bonds of friendship with other peoples throughout the world.

Other questions

12. Mr. Eisenhower thought conditions in other nations of the world were improving. In the Indian sub-continent, however, there were still difficulties over Kashmir and water resources. On the other hand, agricultural production in Turkey had increased to the point where that nation was now exporting wheat. Dollar balances in many nations were better than they had been previously. On the whole, United States official opinion inclined to the view that the free world was stronger than it was two years ago. The technical assistance programmes were having some useful effects.

In response to other questions raised, he said:

(a) that U.S. farm prices' support programmes had created difficulties;

(b) that he would like to examine the report of the joint study group on continental defence;

(c) that, insofar as the price of gold was concerned, he felt that the wisest course, at the moment, was to make haste very slowly since it was difficult, if not impossible, to predict what effects an adjustment in price levels might have; and,

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(d) that, in the matter of the proposed Trans-Canada Air Lines' service from Montreal to Mexico City, via Tampa, the U.S. Civil Aeronautics Board was probably fearful of establishing a precedent which might be embarrassing in future dealings with air carriers from other countries.

13. The Cabinet noted the observations made by the President of the United States on various international and domestic problems of common concern to both countries.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 17th, 1953

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, November 17th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Appointments: Board of Governors of Canadian Broadcasting Corporation

1. The Minister of National Revenue submitted a recommendation for a re-appointment to the Board of Governors of the Canadian Broadcasting Corporation.

2. The Cabinet agreed that Dr. G. Douglas Steel, Principal of the Prince of Wales College, Charlottetown, P.E.I., be re-appointed a Governor of the Canadian Broadcasting Corporation for a further term of three years from November 1st, 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1762, Nov. 17)

Tornado damage; southwestern Ontario

3. The Minister of Citizenship and Immigration, referring to discussion at the meeting of September 29th, 1953, said he had now received information as to the contribution the province of Ontario proposed to make to assist in meeting losses caused by tornadoes, earlier this year, in southwestern Ontario. The Canadian Disaster Relief Fund had agreed to pay a grant of $100,000. The provincial government had stated to each municipal clerk that it would contribute one-half the amount realized from local collections and municipal grants; the one-half to be an additional grant to assist those who suffered losses, and not by way of reimbursement to municipal corporations. The province had also made it a condition that local relief committees borrow and pay out the amount of the provincial grant and account for the expenditure before being reimbursed. This had been done on the understanding that the provincial government would pay the interest on the loans.

Damage to private dwellings and commercial buildings in Sarnia was almost entirely covered by insurance; the balance would be taken care of by local donations. The net damage to dwellings and farm buildings, excluding Sarnia, after allowing for insurance, was slightly over $1 million. Local collections had realized the sum of $210,000, municipal grants $64,500, assured provincial grants $137,500 and the Canadian Disaster Relief Fund $100,000. There remained therefore a deficit of $537,000.

It was recommended that the government either match the Canadian Disaster Relief Fund grant of $100,000 or the provincial grant of $137,462, less any part thereof for assistance to municipal corporations. The second alternative would be more readily understood.

An explanatory memorandum was circulated.

(Minister's memorandum, Nov. 16th, 1953- Cab. Doc. 300-53).

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4. In the course of discussion, the following points emerged:

(a) In the Dauphin area of Manitoba there had been severe floods from very heavy rains. The area affected was surrounded by escarpments and water had drained in to the lower ground. It had not been possible to raise any crops this year and it was highly unlikely that crops could be grown next year. Application had been made for assistance under the Prairie Farm Assistance Act but this had not been granted. The province was still considering the matter although no formal application had been made to the Federal government for assistance. If a grant were made in respect of tornado damage in southwestern Ontario and a request from the Manitoba government in respect of floods at Dauphin was not acceded to, criticism would arise.

(b) Applications for assistance for disasters at Pembina River, Kamsack, Frenchman River Valley and in some other areas had been turned down. These decisions had been taken prior to the establishment of a precedent in the case of floods in the Fraser River Valley.

(c) It would be difficult to refuse the granting of assistance after precedents had been set, not only in the Fraser River Valley and Winnipeg, but at Rimouski and Cabano as well.

5. The Cabinet, after further discussion, agreed that the sum of $137,462, being an amount equal to assured provincial grants, less any part thereof for assistance to municipal corporations, be paid, in respect of tornado damage in southwestern Ontario, for the benefit of those who suffered loss to dwellings and farm buildings; payment to be pro-rated in accordance with the estimated net damage to dwellings and farm buildings; an announcement in the House of Commons to be made accordingly.

Trade discussions, Havana, Cuba; Canadian participation

6. The Minister of Trade and Commerce reported that Canada, as well as the United Kingdom, had received an invitation from Cuba to send a delegation to Havana to attend certain trade discussions. The agenda for the talks was not known but it seemed certain that discussions would centre around sugar. The agreement made by Canada to import raw sugar from Cuba expired at the end of 1953 and, meanwhile, there had been discussions concerning an international sugar agreement. It would be useful to accept the Cuban invitation.

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7. The Cabinet approved the recommendation of the Minister of Trade and Commerce and agreed that Canada be represented at forthcoming trade discussions in Havana, Cuba, by the Associate Deputy Minister of Trade and Commerce (Mr. Sharp).

National Council of Women; meeting with the government

8. The Prime Minister said he had received a request from the National Council of Women for a meeting with the government.

(Letter, Corresponding Secretary of the National Council of Women to Prime Minister, Nov. 4th, 1953).

9. The Cabinet agreed to meet a delegation of the National Council of Women on December 11th, 1953.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 19th, 1953

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, November 19th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin),
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation: Judges Act amendment; Atomic Energy Control Act amendment

1. The Assistant Secretary submitted certain draft bills.

Copies of the draft measures had been circulated.

2. In the course of discussion it was suggested that the proposed amendment to the Judges Act should not restrict judges to academic functions only "in relation to legal education" since it had proved useful to have members of the judiciary exercise other functions, such as membership on boards of governors of universities, which were not related to legal education.

3. The Cabinet approved for introduction the following measures, subject to certain modifications as suggested during the course of discussion:

Atomic Energy Control Act amendment; and
Judges Act amendment (for introduction in the Senate in the first instance).

Legislation; Explosives Act amendment

4. The Minister of Mines and Technical Surveys, referring to the discussion at the meeting of October 7th, 1953, submitted a draft bill to amend the Explosives Act.

Copies of the draft measure had been circulated.

5. During the course of discussion it was pointed out that, under clause 5 of the draft bill, hunters coming from the United States might be obliged to obtain a permit before they could bring small arms ammunition across the border. It should be ascertained whether permits could be avoided in such cases.

6. The Cabinet approved the bill to amend the Explosives Act for introduction in the Senate in the first instance, provided that the measure did not have the effect of obliging hunters coming from the United States to obtain a permit before they could bring small arms ammunition across the border.*

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*(It was subsequently ascertained that U.S. hunters would be exempted by regulations made under the general authority of the Act from the necessity of obtaining a permit to bring certain prescribed quantities of small arms ammunition into Canada and the bill was initialled by the Prime Minister and sent to the Clerk of the Senate on November 20th.)

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Legislation; Canadian Forces bill

7. The Minister of National Defence, referring to the discussion at the meeting of November 10th, submitted a redraft of the bill entitled "Canadian Forces Act, 1954".

The revised draft provided, amongst other things, for an amendment to section 56 of the National Defence Act to provide that persons accompanying Canadian forces abroad shall or may, as the case may be, be tried by a court martial consisting of a person designated by the Minister "who is or has been a judge of a superior court in Canada or is a barrister or advocate of at least ten years' standing at the bar of any province of Canada".

The amendment was designed to avoid the anomally of having civilian dependants of armed forces abroad tried by purely military tribunals for civil offences and, at the same time, of avoiding the necessity of having such dependants tried by a local tribunal in a foreign country.

Copies of the reprint bill were circulated.

8. The Cabinet approved for introduction the bill entitled "Canadian Forces Act, 1954" as submitted by the Minister of National Defence.

Dominion Wool Dealers Association Limited; request for meeting with government

9. The Prime Minister said the Dominion Wool Dealers Association Limited had enquired whether he and other members of the government would be prepared to meet a delegation to discuss tariffs on Japanese textiles.

(Letter, Dominion Wool Dealers Association Limited to Prime Minister, Nov. 12, 1953).

10. The Cabinet agreed that a delegation from the Dominion Wool Dealers Association Limited be invited to attend a meeting in the office of the Minister of Trade and Commerce on November 23rd, at 12 noon, when Mr. Howe, Mr. Abbott, Dr. McCann and Mr. Chevrier were receiving representatives of the Primary Textiles Institute of Canada.

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Continental defence

11. The Minister of National Defence, referring to discussion at the meeting of November 4th, suggested that it would be an opportune time to provide some information to the public on government policy on continental defence. The President of the United States, in his speech in Ottawa on November 14th, had already made general reference to the urgency of action on agreed measures of defence. It seemed appropriate to outline the action which the government was considering and, to this end, he proposed making a statement, shortly, in the House of Commons.

12. The Cabinet approved the proposal of the Minister of National Defence to make, shortly, a comprehensive statement on continental defence in the House of Commons, in the course of which he would refer, in general terms, to the military studies which had been made and to the intention to strengthen radar defences.

Veterans benefits; extension to ex-members of the regular forces

13. The Minister of Veterans Affairs reported that, at the end of World War II, all benefits under the veterans charter had been made available both to veterans who had enlisted only for the period of hostilities, and to those in the regular or peacetime forces. The question had now arisen as to whether ex-members of the regular forces with service in Korea should be entitled to the same benefits. Some of these benefits had already been extended and he now recommended that benefits under the Veterans Insurance Act, and Veterans Land Act, as well as Training and Awaiting Returns benefits, should be extended to ex-members of the regular forces who had had service in a theatre of operations on the strength of the Special Force. If this were acceptable, appropriate provision would be made in the Veterans Benefits bill to be introduced during the course of the present session of Parliament. Until the new legislation came into effect, however, these benefits could be extended only by an Order in Council amending the Veterans Benefit Regulations, 1952.

Explanatory memoranda had been circulated.

(Memoranda, Minister of Finance and Privy Council Office, Nov. 17 and 18, 1953- Cab. Docs. 297-and 296-53).

14. In the course of discussion, it was argued, on the one hand, that such an extension might discourage servicemen from remaining in the forces.

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It was argued on the other hand, that such benefits were valuable for maintaining high morale. It would be undesirable to discriminate against the ex-members concerned.

15. The Cabinet agreed that the Veterans Benefit Regulations, 1952, be amended to provide for immediate extension of Veterans Insurance Act benefits, Veterans Land Act benefits and Training and Awaiting Returns benefits to ex-members of the regular forces who had had service in the Korean theatre of operations on the strength of the Special Force; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1816, Nov. 19)

Civil Service and Armed Forces; pay adjustment

16. The Minister of Finance said statistics of wage levels in private employment indicated an increase of more than 10 per cent since the last general adjustment for the Civil Service and Armed Forces in 1951. Although the upward trend in wages and salaries appeared to be levelling off somewhat, the change which had taken place made a revision in rates paid by the government essential, unless there were to be a departure from the policy announced by the Prime Minister in 1948 to keep such rates in line with those in private employment.

In the Armed Forces, a schedule of modest increases in basic pay of enlisted personnel, together with substantial increases in trades pay and increases in the pay of officers of about 10 per cent, seemed desirable. In the Civil Service, increases averaging approximately 10 per cent appeared to be justified although this was less than the increase thought to have taken place in average levels of wages and salaries, However, various other improvements had been made in the terms of employment of civil servants since 1951 and, although the general wage levels in the country had risen more than 10 per cent, groups other than employees had, on the average, not received as large increases as employees.

He proposed that the higher paid classes in the Civil Service be considered on an individual basis and that recommendations for revisions of salaries over $10,000 per year be made only on the instructions of Cabinet. Some revision of the salaries of senior civil servants would probably require consideration in the near future.

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In the recommendations for increases to operating classes in the postal, customs, immigration and other services, account had been taken of the reduction of the working week to 40 hours as from April 1st, 1954, for the majority of these employees. Increases here would be less than 10 per cent but, at the same time, the hours of work would be reduced by about 9 per cent.

He proposed that the changes be made effective December 1st and announced on November 20th following a meeting of the Treasury Board when certain revised salary scales would be submitted for approval.

The Civil Service increases would cost about $35 million per year and the Armed Forces increases about $27 million (within their total budget). For the Civil Service, it would be necessary to seek a supplementary estimate in March and also a special appropriation of from $40 to $45 million to credit to the Superannuation Fund to cover the deficit created by the general salary revision.

Explanatory memoranda had been circulated.

(Memoranda, Minister of Finance and Minister of National Defence, Nov. 17, 1953- Cab. Docs. 295-and 299-53)

17. In the course of discussion it was pointed out that:

(a) No change should be made in the policy enunciated by the Prime Minister in 1948 to the effect that salaries and wages paid by the government should correspond generally to those offered by private employers.

(b) Although government employees received benefits not commonly offered by private industry, the margin of advantage enjoyed was narrowing as private employers introduced more comprehensive superannuation plans, better leave conditions and other benefits.

(c) With the introduction of the 40-hour week in the Post Office, the cost of wages would rise substantially; this additional expense, as well as decreased revenue through the abolition of the excise stamp on cheques, would result in a substantial deficit for that department unless postal rates were increased.

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18. The Cabinet agreed,

(a) that a general increase, in the order of 10 per cent, be made in the remuneration paid to the Civil Service and members of the Armed Forces, effective December 1st, 1953, an announcement to be made accordingly by the Minister of Finance on November 20th; and,

(b) that a revision of remuneration paid to the R.C.M. Police be considered at an early meeting.

Legislation; Customs Act; amendment respecting value for duty

19. The Minister of National Revenue, referring to discussion at the meeting of October 14th, 1953, said the Interdepartmental Committee on External Trade Policy had now submitted a report, as requested by Cabinet, outlining some of the details of the extent of the problem involved in end-of-season and end-of-line imports from the United States, and containing a suggested amendment to section 35 of the Customs Act.

Canadian textile manufacturers claimed that end-of-season and end-of-line goods were being imported at less than fair market value under conditions which were equivalent to dumping, though not so defined by existing legislation, and that illegal dumping was actually being practised. Although charges of dumping and other exprássed fears of import pressure had been restricted to the textile and household durable industries , other Canadian manufacturing industries had also expressed concern about foreign competition.

From statistical material submitted, it appeared likely that the share of imports in the Canadian market for all primary textiles in 1953 would be somewhat higher than in 1952. Apart from the alleged dumping, which was impossible to show statistically, there were other important factors by which United States suppliers had been able to improve their position in the Canadian market. These included price competition, achieved by large-scale production, better plant lay-out and a slower rise in wage rates than in Canada; more efficient marketing; intensive and growing cultivation of the Canadian market; a variety of production and styles; and willingness to sell in small lots with speedy delivery.

The Department of National Revenue, in cases where values appeared low, scrutinized closely, as a matter of routine, exporters' invoices to see whether they complied with the valuation provisions of the Customs Act, and action was taken to establish proper values when these requirements were not met. Because of the increased number of complaints of low values, particularly in respect

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of textiles, more intensive enquiries had been conducted recently which, in some cases, disclosed under-valuation. However, in respect of both staple and seasonal textile lines, relatively few cases of dumping, as defined by existing law, had been found.

The Committee believed that the draft amendment submitted would deal with competition from end-of-season and end-of-line selling but would not meet major problems of competition arising from higher productivity, more intensive selling methods, and the like. The suggested clause would leave much to the discretion of the Minister of National Revenue and its general effects would depend largely upon administrative policy rather than the law.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Interdepartmental Committee on External Trade Policy, Nov. 16, 1953- Cab. Doc. 293-53).

20. In the course of discussion, the following points emerged:

(a) At the present time, the dumping provisions of the Customs Act were inadequate to meet the end-of-season, end-of-line problem and, in order to provide at least that degree of protection afforded by existing tariffs - as industries had a right to expect - some action should be taken with respect to dumping.

(b) It was not in accordance with existing policy to raise the tariff rates and, indeed, it was doubtful if such action would deal with the particular problem under reference. What was required were adequate provisions to deal with obvious unfairness to manufacturers.

(c) Despite increased competition in recent years, the textile industry had been slower in cutting prices than its competitors in the United States and, while some steps had been taken to increase production, not as much had been done, in this connection, as in the United States. If it were made clear that nothing further would be done by the government to assist those who complained of dumping other than to amend the Customs Act as suggested, those industries which faced severe competition might then be induced to take such remedies.

Product Treaty

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(d) It would be important to present any proposed amendment to Parliament and to the public in a suitable way. It seemed desirable to avoid creating the false impression that such an amendment was part of the budget resolutions and, for this reason, it should be introduced early and quite independently of amendments arising out of the budget.

(e) The word "similar" in the proposed amendment was preferred to the words "the like", as this would allow the Minister more leeway in administering the provision of the Act. It would also be desirable to determine and to declare the value for duty to be "a weighted average" price rather than "an average" price.

(f) It did not appear likely that the proposed amendment would jeopardize the position of European suppliers of goods who were seeking markets in Canada. Furthermore, the suggestion complied with the provisions of the G.A.T.T.

21. The Cabinet noted the report of the Interdepartmental Committee on External Trade Policy with respect to the general factors contributing to the present valuation of imports and the circumstances surrounding the end-of-season and end-of-line problem, and the suggestions made thereon, and agreed:

(a) that a draft measure be prepared to amend the "valuation for duty" provisions of the Customs Act substantially as follows:

"Whenever, the market value of any manufactured goods in the country of export has, as the result of the advance of the season or the marketing period, declined to levels which, in the judgment of the Minister, do not reflect their fair and normal value, he may determine and declare the value for duty to be a weighted average price at which such or similar goods were sold for consumption in the country of export during a reasonable period, not to exceed six months, immediately preceding the date of shipment of the goods to Canada"; and,

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(b) that the Interdepartmental Committee on External Trade Policy prepare a full statement setting out the reasons for the proposed amendment and showing its effect, for use at the time the amendment was to be announced.

Competition in regional air transportation

22. The Minister of Transport, referring to discussion at the meeting of November 10th, reported that the existing policy of permitting the development of regional competition on regular air routes, where justified, required some clarification. This was necessary because of differing interpretations as to the relative position of Trans-Canada Air Lines and private carriers. The point has been raised as to whether the government intended that a policy of permitting regional competition should apply only between private air carriers, with the exclusion of T.C.A. Since T.C.A. was to remain the only trans-continental operator for the present, it could be argued that no competition should be allowed on local or regional segments of T.C.A. routes. While some regional routes could, economically, sustain a measure of competition, this situation was not yet widespread and it would continue to change. Regional competition should take place on a slow and gradual basis. What was now required, if it were thought desirable, was some determination of the basis on which competition would be permitted. Appropriate direction might be given to the Air Transport Board.

An explanatory memorandum had been circulated.

(Minister's memorandum, No. 18, 1953-Cab. Doc. 298-53).

23. In the course of discussion, it was suggested that the principal criterion on which to base the case for reasonable competition should be only public convenience and necessity.

24. The Cabinet, agreed that, subject to final determination by the Minister of Trade and Commerce and the Minister of Transport, a directive along the following lines be given to the Air Transport Board:

* "On a regional basis, and where a case for it exists, reasonable competition will be permitted whether of a main-line or a secondary nature, provided that it develops on a gradual and orderly basis in a manner which is helpful for public convenience and necessity. This will apply to all types of regional air transportation and to all operators of commercial air services without discrimination".

*Subsequently, the Minister of Transport directed that the words "in a manner which is helpful to both the public interest and in the interest of the aviation industry" are to be replaced by the following - "and solely as dictated by public convenience and necessity as required by the Aeronautics Act".

(Letter, Minister of Transport to Assistant Secretary, Nov.24, 1953)

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Prince Rupert Dry-Dock

25. The Minister of Public Works said the Canadian National Railways had offered to sell to his Department the Prince Rupert Dry-Dock, built in 1920 and acquired by the Company when it assumed ownership of the Grand Trunk Railway. The C.N.R. was willing to transfer ownership for the sum of $2 million, which was the value of the facility on the Company's books. If the Dock were to be placed in a state to meet today's conditions, it was estimated that an additional expenditure of $3 million would be required.

The Navy did not require the dry-dock's facilities in peacetime and it was now being used in the repair of fishing boats. There was an indication that the Aluminum Company of Canada might build a dry-dock at Kitimat if the one at Prince Rupert was not available. Even so, the local Chamber of Commerce and Boards of Trade were anxious that it be maintained. While the C.N.R. had agreed to continue its operation within the limits of safety, they were concerned about the hazardous state of dis-repair.

It might be difficult to justify abandonment of this facility, but it would be more difficult to justify the expenditure of nearly $5 million for its purchase and rehabilitation. As far as the Department of Public Works was concerned, this was not an economic proposition. It was recommended that the Canadian National Railways be notified that the Department was not interested in the purchase.

(Minister's memorandum, Nov. 18, 1953)

26. The Cabinet noted the report of the Minister of Public Works on an offer by the Canadian National Railways to sell the Prince Rupert Dry-Dock, and agreed that the Railways be informed that the Department of Public Works were not prepared to purchase.

Level crossings; Picton, Ont.; petition from Department of Highways, Ont. re Board of Transport Commissioners' Order

27. The Prime Minister said the Canadian National Railways had been authorized to build a spur across provincial highways 14/33 and 41, near Picton, Ontario, and across certain county roads. The spur was to provide transportation for ore owned by the Bethlehem Steel Company and mined near Marmora, Ontario. The Board of Transport Commissioners, in approving the construction of the spur, had directed that flashing light signals and bells be installed on the provincial highways mentioned. The Minister

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of Highways of the Province of Ontario had submitted a petition to the Governor in Council, which, in effect, was an appeal under section 52 of the Railways Act from the judgment of the Board, requesting that, because of the amount of automotive traffic on the roads in the area, grade separation structures be constructed rather than the installation of flashing lights and bells.

(Petition, Minister of Highways of the Province of Ontario to His Excellency the Governor General in Council Nov. 4, 1953- Cab. Doc. 294-53).

28. In the course of discussion it was pointed out that the cost of constructing grade separation structures would be exceedingly high in relation to the cost of the spur itself and that the amount of traffic over the railway line would not appear to warrant the additional expenditure.

29. The Cabinet noted the petition of the Minister of Highways of the Province of Ontario, of November 4th, praying that the order of the Board of Transport Commissioners, providing for level crossings across highways 14/33 and 41 and certain county roads, near Picton, Ontario, be amended by ordering grade separation, and agreed that the petitioner,or counsel on his behalf be heard by the Ministers of Transport, Justice and Public Works and the Associate Minister of National Defence; the Minister of Transport to arrange for a suitable date, time and place for the hearing and the Secretary to inform the petitioner through his counsel accordingly.

Colombo Plan; additional locomotive boilers for India

30. The Prime Minister said that,on March 24th, 1953, the Cabinet agreed to supply 40 locomotive boilers to India at an estimated cost of $2.2 million. Subsequent negotiations with the Canadian supplier indicated that the boilers could be provided for $2,080,000. It had now been ascertained that the cost would only be $1,389,800. In the circumstances, the Indian government had requested 10 additional boilers. The total cost, including additional charges, would still be less than the $2,080,000 set aside for this project. It was recommended that the request be approved.

An explanatory memorandum was circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 17, 1953 - Cab. Doc. 301-53).

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31. The Cabinet agreed that authority be given to provide 10 additional locomotive boilers to India under the provisions of the Colombo Plan; the cost to be financed from the amount of $2,080,000 already set aside for this project.

Colombo Plan; additional diesel locomotive for Ceylon

32. The Prime Minister said that, as part of the programme for assistance to Ceylon under the Colombo Plan, the Cabinet, on July 14th, 1953, had agreed to the provision of 2 diesel locomotives, at an estimated total cost of $425,000. It has now been found that the cost of supplying the two models which the government of Ceylon preferred, f.a.s. western seaboard, would be approximately $262,875. The government of Ceylon, when informed of these quotations, had asked whether three rather than two locomotives could be supplied as this addition would fall within the approved total amount authorized. It was recommended that the request be met.

An explanatory memorandum was circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 18, 1953-Cab. Doc. 302-53).

33. The Cabinet agreed that authority be granted to provide the government of Ceylon, under the provisions of the Colombo Plan, with an additional General Motors Model G-12, 1125 HP, 6 wheel A-1-A diesel locomotive; the cost to be financed from the amount of $425,000 already set aside for the project, and the unused balance of this sum to be used for the training of Sinhalese personnel in the handling and maintenance of these locomotives.

National Capital Planning Service; transfer from Department of Public Works to the Federal District Commission

34. The Prime Minister said it was proposed to transfer the National Capital Planning Service from Public Works to the Federal District Commission.

35. The Cabinet agreed that, pursuant to the provisions of the Public Service Re-arrangement and Transfer of Duties Act, the control and supervision of the National Capital Planning Service be transferred from the Department of Public Works to the Federal District Commission; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1821, Nov. 19)

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United Nations Tin Conference

36. The Prime Minister, referring to discussion at the meeting of November 4th, submitted a recommendation, concurred in by the Minister of Trade and Commerce, for authority to negotiate and sign an international tin agreement.

37. The Cabinet agreed that G.C. Monture, Esq., Chairman of the Canadian delegation to the United Nations Tin Conference, be authorized to negotiate and sign, in respect of the government of Canada, an acceptable tin agreement as concluded at the United Nations Tin Conference scheduled to convene in Geneva on November 16th, 1953, such agreement to be subject to acceptance by the government of Canada; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1822, Nov. 19)

Appointments

38. The Minister of National Health and Welfare submitted a recommendation for a re-appointment to the Dominion Council of Health.

39. The Minister of Resources and Development submitted recommendations for appointments to the Council of the Northwest Territories and the Northwest Territories Power Commission.

40. The Cabinet approved the following appointments; Orders in Council to be passed accordingly:

(a) John W. Bruce, Esq., to be a member of the Dominion Council of Health for a further period of three years, effective June 20th, 1953;

(Order in Council P.C. 1953-1820,Nov. 19)

(b) Robert Gordon Robertson, Esq., to be Commissioner of the Northwest Territories vice Hugh Andrew Young, Esq., effective November 15th, 1953;

(Order in Council P.C. 1953-1817, Nov. 19)

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(c) Robert Gordon Robertson, Esq., to be a Member of the Northwest Territories Power Commission and Chairman of the Commission, vice Hugh Andrew Young, Esq., effective November 15th, 1953;

(Order in Council P.C. 1953-1818, Nov. 19)

and,

(d) Jean Bȩucher, Esq., to be a Member of the Council of the Northwest Territories.

(Order in Council P.C. 1953-1819, Nov. 19)

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 23, 1953

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, November 23rd, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
and Acting Postmaster General
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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The Advisory Committee on Northern Development

1. The Prime Minister, referring to discussion at the meeting of January 30th, 1953, pointed out that the present Deputy Minister of Public Works, when Deputy Minister of Resources and Development, had been, ex-officio, Chairman of the Advisory Committee on Northern Development. As the Department of Public Works was involved in various projects connected with the northern territories, it might be desirable to make General Young a member of the committee.

(Memorandum, Deputy Minister of Resources and Development to Prime Minister, Nov. 20,1953)

2. The Cabinet agreed that the composition of the Advisory Committee on Northern Development be altered to provide for the addition to its membership of the Deputy Minister of Public Works.

The Dominion Wool Dealers Association Limited; request for meeting with government

3. The Prime Minister recalled that, at the meeting of November 19th, it had been agreed to invite a delegation from the Dominion Wool Dealers to meet with the government at noon on November 23rd, at the same time as representatives from the Primary Textiles Institute. The President of the Association had now advised him that it would not be possible to assemble delegates by that time and had requested a separate interview with the government. A reply had been sent to the effect that, owing to the large number of delegations now being received, the government would be unable to arrange a meeting. The Association had been assured, however, that any written representations they cared to make would be carefully considered.

(Telegram, President, Dominion Wool Dealers Association to Prime Minister and reply, Nov. 20, 1953)

4. In the course of discussion, it was suggested that some Ministers, individually, might be able to meet with a delegation from the Association.

5. The Cabinet noted the report of the Prime Minister and agreed that, if a further request for a meeting with the government were made by the Dominion Wool Dealers Association Limited, arrangements would be made for Ministers directly concerned to meet with a delegation from the Association.

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U.S. Senate Sub-Committee on Internal Security; request for interview

6. The Prime Minister, referring to discussion at the meeting of October 28th, 1953, said a second request had been forwarded through the U.S. State Department for an interview with Mr. Igor Gouzenko by the Sub-Committee on Internal Security of the United States Senate Committee on the Judiciary. A draft note to the United States Secretary of State had been prepared stating that consideration had been given to the request and that Mr. Gouzenko was at liberty to give his viewson any question to anyone in Canada or the United States, either confidentially or otherwise. As Mr. Gouzenko's security and safety were involved, however, the Canadian government would be willing to make the same arrangement as in 1949, when Mr. Gouzenko was interviewed in Canada by the Federal Bureau of Investigation. This would be a meeting under Canadian auspices at which a representative of the U.S. Senate Sub-Committee could be present. It would be secret in character and the evidence or information secured would not be made public,in accord with normal practice, without the approval of the Canadian government. Such a meeting could only be held if Mr. Gouzenko desired to appear.

(Draft note to the U.S. Secretary of State, Nov. 23, 1953).

7. In the course of discussion, the following points emerged:

(a) Mr. Gouzenko had now admitted that he had no further information that would be of any value to Canadian or United States authorities,and he was embarrassed by the recent publicity which had arisen. It might be useful to inform him of the contents of the proposed note in order to obtain his co-operation .

(b) Mr. Gouzenko was quite free to speak to whom he wished in Canada or the United States,but any information which was given at a meeting held under Canadian government auspices should not be made public without the approval of the Canadian government .

(c) Mr. Gouzenko had full status as a Canadian citizen under an assumed name, and it would be embarrassing to answer a question enquiring whether, in fact, Mr. Gouzenko was a Canadian citizen. The draft note should be amended to take account of this situation.

(d) It was proposed to deliver the note to the United States Secretary of State on November 24th, and seek agreement that it, together with the other notes relating to this subject, be made public. If agreement could not be reached on this point, a statement covering the substance of the notes would be made in the House of Commons.

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8. The Cabinet noted the report of the Prime Minister in connection with a further request by the Sub-Committee on Internal Security of the United States Senate Committee on the Judiciary, for an interview with Mr. Igor Gouzenko, and agreed,

(a) that a note along the lines submitted be sent to the United States Secretary of State, the note to be amended in points of detail by the Minister of National Defence, as Acting Secretary of State for External Affairs, the Minister of Justice, and the Minister of Citizenship and Immigration, in consultation;

(b) that agreement be sought from the United States authorities as to the publishing of this and previous notes and, failing the securing of such an agreement, a statement covering the substance of the notes be made in the House of Commons; and,

(c) that Mr. Gouzenko be advised of the intention to despatch the note and of its contents.

Government telephone and telegraph service, British Columbia; sale of facilities

9. The Minister of Transport, referring to discussion at the meeting of November 4th, reported that an agreement had now been reached for the sale of the government-owned telephone and telegraph service in British Columbia. The long distance telegraph facilities between Prince George and Prince Rupert would be purchased by the Canadian National Railways for $750,000 and the remainder of the system by the British Columbia Telephone Company for the same amount, or a total of $1.5 million.

10. The Cabinet noted the report of the Minister of Transport that the government-owned telephone and telegraph service in British Columbia had been sold for a total of $1.5 million to the Canadian National Railways and the British Columbia Telephone Company respectively, and agreed that an announcement be made accordingly.

Carriage of mails on North Atlantic routes by Trans-Canada Air Lines

11. The Minister of Trade and Commerce submitted a recommendation, concurred in by the Secretary of State as Acting Postmaster General, for the reduction from $4.83 per pound to $4.00 per pound in the rate at which mails would be carried by the Trans-Canada Air Lines on their trans-Atlantic air service.

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12. In the course of discussion, it was pointed out that the new contract, which was to be effective retroactively from July 1st, 1953, was for a period of one year.

13. The Cabinet agreed that the Postmaster General be authorized to enter into a contract with Trans-Canada Air Lines, to pay to the Company, effective July 1st, 1953, a rate of $4.00 per pound for the carriage of first-class air mail on its North Atlantic routes; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1823, Nov. 23)

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 26th, 1953

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No. 70-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, November 26th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Minister of Transport
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation; Telegraphs Act amendment

1. The Assistant Secretary submitted a draft bill to amend the Telegraphs Act.

Copies of the draft bill were circulated.

2. The Cabinet approved for introduction in the Senate in the first instance, the bill to amend the Telegraphs Act as submitted.

Legislation; Northwest Atlantic Fisheries Convention

3. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a legislative proposal for approval.

Explanatory memoranda had been circulated.

(Memorandum, Chairman Cabinet Committee on Legislation, Nov. 24, 1953 - Cab. Doc. 305-53; memorandum, Acting Minister of Fisheries, Nov. 9, 1953 - Cab. Doc. 292-53.)

4. The Cabinet approved in principle the legislative proposal for the implementation of the Northwest Atlantic Fisheries Convention; a draft measure to be prepared accordingly.

Legislation; Canadian National Railways Act amendment

5. The Minister of Justice said the Cabinet Committee on Legislation had also considered a proposal to amend the Canadian National Railways Act. This would involve the repeal and consolidation into a single statute of the numerous pieces of legislation now in effect with regard to the Canadian National Railways. Apart from this aspect of the proposal, the management of the C.N.R. had recommended changes which involved important questions of policy. The President of the C.N.R. had submitted similar proposals last year but these had not then been proceeded with.

The Committee had felt that it was rather late to contemplate introduction of such an important piece of legislation. However, as the drafting would require considerable time, it was suggested that Cabinet, without committing itself in advance, might agree to have the Department of Justice prepare a draft bill. If approved, this might be introduced but not finally disposed of before the end of the current session of Parliament.

Explanatory memoranda had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Nov. 24, 1953 - Cab. Doc. 305-53; memorandum, Minister of Transport, Nov. 5, 1953 - Cab. Doc. 285-53 and attached exchange of correspondence between Minister and President of the C.N.R.)

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6. In the course of discussion, the following points emerged:

(a) Some of the recommendations made by the Canadian National Railways in this connection would require close examination, such as those relating to the Chairman of the Board of Directors accepting directorships in other corporations and those relating to the construction and operation of telecommunications systems.

(b) As these proposals involved a great deal of work from the drafting point of view, it was unlikely that the Department of Justice could complete the measure for some time.

7. The Cabinet agreed,

(a) that, while no decision could be taken at this time on the principles involved in the proposal to amend the Canadian National Railways Act, the Department of Justice be instructed to prepare, as time permitted, a draft bill and report on the issues involved; and,

(b) that the President of the Canadian National Railways be informed that the recommendations made were being considered by the Department of Justice.

Trans-Atlantic Cable Agreement

8. The Prime Minister, referring to discussion at the meeting of October 7th, 1953, submitted a recommendation from the Minister of Transport for certain modifications to the original draft agreement, as approved in principle by Order in Council P.C.1953-1572 of October 14th, between the Canadian Overseas Telecommunications Corporation, the Postmaster General of the United Kingdom, the American Telephone and Telegraph Company, and the Eastern Telephone and Telegraph Company, for the construction and operation of a trans-Atlantic cable between the United Kingdom, Canada and the United States. The modifications to the original agreement had been discussed by all parties thereto, and the C.O.T.C. had advised that the changes to the original draft were satisfactory.

9. The Cabinet approved the revised final draft agreement between the Canadian Overseas Telecommunications Corporation, the Postmaster General of the United Kingdom, the American Telephone and Telegraph Company and the Eastern Telephone and Telegraph Company in respect of the construction, installation and operation of a trans-Atlantic telephone cable between the United States of America, Canada and the United Kingdom involving the expenditure on the part of C.O.T.C. of approximately $4.5 million; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1853, Nov.24)

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Agricultural Products Co-operative Marketing Act;
New Brunswick potatoes

10. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, reported that the New Brunswick Potato Marketing Board had requested an agreement, under the Agricultural Products Co-operative Marketing Act, for potatoes produced in the Province of New Brunswick in 1953 and delivered to the Board on a voluntary co-operative basis before June 30th, 1954.

The Board had requested payments similar to those in the Prince Edward Island Agreement, which were 45, 50 and 55 cents, but it had been suggested to the Board that initial payments on New Brunswick potatoes should be somewhat less. After discussion, it had been agreed that 40, 45 and 55 cents would be in line with present marketing conditions and historical price relationships. The Board had also agreed that, if these prices were approved, they would undertake, prior to the signing of an agreement, to have contracts signed with individual producers in New Brunswick representing at least one-third of the balance of the potatoes remaining to be marketed on or about December 1st, 1953. If the Board controlled a fair proportion of potatoes in the pool so that they could be marketed throughout the year, it was considered that there would be little or no loss under the agreement and it was recommended that it be approved.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Agriculture, Nov.24, 1953 - Cab. Doc. 304-53).

11. In the course of discussion, the following points emerged:

(a) From the financial standpoint there was no objection to the agreement except that the range of prices did not appear to be in line with the usual price relationship between New Brunswick and Prince Edward Island potatoes. It would be preferable if the initial payments remained 5 cents below P.E.I. prices in each case. There appeared to be no good reason for an increase in the spread.

(b) In New Brunswick, because of various difficulties, the Potato Board had, at one stage, almost ceased to function. It now appeared that the Board was becoming more active and, if a reasonable agreement could be made with the Federal government, it would be to the advantage of the province and of the potato producers.

12. The Cabinet deferred decision, pending further consideration at a later meeting, on the recommendation of the Minister of Agriculture to enter into an agreement with the New Brunswick Potato Marketing Board for the marketing of potatoes produced in New Brunswick in 1953.

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N.A.T.O. Representatives and Staff Agreement; ratification

13. The Secretary of State for External Affairs said that on September 21st, 1951, Canada, together with other N.A.T.O. countries, had signed an agreement on the status of North Atlantic Treaty Organization National Representatives and International Staff. This agreement had been approved by Parliament in 1951. It set out the privileges and immunities to be extended to the civilian staff of N.A.T.O. and to the representatives of member states to the North Atlantic Council. It would come into force as soon as the required number of signatory states had deposited their instruments of ratification with the government of the United States. At present five states had ratified the agreement. There was no reason for Canada to withhold deposit of an instrument of ratification.

An explanatory memorandum was circulated.

(Minister's memorandum, Nov. 18, 1953-Cab. Doc. 307-53).

14. In the course of discussion, it was pointed out that, as there were no N.A.T.O. representatives in Canada, the agreement would have no real domestic effect, but it was important to establish proper status for personnel of the N.A.T.O. secretariat and the national delegations to the Council established in Paris.

15. The Cabinet agreed that authority be given for the ratification by Canada of the N.A.T.O. Representatives and International Staff Agreement and for the deposit of an appropriate instrument of ratification with the government of the United States at Washington.

Veterans Affairs; training of disability pensioners

16. The Minister of Veterans Affairs reported that, under the provisions of the Veterans Rehabilitation Act, training could be given only to veterans of World War II. The Act also made special provision for the training or re-training of a World War II veteran receiving a disability pension under the Pension Act. Until recently, the Department of Veterans Affairs had been able, by regulation, to train World War I pensioners who were unable to follow their pre-war occupation. This provision, though seldom used, had been dropped about the time that the Veterans Rehabilitation Act had been passed but the need for it, though small, was still present and the cost would probably not exceed $10,000 a year. A proposal to meet this requirement did not seem appropriate for inclusion in the Veterans Rehabilitation Act, and at present it did not seem necessary to introduce new legislation for such a relatively small matter. It was recommended therefore, that rehabilitation training be provided, by inclusion of an item in the Department's estimates for the next fiscal year, for World War I disability pensioners, peacetime regular and reserve pensioners and World War II reserve force pensioners.

An explanatory memorandum had been circulated.

(Minister's memorandum,Nov. 18, 1953-Cab. Doc. 303-53).

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17. The Cabinet agreed,

(a) that the Department of Veterans Affairs be authorized to provide training or re-training for:

(i) veterans of World War I receiving pensions under the Pension Act for disability incurred during service; and,

(ii) former members of the regular and reserve forces in peacetime and of the reserve forces during World War II receiving pensions under section 13 (2) of the Pension Act for a disability which arose out of or was directly connected with such service; and,

(b) that the cost of the programme be covered for the next fiscal year by the insertion of an item in the Department's estimates; necessary regulations governing the expenditure of any amounts so voted by Parliament be made under the authority of the Department of Veterans Affairs Act.

Defence Production; additional equipment for "Vancouver" class frigates; reference by Treasury Board

18. The Associate Minister of National Defence reported the post-mobilization ship requirements of the Royal Canadian Navy called for the provision of five additional anti-submarine escorts. These would be "Vancouver" class frigates. Y.100 propulsion machinery was already being produced under contract for the escort vessel programme and five additional machinery units (turbines and gears) would be needed for the frigates. Owing to the long-lead time involved, it was desirable to order these units by the end of 1953. The estimated additional cost was $2,812,500.

Submissions had been considered by the Treasury Board and the Board had referred the matter to the Cabinet.

(Letter, Treasury Board to Privy Council Office, Nov. 25, 1953, with attached submissions from Minister of Defence Production.)

19. The Cabinet agreed that authority be given to the Department of Defence Production to amend a contract with John Inglis Co. Ltd., Toronto, Ont. to provide for additional shipsets of single-shaft main propulsion equipment at a cost of $2,125,000.00, and to amend a contract with Dominion Engineering Works Ltd., Montreal, P.Q.,to provide five additional shipsets of "Maag" type gears at a cost of $687,500; Treasury Board to be advised accordingly.

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Public Service; security procedures

20. The Prime Minister said the Security Panel had been examining the effectiveness of the new security standards and procedures in government departments and agencies approved by Cabinet in October 1952. The Panel were of the opinion that the results were not entirely satisfactory in one respect-the check on general reliability and good character. To assist in this matter, it was recommended that an extension be made of a practice already in effect in a number of departments and agencies so that all persons required to have access to classified information must first supply fingerprints on an approved standard form. These would be regularly submitted to the R.C.M. Police for checking and would reveal quickly and accurately any record of indictable offences committed throughout the country. The procedure would be far more reliable than the present use of a name index.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Security Panel, Nov. 25, 1953-Cab. Doc. 306-53).

21. In the course of discussion the following points emerged:

(a) While there was every reason to fingerprint persons being appointed to positions involving access to classified information, application of the procedure, at this particular time, to all employees already having such access, might be misinterpreted.

(b) The mere requirement of fingerprinting for certain positions would probably deter prospective applicants with criminal records from submitting their applications.

(c) The present burden of security screening was, at times, too great for the R.C.M. Police to meet on schedule and the substitution of a fingerprinting programme in place of the present methods would tend to ease that burden.

22. The Cabinet noted the report of the Security Panel and agreed that any person to be appointed to a position in the Public Service requiring access to classified information be fingerprinted, whether or not such person had previously been in the Public Service; it being understood that, for the present, fingerprinting would not be required in the case of employees already having access to classified information.

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Security Panel; membership

23. The Prime Minister, referring to the meeting of April 9th, 1953, at which membership of the Security Panel had been approved, proposed that the Deputy Minister of Resources and Development be made a member of the Panel.

24. The Cabinet agreed that the membership of the Security Panel be increased by the addition of the Deputy Minister of Resources and Development.

The Maritime Coal Production Assistance Act; application for loan

25. The Minister of Mines and Technical Surveys reported that the Four Star Collieries Ltd. of Nova Scotia, had applied for a loan of $60,000 under the provisions of the Maritime Coal Production Assistance Act and that the Bras d'Or Coal Company Ltd., had undertaken to guarantee the performance by Four Star Collieries of its obligations under the loan. The loan was to be used for increasing the efficiency of operations through further mechanization.

26. The Cabinet agreed that the Minister of Mines and Technical Surveys enter into an agreement with the Four Star Collieries Limited, and the Bras d'Or Coal Company, Nova Scotia, for a loan of $60,000 to the former Company under the provisions of the Maritime Coal Production Assistance Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1856, Nov. 26)

Radio broadcasting station, Chicoutimi, P.Q.

27. The Minister of Trade and Commerce, as Acting Minister of Transport, referring to discussion at the meeting of April 29th, 1953, recommended that approval be given for the grant of a private commercial broadcasting station licence to J.O. Masse for the establishment and operation of a radio broadcasting station at or near Chicoutimi, P.Q.

28. The Cabinet agreed that a private commercial broadcasting licence be issued to J.O. Masse for the establishment and operation of a radio broadcasting station at or near Chicoutimi, P.Q.; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1854,Nov. 26).

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Provincial education tax; request for out-of-court settlement

29. The Minister of Finance said that, in 1946, the Legislature of the Province of Quebec had imposed an education tax on certain companies. The Department of National Revenue had ruled that the education tax was not deductible for income tax purposes. Subsequently, a decision of the Income Tax Appeal Board had held that the education tax was deductible, but the Exchequer Court had reversed the Board's decision and the case had now been appealed to the Supreme Court of Canada. No question of principle or future rights was involved since, in 1952, it had been agreed that, from January 1st, 1953, the education tax would be deductible, and the law had been amended accordingly.

Recently, the nine companies principally concerned had made certain proposals regarding settlement which would allow the companies, when computing their taxable income, to deduct one-half of the amounts paid as the education tax for the years 1946-1952 inclusive. The companies would make no claim for interest on refunds and each party would pay its own cost of the court proceedings to date.

30. The Cabinet agreed that a settlement be made with Shawinigan Water and Power Company, St. Maurice Power Corporation, The Canadian Light & Power Company, Ottawa Valley Power Company, Saguenay Power Company, Limited, Gatineau Power Company, Northern Quebec Power Company Limited, Southern Canada Power Company and MacLaren-Quebec Power Company, along the following lines:

(a) in calculating income and excess profits taxes for the years 1946-1952, inclusive, each company would be allowed, as a deduction in computing its taxable income, one-half of the amounts paid by it in those years as education tax to the Province of Quebec;

(b) the companies would make no claim for interest on refunds to be made by reason of such deductions being allowed; and,

(c) each party would pay its own costs for court proceedings to date.

Appointment; Bank of Canada

31. The Minister of Finance submitted a recommendation for the appointment of a Director of the Bank of Canada.

32. The Cabinet approved the appointment of Harold B. Schurman, Esq., of Summerside, P.E.I., to be a Director of the Bank of Canada for a term expiring February 28th, 1954, vice Alfred Picard, Esq., who had reached the age of 75 years; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1855, Nov. 26).

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Appointments; External Affairs

33. The Secretary of State for External Affairs recommended certain diplomatic appointments.

34. The Cabinet noted with approval the recommendation of the Secretary of State for External Affairs for the following appointments:

(a) J.B.C. Watkins, Esq., to be Canadian Ambassador to the U.S.S.R.; and,

(b) C.A. Ronning, Esq., to be Canadian Minister to Norway.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 30th,1953

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Items discussed

Historic Sites and Monuments; "Woodside" 2.

U.S. Senate Sub-Committee on Internal Security; request for interview 2.

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No. 71-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, November 30th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretary to the Cabinet
(Mr. Pelletier)
Mr. R.A.J. Phillips, Privy Council Office.

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Historic sites and monuments; "Woodside"

1. The Prime Minister said the Historic Sites and Monuments Board, in May, 1952, had recommended that "Woodside", Kitchener, Ontario, the boyhood home of the late W.L. Mackenzie King, be acquired and established as a national historic park. The property consisted of some twelve acres of land, together with a house which had been restored by the Mackenzie King Woodside Trust at a cost of about $90,000; the estimated annual maintenance was $10,000.

In November, 1952, in view of the necessity of deferring postponable civil expenditures, the Trust had been informed that it would not be possible, at that time, to make financial provision for acquisition of the property. The Minister of Resources and Development had suggested that the matter now be reconsidered.

2. In the course of discussion, it was pointed out that:

(a) The restoration of the home had been undertaken by a non-partisan group and its maintenance would be for non-partisan purposes.

(b) Although Kingsmere and Laurier House were already being maintained at public expense, Laurier House was equally a monument to Sir Wilfred Laurier, and both places had amply justified their maintenance in view of the public interest shown in them.

(c) It had not been possible to put "Woodside" to any municipal use.

3. The Cabinet agreed that "Woodside", Kitchener, Ontario, the boyhood home of the late W.L. Mackenzie King, be acquired and established as a National Historic Park; provision to be made in the estimates for maintenance costs of approximately $10,000 per annum.

U.S. Senate Sub-Committee on Internal Security; request for interview

4. The Secretary of State for External Affairs reported that the United States Secretary of State had written to the Chairman of the U.S. Senate Sub-Committee on Internal Security, defending the position taken by the Canadian government that information made available to U.S. representatives by Igor Gouzenko during any government-arranged interview could not be made public without the prior knowledge and consent of the Canadian authorities. Mr. Dulles had outlined the reasons why he did not propose to ask the Canadian government to modify this position.

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5. The Cabinet noted the report of the Secretary of State for External Affairs on correspondence between the Secretary of State of the United States and the Chairman of the U.S. Senate Sub-Committee on Internal Security relating to the latter's request for an interview with Igor Gouzenko.

Paul Pelletier,
Assistant Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

December 3rd,1953

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Deep test oil well; application for benefits under Income Tax Act	13.
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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, December 3rd, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
and Acting Postmaster General
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation; Emergency Gold Mining Assistance Act; amendment

1. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a resolution and a draft bill to amend the Emergency Gold Mining Assistance Act.

It was understood, now, that minor modifications, to remove certain anomalies which had come to light in applying the present legislation, would be made in the regulations under the Act rather than in the measure itself.

Copies of the draft bill had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, Dec. 2, 1953, and attached draft bill - Cab. Doc. 317-53).

2. The Cabinet approved for introduction the resolution and bill to amend the Emergency Gold Mining Assistance Act.

Legislation; Customs Act amendment

3. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a draft bill to amend the Customs Act.

Copies of the draft bill had been circulated.

(Memorandum, Chairman Cabinet Committee on Legislation, Dec. 2,1953 and attached draft bill - Cab. Doc. 317-53).

4. The Minister of National Revenue, referring to discussion at the meeting of November 19th, said that members of the Interdepartmental Committee on External Trade Policy had prepared a statement for use at the time the amendment was to be announced.

A draft statement had been circulated.

(Memorandum,Assistant Secretary, and attached draft statement, Dec. 2, 1953 - Cab. Doc. 318-53).

5. In the course of discussion, the following points emerged:

(a) It appeared that some of the new sub-sections of the bill involved important matters of policy and practical application. If the provisions of the bill as now drafted were to come into effect, businesses

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with purchasing connections in other countries might have some of the products which they imported valued for duty on a too severe basis. It would be desirable to examine those portions of the draft measure to ascertain what was actually involved before approval were given.

(b) If the bill was to be further examined, however, it would not preclude the possibility of introducing a measure into the House of Commons, immediately, dealing only with the end-of-season and end-of-line problem.

(c) Sub-section 8 of the revised section 35 should be amended in certain points of detail.

(d) A clause might be added to the bill indicating when its provisions would come into force.

(e) The statement to be used when the bill was to be introduced appeared to be generally acceptable, but references to the elimination of alleged dumping practices and to the maintenance of inefficient industries at the expense of the Canadian consumer should be deleted. It would also be desirable to refer to existing trade policies as essential to the stability, at a high level, of employment and prosperity in Canada. If only that portion of the bill dealing with the end-of-season and end-of-line problem were to be proceeded, with the last paragraph of the statement should also be deleted.

6. The Cabinet agreed,

(a) that the draft bill to amend the Customs Act be examined further to ascertain whether it involved matters of policy which had not been clearly brought out, and that, if this was in fact the case, only those provisions of the bill dealing with the end-of-season and end-of-line problem would now be approved and introduced into Parliament;

(b) that sub-section 8 be revised as follows:

"Notwithstanding anything in this Act, where the market price of any manufactured goods in the country of export has, as the result of the advance of the season or the marketing period, declined to levels that do not reflect in the opinion of the Minister their normal price, the value for duty shall be the amount determined and declared by the Minister to be the average price, weighted as to quantity, at whi[c]h the like or similar goods were sold for consumption in the country of export during a reasonable period, not exceeding six months, immediately preceding the date of shipment of the goods to Canada."

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(c) that a clause be added to the bill indicating that it would come into force on December 8th, 1953; and,

(d) that the draft statement for use by the Minister of National Revenue, upon introduction of the bill, be revised in accordance with the suggestions made during the discussion.

Legislation; Northwest Territories Act; further amendment

7. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted a proposal for a further amendment to the Northwest Territories Acts.

Explanatory memoranda had been circulated.

(Memorandum, Chairman Cabinet Committee on Legislation, Dec. 2, 1953-Cab. Doc. 317-53 and attached memorandum Minister of Resources and Development, Nov. 30, 1953 - Cab. Doc. 311-53).

8. The Cabinet approved in principle the legislative proposal for further amendment to the Northwest Territories Acts; the amendment to be incorporated in the bill already approved for introduction.

Legislation; Railway Act amendment

9. The Minister of Transport said that the Cabinet Committee on Legislation had considered a proposal to amend the Railway Act. Section 468, enacted in 1951, provided for a subsidy, not exceeding $7 million in any year, to the Canadian National Railways and the Canadian Pacific Railway for maintenance of certain trackage on the so-called "bridge" in northern Ontario between eastern and western Canada. Payments were to be applied, under the direction of the Board of Transport Commissioners, to reduction in freight rates on traffic moving over this trackage. The Board had found difficulty in administering section 468 as there appeared to be no method whereby a payment for maintenance could be actually applied as a reduction in freight rates. It was proposed to amend the legislation to base the apportionment of the $7 million subsidy on the volume of traffic moved in preceding years. The proposed amendment would also provide for the inclusion of water carriers who participated in the carriage of freight east and west. Prior to the enactment of the legislation in 1951, water rates and rail rates were fully competitive in the general area. Water carriers had not

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been included in the legislation enacted in 1951 and their competitive position had been impaired. It was proposed to restore the balance by making water carriers eligible for whatever portion of the $7 million they were entitled to. It was estimated that this would be something less than $500,000 a year.

Explanatory memoranda had been circulated.

(Memorandum, Chairman Cabinet Committee on Legislation, Dec. 2, 1953-Cab. Doc. 317-53 and attached memorandum, Minister of Transport, Nov. 30, 1953-Cab. Doc. 309-53).

10. In the course of discussion, the following points emerged:

(a) It was never the intention that legislation providing for a subsidy of $7 million for maintenance of the "bridge"between eastern and western Canada be applied to water carriers. Furthermore, the financial position of the lake carriers was not unsatisfactory. While Provincial governments would be unlikely to object, it would not be easy to justify, to the public, payment of a subsidy to the lake carriers, as it was well known that the original intention of the measure was to provide only track maintenance.

(b) The Board of Transport Commissioners were apprehensive that freight rate reductions might exceed the $7 million provided for by the Act and that there would be no provision for full reimbursement to the Railways.

(c) There was an appeal pending before the Privy Council with respect to jurisdiction over truck transportation. If it was decided this was a matter which fell within Federal jurisdiction, it was possible that a request would be made to have part of the $7 million applied to maintenance of highways.

(d) As the original intention of the legislation was to assist in the maintenance of the railway "bridge" between eastern and western Canada and not to deal with other forms of transportation, the Act might be amended to make this clear.

(e) It might also be desirable to amend the Act to authorize the Board of Transport Commissioners to reimburse the railways to the extent of $7 million each year irrespective of total amounts actually spent on maintenance in any given year.

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11. The Cabinet deferred decision on the proposal to amend the Railway Act with respect to the subsidy for maintaining trackage on the "bridge" between eastern and western Canada, and agreed that the Prime Minister and the Minister of Transport discuss the matter further with the Chairman of the Board of Transport Commissioners.

Canada-Ireland agreement re succession duty and income tax

12. The Minister of National Revenue said it was proposed to conclude two agreements with the government of Ireland, one relating to succession duty and the other to income tax.

The Succession Duty Agreement would provide that the country of domicile would allow a credit against its duty in respect of property taxed by both countries. It would provide also that the two countries would exchange information, upon request, as to the death of its domiciled decedents and on the composition of their estates. The purpose of the Income Tax Agreement was to avoid double taxation and prevent fiscal evasion with respect to income taxes. Both agreements followed patterns established in existing agreements with other countries,

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 24, 1953-Cab. Doc. 310-53).

13. In the course of discussion it was pointed out that it would be necessary to exercise extreme care in the wording of references to Ireland so as to avoid prejudicing the Canadian position on the constitutional status of that country.

14. The Cabinet approved the recommendation of the Minister of National Revenue for the conclusion of Succession Duty and Income Tax Agreements with the government of Ireland; it being understood that the precise form of wording used in references to Ireland would be cleared with the Department of External Affairs.

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Northwest Territories; relocation of Aklavik settlement

15. The Minister of Resources and Development reported that serious problems had arisen because of the present location of the settlement of Aklavik. This centre of fur trading, administration and missionary activities for the Mackenzie Delta and a wide adjacent territory, was built on a low-lying point on a channel of the Mackenzie River. The soil was an unstable frozen silt with a water content of over 50 per cent, and thawing of the permafrost layer, as well as erosion and floods, were a constant hazard. A more serious aspect of the present location, however, was the threat to public health through lack of adequate and safe sewage disposal and water supply, which could not be remedied except at very heavy expense. Other disadvantages were lack of room for expansion, absence of road material, and lack of a suitable site for an airstrip.

The Advisory Committee on Northern Development had strongly recommended relocation of the settlement and there was agreement that a satisfactory location on firm gravel could be found in the general area, possibly within fifteen miles of Aklavik. If approval in principle were given to such a move, detailed surveys would be made and, following the selection of a new site, proposals would be submitted for the installation of sewers and water supply and the subsequent removal or replacement of present buildings.

Estimated cost of an adequate sewage and water system on a suitable site would be about $600,000, as compared to a possible $1.8 million in the present location. Cost of removal would be less than $1 million. The present fixed investment in Aklavik was approximately $3 million - 40 per cent of which was owned by the Federal government and 27 per cent by missions. Division of costs for the removal of privately-owned buildings would be the subject of later agreement. It was suggested that any decision in principle to move Aklavik might, with advantage, be announced at the forthcoming meetings of the Northwest Territories Council in Ottawa on December 7th.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 30, 1953- Cab. Doc. 313-53).

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16. The Cabinet approved in principle the removal of the settlement at Aklavik in the Northwest Territories from its present site to a suitable site in the same general area and agreed,

(a) that all new Federal government construction in the present area (other than limited essential and non-postponable work) be suspended forthwith;

(b) that an announcement be made of the proposed removal so that private construction in the area might be deferred;

(c) that surveys for an alternative site be made in the summer of 1954, and that, subsequently, recommendations be submitted thereon as well as on financial arrangements to govern the installation of municipal facilities, and the removal or reconstruction of buildings; and,

(d) that responsibility for planning and effecting the removal be placed with the Department of Resources and Development, in consultation with other interested departments and with the Advisory Committee on Northern Development.

Northwest Territories; education grants

17. The Minister of Resources and Development, recalled that certain recommendations on financial relations between the Federal government and the government of the Northwest Territories, submitted by an Interdepartmental Committee on Territorial Financial Problems, had been approved by the Cabinet in November, 1951. One recommendation was that the Territorial government pay the cost of educating white children (including half-breeds) by means of annual operating grants to the institution responsible for education. Recent proposals that teachers in mission schools should be Federal civil servants would involve arrangements at variance with the previously approved recommendations. In order to permit further examination of these proposals, it was suggested that the previous Cabinet approval be now waived insofar as education grants were concerned.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 1, 1953- Cab. Doc. 312-53).

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18. The Cabinet noted the report of the Minister of Resources and Development and agreed that previous approval in November, 1951, of certain recommendations of an Interdepartmental Committee on Territorial Financial Problems, be waived insofar as it affected education grants; it being understood that, before any change were made in the system of education grants or in the method of employment of teachers in mission schools in the Northwest Territories, approval of the Cabinet would be obtained.

United Nations Children's Fund; Canadian contribution, 1954

19. The Secretary of State for External Affairs, referring to discussion at the meeting of September 9th, 1953, said the Canadian delegation to the eighth session of the General Assembly had supported the continuation of the United Nations Children's Fund and had indicated that any contribution by the Canadian government would be related to the support given by other member states. All previous contributions had been spent in Canada for supplies distributed abroad and, in addition, approximately $4.3 million of contributions made by other governments was used for Canadian products. In order for the Fund to continue its work on the agreed scale, a higher level of support would be necessary.

He suggested therefore, that Canada offer to increase its annual contribution, which had been $500,000 for each of the previous three years, so that the increase offered by Canada would correspond to increases in other national contributions, provided that the total Canadian contribution for the year would not exceed $750,000.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 26, 1953-Cab. Doc. 314-53).

20. In the course of discussion it was pointed out that, although U.N.I.C.E.F. had been one of the most valuable of the United Nations specialized agencies, a possible increase of 50 per cent in the contribution to be made by Canada appeared to be unduly large.

21. The Cabinet approved a Canadian contribution to the United Nations Children's Fund for the fiscal year 1954-55 of $500,000; it being understood that the Fund would be encouraged to continue its favourable record of purchases in Canada .

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General Agreement on Tariffs and Trade; continuation of tariff schedules to July 1st, 1955

22. The Secretary of State for External Affairs reported that the contracting parties to the General Agreement on Tariffs and Trade, at the Eighth Session held recently in Geneva, had adopted the text of a declaration to extend the assured life of the tariff schedules to the G.A.T.T. until July 1st, 1955. A firm revalidation of the schedules, as contained in the declaration, was desirable, as otherwise contracting parties would be free to modify or cease to apply negotiated tariff concessions after consultation with other contracting parties. If the schedules were disturbed, the level of international trade might be affected adversely and prospects for future liberalisation of trade and payments prejudiced.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 2, 1953-Cab. Doc. 315-53).

23. The Cabinet agreed that the government of Canada become a signatory to the Declaration on Tariff Schedules made at the Eighth Session of Contracting Parties to the General Agreement on Tariffs and Trade; an Order in Council to be passed accordingly.

Post Office; changes in postal rates

24. The Secretary of State, as Acting Postmaster General, proposed certain changes in letter postal rates, to be effective on April 1st, 1954. It was necessary to consider the timing of an announcement of the changes.

25. The Minister of Finance, referring to discussion at the meeting of November 19th, 1953, said that it would be possible now to announce that the five-day week for Post Office, Customs and other operating branches of the Public Service would be put into effect April 1st, next.

26. In the course of discussion the following points emerged:

(a) It would be desirable to announce without delay the institution of the five-day week for Post Office and Customs employees.

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(b) Although there might be some disadvantage in making known the proposed increase in postal rates at this time, yet there would be an over-riding advantage in simultaneous announcements of the five-day week and the increase in postal rates.

27. The Cabinet agreed,

(a) that, effective April 1st, 1954, the following changes be made in postal letter rates:

(i) the charge for first class letters to be raised, for the first ounce, from four cents to five cents, and for each additional ounce from two cents to three cents;

(ii) the charge for drop letters to be raised, for the first ounce, from three cents to four cents, and for each additional ounce from one cent to two cents; the drop letter rate to apply to letters posted on a rural route when mailed at or addressed to the office from which the rural route started, and letters posted on or addressed to any other rural route starting at the same office;

(iii) the surcharge for airmail letters for delivery within Canada to be discontinued; and,

(b) that the changes in postal rates and the institution of the five-day week for Post Office, Customs and other operating branches of the Public Service effective April 1st, 1954 be made public simultaneously; a draft announcement to be submitted for consideration at the next meeting.

Nova Scotia; Mulgrave-Guysborough-Queensport freight service; additional subsidy

28. The Minister of Transport reported that the water transportation freight services between Mulgrave, Guysborough and Queensport, Nova Scotia, had been subsidized for 46 years. The present annual subsidy was $16,000, and the service which consisted of one round trip a day for a distance of 59 miles, was essential to the fishing industry. The subsidized vessel M.V."Vanaheim", had been sold, recently and the new contractor considered the present subsidy insufficient because of increased wages and other costs of operation and because of the necessity of providing for one additional crew member. The Canadian Maritime Commission had recommended an additional subsidy of $6,000.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 30,1953-Cab. Doc. 316-53).

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29. The Cabinet agreed,

(a) that an additional subsidy of $6,000 be provided for the current year to the Langley Shipping Limited of Port Hawkesbury,N.S., for the operation of M.V. "Vanaheim" between Mulgrave, Guysborough and Queensport,N.S.; this amount to be included in the further supplementary estimates of the Department of Transport for 1953-54; and,

(b) that a total subsidy of $22,000 be paid during the fiscal year 1954-55; the amount to be placed in the main estimates.

R.C.M. Police; salary adjustments

30. The Minister of Justice, referring to discussion at the meeting of November 19th,1953, submitted proposals for increases in rates of pay for members of the R.C.M. Police which would correspond generally to those authorized for the Public Service and the Armed Forces. The increases would be approximately 10 per cent to junior members, 15 per cent to senior first-class constables and ranks up to senior non-commissioned officer, and 10 per cent to commissioned officers. Proposals were also made for certain changes in dependents' allowances.

An explanatory memorandum was circulated.

(Minister's memorandum, Dec. 2, 1953-Cab.Doc. 319-53).

31. In the course of discussion the following points emerged:

(a) The R.C.M. Police faced serious recruitment difficulties owing to the higher pay offered by private employers to men of the calibre required by the police.

(b) Although the shortage of staff might be relieved by raising the retirement age, such a move, because of its effect on promotions, would have an adverse affect on the force.

(c) Consideration might be given to the desirability and practicability of recruiting additional members of the force in the United Kingdom.

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32. The Cabinet approved in principle the recommendation of the Minister of Justice that the rates of pay for the R.C.M. Police be increased by amounts ranging from 10 to 15 per cent, effective December 1st, 1953, and that certain adjustments be made in living allowances; the proposed changes to be submitted to Treasury Board for approval in detail.

Deep-test oil well; application for benefits under Income Tax Act

33. The Prime Minister submitted a recommendation of the Minister of Mines and Technical Surveys for the extension of special tax benefits, under the Income Tax Act and the Income War Tax Act, to Imperial Oil Limited in respect of a deep-test well in Alberta.

34. The Cabinet agreed that special benefits from the Income Tax Act and the Income War Tax Act be extended to Imperial Oil Limited in respect of the Imperial Canadian Superior Buck Creek well to be drilled in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1891, Dec. 3)

Agricultural Products Cooperative Marketing Act;New Brunswick potatoes

35. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, referring to discussion at the meeting of November 26th,1953,suggested that further consideration be given to a proposed agreement with the New Brunswick Potato Marketing Board,under the Agricultural Products Cooperative Marketing Act, for the marketing of potatoes produced in New Brunswick in 1953 and delivered to the Board on a voluntary cooperative basis before June 30th,1954 and involving initial payments of 40,45 and 55 cents respectively.

36. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that he be authorized to enter into an agreement, under the Agricultural Products Co-operative Marketing Act, in the form submitted, subject to such minor amendments without changing matters of principle as the Minister of Agriculture might approve, with the New Brunswick Potato Marketing Board for the marketing of potatoes produced in New Brunswick in 1953; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1892, Dec. 3).

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 7,1953

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Items discussed

Ottawa City Hall site 2.

Post Office and other operating branches of the Public Service; institution five-day week; changes in postal rates; statement 2.

Legislation; Post Office Act amendment 3.

Legislation; Customs Act amendment; valuation for duty 3.

Parliament; legislation 3.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, December 7th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
and Acting Postmaster General
(Mr. Pickersgill),

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Ottawa; City Hall site

1. The Prime Minister said the Chairman of the Federal District Commission had informed him that the Mayor, together with a Committee of the City Council of Ottawa, wished to discuss again the question of location of a City Hall. General Kennedy felt the discussion would centre around a previous proposal for an administrative building on government-owned property on Nicholas Street between the two bridges, with the smaller City Council Chamber or City Hall proper in Confederation Park on the site of the former City Hall. He was still convinced that neither the government nor the Federal District Commission should concur in any suggestion of this nature, particularly because of pending railway negotiations concerning the possible establishment of a terminal company. He considered it unwise to earmark any of the area in question until the railway situation was clarified and suggested that the City Council be informed that permission to build in the area on Nicholas Street between the Laurier Avenue and Mackenzie King bridges would be withdrawn until negotiations with the railways were concluded.

(Letter, Chairman, Federal District Commission, to Prime Minister, Dec. 7, 1953)

2. The Cabinet noted the report of the Prime Minister and agreed that the Chairman of the Federal District Commission be authorized to inform the Mayor and a Committee of the City Council of Ottawa, at a meeting to take place shortly, that permission to construct any buildings on the property owned by the Federal government on Nicholas Street between the Laurier Avenue and Mackenzie King bridges would be withdrawn until final decisions, arising out of negotiations currently under way with the railways respecting the establishment of a terminal company, were made.

Institution of the five-day week in Post Office and other operating branches of the Public Service; changes in postal rates; statement

3. The Secretary of State, as Acting Postmaster General, referring to discussion at the meeting of November 19th, 1953, submitted a draft statement to be made by the Minister of Finance in Parliament concerning the coming into affect of the five-day week in the Post Office and other operating branches of the Public Service and consequent changes in postal rates.

An explanatory memorandum had been circulated.

(Memorandum, Acting Postmaster General and attached draft statement, Dec. 4, 1953-Cab. Doc. 321-53).

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4. The Cabinet approved the statement on institution of the five-day week in the Post Office Department and other operating branches of the Public Service, and consequent changes in postal rates, as revised in accordance with suggestions put forward during the discussion, and agreed that it be made by the Minister of Finance in the House of Commons on Tuesday, December 8th, 1953.

Legislation; Post Office Act amendment

5. The Prime Minister submitted a resolution and bill to amend the Post Office Act.

6. During the course of discussion it was suggested that a clause be added to the bill stating that it would come into force on April 1st, 1954.

7. The Cabinet approved for introduction a resolution and bill to amend the Post Office Act subject to certain modifications suggested during the course of discussion.

Legislation; Customs Act amendment; valuation for duty

8. The Prime Minister, referring to discussion at the meeting of December 3rd, submitted a revised statement to be made on first reading of the bill to amend the Customs Act.

9. The Cabinet approved the statement on the proposed amendment to the Customs Act in respect of valuation for duty as submitted, and agreed that it be made by the Minister of National Revenue in the House of Commons at 8 p.m. that day.

Parliament; legislation

10. The Prime Minister, submitted certain draft legislation.

Draft bills were circulated.

11. The Cabinet approved for introduction the following legislative measures:

Northwest Territories Acts; further amendment.
National Battlefields at Quebec Act amendment and resolution.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 10,1953

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Items discussed

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Agricultural prices support; 1954 eggs	3.
Deep sea merchant shipping	3.
G.A.T.T.; Third Protocol of Rectifications and Modifications to Schedules	4.
Colombo Plan; programme for Ceylon, Gal Oya project	5.
United Nations; protocol for control of opium; Canadian signature	6.
International Plant Protection Convention of 1951; proposed modification to the Spanish text	7.
Dominion Coal Company Ltd.; subvention claims	7.
Canadian General Council of the Boy Scouts Association; grant re Eighth World Jamboree, 1955	8.
Labour; youth training programme	9.
Judicial retirement	10.
Judicial resignation	10.
Appointments	10.
Protocol to Slavery Convention; authorization for signature	11.
Export of natural gas; Westcoast Transmission Company Ltd.	12

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, December 10th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin),
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation; National Housing Act,1954

1. The Minister of Public Works submitted a resolution and bill entitled the National Housing Act, 1954.

Copies of the draft bill had been circulated.

2. In the course of discussion, the following points emerged:

(a) In view of the importance of the measure, it might be advisable to defer consideration until there had been more opportunity to examine its provisions in detail. Meanwhile, the resolution might be placed on the Order Paper.

(b) The measure contained, in addition to the new insured mortgage scheme, much that was in existing legislation. Reference to both aspects of the bill was made in the resolution. It might be preferable to re-draft it into two main portions, the first dealing with the new provisions, and the second re-affirming what was in the present law.

(c) It would be useful to deal with the resolution in Parliament before the Christmas recess. This would enable distribution of the bill and study of its provisions before Parliament met again.

(d) After second reading of the bill, it would be desirable to refer it to the Standing Committee on Banking and Commerce.

3. The Cabinet,

(a) deferred consideration of the bill entitled the National Housing Act, 1954, until a later meeting; and,

(b) approved the resolution for introduction subject to possible revision by the Prime Minister and the Minister of Public Works after consultation with the Law Clerk of the House of Commons.

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Agricultural prices support; 1954 eggs

4. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, submitted a recommendation for stabilizing the price of eggs for the 1953-54 marketing season. A similar programme, in which the Agricultural Prices Support Board had been authorized to buy eggs at 38 cents per dozen for grade A Large, with appropriate differentials, had now been completed for the present marketing season without any loss to the government. It was suggested that the price for the coming season remain the same. Under these circumstances, it was expected there would be no loss to the Treasury although there was a possibility of increased production during the next summer.

5. The Cabinet agreed that, under section 9 of the Agricultural Prices Support Act, the Agricultural Prices Support Board be authorized to designate as an agricultural product, for the purposes of the Act, Canadian shell eggs and egg products, and approved the proposal to offer to purchase eggs at a price equivalent to 38 cents per dozen for Grade A Large, with appropriate price differentials for other grades of eggs and egg products, plus an allowance not to exceed 5 cents a dozen to cover storage charges; an Order-in-Council to be passed accordingly.

(Order in Council P.C. 1953-2006, Dec. 10)

Deep-sea merchant shipping

6. The Minister of Transport, reported that, subsequent to the decision on merchant shipping policy of November 10th, 1953, approval had been given for the sale of three 10,000-ton ships under the Replacement Plan, thus leaving on the Canadian registry twenty-six 10,000-ton ships engaged in deep-sea trades, and three in the coastal trade. Applications had been received for permission to transfer to United Kingdom registry seven 10,000-ton ships and three 4700-ton vessels in the deep-sea trades, and one 4700-ton vessel in the coastal trade. The Canadian Shipowners Association had now requested that all Canadian shipowners be relieved of their obligations under the flag restriction covenant.

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On the advice of the Maritime Commission, it was recommended that arrangements be made to transfer the remaining twenty-six 10,000-ton ships on the Canadian registry to U.K. registry on the same basis as in the transfer plan of 1949.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Transport, December 8, 1953; Cab. Doc. 324-53).

7. In the course of discussion, the following points emerged:

(a) One Montreal Shipping Company was in process of making arrangements for the sale of three of its ships to the United Kingdom, and the U.K. reaction to the proposals appeared to be favourable;

(b) The shipowners wanted to be relieved of all their obligations whatsoever but the Maritime Commission felt the most that should be done was to begin negotiations now for the transfer of the remaining twenty-six ships to U.K. registry.

8. The Cabinet agreed that the Canadian Maritime Commission be authorized to negotiate, with the United Kingdom Ministry of Transport, terms under which the United Kingdom would be prepared to accept further transfers of Canadian-registered ships.

General Agreement on Tariffs and Trade; Third Protocol of Rectifications and Modifications to Schedules

9. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, reported that, at the conclusion of the 8th session of the Contracting Parties to the General Agreement on Tariffs and Trade, on October 24th, 1953, the Contracting Parties had agreed upon the text of the Third Protocol of rectifications and modifications to the G.A.T.T. Schedules. The Protocol had been open for signature at the headquarters of the United Nations since November 6th, 1953, None of the items affected by the Protocol were of substantial interest to Canada and no amendments were to be made to the Canadian schedule of the G.A.T.T.

With the concurrence of the Ministers of Finance and Trade and Commerce, it was recommended that entry in the Protocol by the government be approved.

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10. The Cabinet approved the entry of Canada into the Third Protocol of rectifications and modifications to the texts of the Schedules of the General Agreement on Tariffs and Trade, and agreed that David M. Johnson, Esq., the Permanent Representative of Canada to the United Nations, be authorized to sign the Protocol on behalf of the government of Canada; an Order-in-Council to be passed accordingly.

(Order in Council P.C. 1953-2074, Dec. 10).

Colombo Plan; programme for Ceylon, Gal Oya project

11. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, said approval had been given, in August of this year, for the provision of transmission lines, sub-stations and related equipment for the southern part of the Gal Oya development area, together with the supervisory services of a Canadian engineering firm, up to a maximum of $600,000. It had also been agreed that the government of Ceylon would be informed that consideration would be given to the supply of additional transmission equipment for the project at a later stage, when the need for power in the northern part of the area had been established.

Subsequently, Canadian authorities had been informed that the government of Ceylon had unexpectedly received delivery of transmission equipment which had been ordered in the United Kingdom some time before an approach had been made to the Canadian government under the Colombo Plan. The long delay had led the Ceylon government to believe that no equipment would be delivered from the U.K. and it had felt justified in seeking aid from Canada. When the equipment actually arrived, Ceylon authorities saw no alternative but to make effective use of it as originally intended in the first part of the Gal Oya transmission scheme. Since this was part of the project originally approved for Canadian aid, the Ceylon government now sought Canadian assistance in the erection of the northern sections of the scheme.

The new request had been examined by the Canadian inspection engineer. Approximately 20 miles of additional lines, a regulator and small sub-station would be required to carry out the new proposal. Agreement had been reached at the official level in Canada and at the governmental level in Ceylon to use Canadian assistance to carry out the project. There was no suggestion that lines be carried to provide lighting for settlers, which was the principal objection to the earlier request for lines to supply power. The new proposal would cost approximately $760,000, an increase of about $160,000 over the amount already sanctioned. It would, however, remain within the

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Canadian allotment of $2 million to Ceylon under the Colombo Plan.

It was recommended that the new project be approved.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, Dec. 9, 1953-Cab. Doc. 326-53).

12. The Cabinet agreed that authority be given to provide transmission lines, sub-stations and related equipment, together with the supervisory services of a Canadian engineering firm up to a maximum cost of $760,000, for assistance, under the Colombo Plan, in the Gal Oya project, Ceylon, in lieu of that part of the project which had already been approved.

United Nations; protocol for control of opium; Canadian signature

13. The Minister of National Health and Welfare said that, in 1951, the Economic and Social Council of the United Nations had requested the Narcotic Drugs Commission to find a basis for an acceptable international agreement, to limit the production of opium to medical and scientific needs. A committee had been established to prepare a statement of principles and, subsequently, the Secretary General of the United Nations had convened an international conference of plenipotentiaries to discuss and adopt a protocol. Canada had attended the conference, at the end of which approval had been given to a protocol designed to limit the production of opium to the world's medical and scientific needs, to require all producing countries to establish opium national monopolies, to require all countries concerned to limit opium stocks which they might hold, and to authorize the Permanent Central Opium Board to request information concerning stocks and other matters, and to impose sanctions, including an embargo, against any country violating the terms of the agreement.

The protocol was open for signature to December 31st, 1953, and was to come into force on the 30th day after at least twenty-five states, including three of the states producing opium, had deposited instruments of ratification or accession.

Canada was neither a producing nor manufacturing country but had taken a responsible part in the international work of supervising and controlling narcotic drugs.

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It was recommended, with the concurrence of the Secretary of State for External Affairs, that approval be given for entry into the agreement.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 1, 1953-Cab. Doc. 323-53).

14. The Cabinet approved the entry into an International agreement for limiting and regulating the cultivation of the poppy plant and the production of, international and wholesale trade in, and use of opium and agreed that authority be given for David Johnson, Esq., Canadian Permanent Representative to the United Nations at New York, to sign the agreement on behalf of Canada before December 31st, 1953; an Order in Council to be passed accordingly.

Proposed modification to the Spanish text of the International Plant Protection Convention of 1951

15. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, submitted a recommendation for granting authority to the Minister of Agriculture, Chairman of the Canadian delegation to the Food and Agricultural Organization Conference in Rome,or to Pierre Dupuy, Esq., Canadian Ambassador in Rome, to sign, on behalf of the government, a document embodying certain modifications in the Spanish text of the International Plant Protection Convention of 1951, as approved by the F.A.O.

16. The Cabinet agreed that authority be given to Mr. Gardiner, Minister of Agriculture, and Chairman of the Canadian delegation to the Food and Agricultural Organization Conference in Rome, or to Pierre Dupuy, Esq., Canadian Ambassador in Rome, to sign, on behalf of the government of Canada, a document embodying the modifications of the Spanish version of the International Plant Protection Convention as approved by the F.A.O. Conference; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1900, Dec. 9)

Dominion Coal Company Ltd.; subvention claims

17. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of May 11th, 1953, said the Dominion Coal Company Ltd. had asked for renewed consideration of its claim to a subvention on certain transhipments of coal made from Three Rivers and Quebec City in January, 1953. The Company contended that, even if its claims for the full amount of subvention were not allowed, it should be entitled at least to the amount of subvention which would have been payable if the coal had been shipped off Montreal docks. The Dominion Coal

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Board, however, felt that, under the governing Order in Council, they had no authority to extend assistance for hypothetical movements of coal.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 7, 1953- Cab. Doc. 327-53).

18. In the course of discussion the following points emerged:

(a) There was a reasonable possibility that the Company's claims would have been allowed by the Dominion Coal Board if proper notification of the change in route had been given; and,

(b) The Company was in difficult financial circumstances,

19. The Cabinet agreed that the Dominion Coal Board be authorized to pay the Dominion Coal Company Ltd., the sum of $22,193.79 as a subvention on certain transhipments of coal made by the Company from Three Rivers and Quebec City in January, 1953.

Canadian General Council of the Boy Scouts Association; grant re Eighth World Jamboree, 1955

20. The Minister of Finance said he had received, through the Minister of Citizenship and Immigration, a request from the Canadian General Council of the Boy Scouts Association for a contribution to the expenses of the Eighth World Jamboree to be held in Canada in the summer of 1955. At this event, the first of its kind held in Canada, the Canadian Association would play host to about 15,000 boys from 57 countries. The total cost of the Jamboree was estimated to be $332,500. He recommended that the request for a contribution of $50,000 from the Federal government be granted.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 4, 1953- Cab. Doc. 322-53).

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21. The Cabinet approved the recommendation of the Minister of Finance and agreed that $50,000 be included in the main estimates of the Department of Finance, 1954-55, towards defraying a portion of the operating costs of the Eighth World Jamboree and International Conference of Boy Scouts, to be held in Canada in the summer of 1955.

Labour; youth training programme

22. The Minister of Labour reported that youth training programmes were now carried out under the Vocational Training Agreements with the provinces. The last renewal of these agreements, on April 1st, 1953, had been for one year only as it was intended to review the whole situation, particularly the relation of the student aid programme to certain recommendations of the Massey Commission Report.

For the fiscal year 1954-55, it had been proposed that Federal grants to the student aid programme be increased from $510,000 to $660,000, to meet the requests of Ontario and Quebec for an additional $50,000 each and to provide an additional $50,000 for student aid in other provinces. It was necessary to consider whether the Vocational Training Agreements should be renewed, particularly insofar as student aid was concerned, and if so, whether increases should be made in the Federal grants.

23. In the course of discussion the following points emerged:

(a) There had been steady and substantial increases in the Federal grants for student aid since the war.

(b) Students had been assisted in a wide variety of studies; the funds given as student aid had become an important form of Federal assistance to provincial education programmes.

(c) Federal grants for student aid should not be further increased without a review of their relation to the recommendations of the Massey Commission Report.

24. The Cabinet noted the report of the Minister of Labour in the youth training programmes under the Vocational Training Agreements and agreed,

(a) that there be no increase in the Federal grants to the provinces during the fiscal year 1954-55 for student aid programmes under the Vocational Training Agreements; and,

(b) that provincial governments be informed that the Federal government was reconsidering its role in the programmes of youth training in the light of the recommendations of the Massey Commission Report.

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Judicial retirement

25. The Minister of Justice, submitted a recommendation for a judicial retirement.

26. The Cabinet approved the recommendation of the Minister of Justice and agreed that His Honour Allan Macdonald, Judge of the County Court of District Number Six, Nova Scotia, be retired and be granted an annuity as recommended; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1933, Dec. 10).

Judicial resignation

27. The Minister of Justice submitted a recommendation for a judicial resignation.

28. The Cabinet approved the recommendation of the Minister of Justice and agreed that the resignation of His Honour John Josiah Robinette, a Judge of the Supreme Court of Ontario, member of the Court of Appeals for Ontario and ex officio a member of the High Court of Justice for Ontario, be accepted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1930, Dec. 10)

Appointments

29. The Prime Minister submitted a recommendation of the Minister of Defence Production for the appointment of a Director of the Canadian Commercial Corporation.

30. The Minister of Justice submitted recommendations for certain judicial appointments.

31. The Minister of Labour submitted a recommendation for the appointment of a Chairman of the Courts of Referees for the Ontario Regional Division..

32. The Cabinet approved the recommendations as submitted and agreed that appointments be made as follows; Orders in Council to be passed accordingly:

(a) Eric G. Moorhouse, Esq., of London, to be Judge of the Supreme Court of Ontario and a member of the High Court of Justice for Ontario, and ex officio a member of the Court of Appeal for Ontario.

(Order in Council P.C. 1953-1932, Dec. 10).

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(b) The Honourable Edgar Rodolphe Eugene Chevrier, a Judge of the Supreme Court of Ontario and a member of the High Court of Justice for Ontario, to be a member of the Court of Appeal for Ontario and ex officio a member of the High Court of Justice for Ontario.

(Order in Council P.C. 1953-1931, Dec. 10)

(c) The Honourable A.H, McKinnon, one of Her Majesty's Counsel learned in the law, of Halifax, to be Judge of the County Court of District Number Six, Nova Scotia, effective January 1st, 1954.

(Order in Council P.C. 1953-1934, Dec. 10)

(d) Finlay Smith Sim, Esq., Comptroller-Secretary, Department of Trade and Commerce, to be a Director of the Canadian Commercial Corporation.

(Order in Council P.C. 1953-1926, Dec. 10)

(e) Pierre Mercier, Esq., of Ottawa, to be the Chairman of the Courts of Referees for the Ontario Regional Division and more particularly for the District of Ottawa, in accordance with subsection (2) of section 54 of the Unemployment Insurance Act.

(Order in Council P.C. 1953-1925, Dec. 10).

Protocol to Slavery Convention; authorization for signature

33. The Prime Minister said the Secretary of State for External Affairs had proposed that Canada should become a signatory to a protocol to the Slavery Convention of 1926. The purpose of the protocol was to effect the formal transfer to the United Nations of certain duties and functions formerly exercised by the League of Nations. It was recommended that the Permanent Representative of Canada to the United Nations be authorized to sign.

34. The Cabinet agreed that David M. Johnson,Esq., Permanent Representative of Canada to the United Nations, be authorized to sign, without reservation as to acceptance, on behalf of the government of Canada, the protocol amending the International Slavery Convention signed at Geneva on September 25th, 1926; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1928,Dec. 10).

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Export of natural gas; Westcoast Transmission Company Ltd.

35. The Prime Minister said that the Minister of Trade and Commerce had proposed that an increase be made in the volume of gas which the Westcoast Transmission Company Ltd. had been authorized to export. In the compilation of the revised export figures, the future requirements of British Columbia had been fully protected.

36. The Cabinet agreed that the volume of natural gas authorized for export by the Westcoast Transmission Company Ltd. be increased as recommended; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1929, Dec. 10)

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

MEETING

December 11, 1953

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ITEMS DISCUSSED

Oats; restriction on shipments to the United States 2.

Legislation; National Housing bill 3.

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No. 75-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday December 11th, 1953, at 5:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Oats; restriction on shipments to the United States

1. The Prime Minister said the U.S. Tariff Commission had recommended to the President, recently, that imports of Canadian oats should be limited by quota. In order to avoid the continuing ill effects of a U.S. quota on Canadian exports, it would be desirable to deal with the problem by some alternative method.

Discussions had been held between the Minister of Trade and Commerce and the Secretary of State for External Affairs and American officials concerned, as a result of which a tentative agreement had been reached whereby the Canadian government would voluntarily limit the export of oats to the United States to 23 million bushels from December 10th, 1953 to September 30th, 1954.

To implement this arrangement, an exchange of letters between the U.S. Secretary of State and the Secretary of State for External Affairs for Canada was proposed, and drafts had been prepared which were understood to be acceptable to the United States Administration.

The letter from the U.S. Secretary of State would explain that his government had been faced with problems of increasing seriousness in the accumulation of surplus agricultural products. These surpluses might threaten to disturb orderly marketing arrangements and, in particular, unless steps were taken to ensure that imports of oats would not interfere with orderly marketing of oats in the United States, a critical situation would develop which would be damaging to the farming industry of both countries. It would be suggested that shipments from Canada be limited to the amounts mentioned above.

In reply, it was proposed to state that the Canadian government, as a temporary measure and without obligation, would take all practical steps to limit shipments of oats to the United States to the extent and for the period suggested. It would be made clear that Canada would reconsider this decision in the event that substantial quantities of oats were imported into the United States from other countries.

(Draft exchange of letters between Acting U.S. Secretary of State and Acting Secretary of State for External Affairs, Dec. 7, and Dec. 11, 1953).

2. In the course of discussion, the following points emerged:

(a) If some arrangement as suggested in the draft exchange of notes were not agreed to, it was likely that the President would have to act upon the U.S. Tariff Commission recommendation and impose a quota of 23 million bushels against Canada. It would be very difficult to revoke such a regulation in the future.

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(b) If the United States actually applied the quota as recommended by the U.S. Tariff Commission, Canada would appeal under the provisions of the G.A.T.T. and most probably win its case. In the circumstances, reprisal action might be taken on U.S. imports of fresh fruit, vegetables and cotton, but this would lead to serious consequences in both countries and it appeared desirable to deal with the problem as suggested.

(c) Canada had already shipped 48 million bushels of oats to the United States in the current crop year. Despite the proposed limitation on exports, it would be doubtful if, in fact, 23 million bushels would be available for export to the United States for the balance of the year.

(d) Canada was running a deficit with the United States in our ordinary trade to the extent of approximately $1 billion. In the light of the trade balance between the two countries the U.S. suggestion was unfortunate but there appeared to be no alternative to the suggested solution.

3. The Cabinet agreed:

(a) that letters in the terms submitted providing for limitation of exports of oats to the United States, to the extent of 23 million bushels between December 11th, 1953 and September 30th, 1954, be exchanged between the Acting Secretary of State for the United States and the Acting Secretary of State for External Affairs; and,

(b) that the Minister of Trade and Commerce table the exchange of correspondence in the House of Commons on Monday, December 14th and, at the same time, make a statement explaining the arrangements that had been made.

Legislation; National Housing bill,1954

4. The Minister of Public Works, referring to the discussion at the meeting of December 10th,explained that the National H using bill contained the following main features:

(a) Substitution of insured mortgage loans for the joint loan technique provided in existing legislation.

(b) Basing of loans on appraisals made by Central Mortgage and Housing Corporation. According to the existing law, mortgages were based on appraisals made either by C.M.H.C. or by the lender, whichever was the lower. The practical result of the new provision would be to enable larger loans to be made than was possible at present since, on the average, C.M.H.C. appraisals were somewhat higher than those of lending institutions.

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(c) Payment by each borrower of an insurance fee on instalment loans of 2½ per cent of the amount of each instalment.

(d) In the case of private dwellings, loans to be made for 90 per cent of the first $7,000 of the lending value and 70 per cent of the amount by which the lending value exceeded $7,000, up to a maximum lending value of $12,500.

(e) In the case of default, lenders to be paid 98 per cent of the principal outstanding at the time of conveyance and all arrears of interest outstanding for a period not in excess of 18 months, plus an acquisition fee of $125.

(f) Extension of the amortization period to a minimum of 25 years and a maximum of 30 years.

(Copies of the draft bill were circulated).

5. In the course of discussion, the following points emerged:

(a) The net effect of the legislation would be to provide for lower down payments and for a longer period of amortization. On the other hand, there would be increased charges composed of an additional $15 in C.M.H.C. fees to provide for more thorough inspection services, an insurance premium of 2½ per cent or $250 on a $10,000 loan and an increase in interest rates.

(b) The 2½ per cent insurance premium might be rather high. It was for decision whether the borrower should carry the whole amount of the premium or whether part of it should be absorbed by C.M.H C.

(c) Under the pool guarantee system, which had been started before the war, a credit of $18 million had been established thus far through contributions averaging $200 per loan. There had been very few foreclosures and little of this money had been used to reimburse lenders, but economic conditions had been good. If conditions deteriorated, that amount of money would not last long and even the proposed fee of 2½ per cent would not cover extensive losses.

(d) The proposed scheme would make more mortgage money available, but the charges would be higher than heretofore.

(e) The low rental scheme and the limited dividend operations under section 35 of the present legislation would be carried forward into the new Act.

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(f) To make the scheme more attractive to borrowers, it might be worth while to lower the rate of the insurance fee, or to reduce the minimum down payment, or to do both.

6. The Cabinet approved for introduction the National Housing Act, 1954; subject to the following changes being made in the measure:

(a) the insurance fee of 2½ per cent of each instalment, as provided in section 6, to be reduced to 2 per cent, and,

(b) section 7 to be revised in order that loans may be made for the aggregate of 90 per cent of the first $8,000 (instead of $7,000) of the lending value or any part thereof and 70 per cent of the amount by which the lending value exceeds $8,000 (instead of $7,000) up to a maximum total loan of $12,500.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 14th, 1953

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Items discussed

Honours and awards; foreign decoration for Madame Vanier 2.

Legislation; Veterans Benefit bill 2.

House of Commons; Christmas adjournment 2.

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No. 76-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE-CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, December 14th, 1953, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretary to the Cabinet
(Mr. Pelletier)
Mr. R.A.J. Phillips, Privy Council Office.

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Honours and awards; foreign decoration for Madame Vanier

1. The Prime Minister said the French government wished to make an award for services in the last war to Madame Vanier upon the retirement of her husband as Canadian Ambassador to France. The French government were aware of the ruling that offers of awards to Canadian civilians for war services would not be considered after June 30th, 1950, but they justified an exception in this case on the grounds that it would not have been appropriate to propose such an award for Madame Vanier while her husband was Ambassador.

2. The Cabinet agreed that the French government be notified that, as an exceptional case, there would be no objection to the offer of a civilian award to Madame Georges Vanier for services in the Second World War.

Legislation; Veterans Benefit Act

3. The Minister of Veterans Affairs submitted a draft bill respecting veterans benefits.

Copies of the draft bill were circulated.

4. The Cabinet approved for introduction the bill entitled the "Veterans Benefit Act, 1954," as submitted by the Minister of Veterans Affairs.

House of Commons; Christmas adjournment

5. The Prime Minister, referring to discussion at the meeting of November 10th, 1953, said that the House of Commons would likely be ready to adjourn for the Christmas recess later that week. It had been suggested to him by many members that it would be more convenient to resume sessions on Tuesday, January 12th, rather than on the day before, as previously suggested.

6. The Cabinet agreed that a motion be made that the House of Commons adjourn for the Christmas recess on December 17th, 1953, and resume on January 12th, 1954.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 17th, 1953

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Items discussed

Legislation; fire replacement account for government property	2.
Legislation; civil servants transferred to Crown companies; pension provisions	3.
Urban homes for veterans; government assistance	5.
Joint U.S.-Canadian Committee on Trade and Economic Affairs; 1st meeting	6.
Salted cod; purchase and disposal	8.
C.N.R.; purchases of Canadian coal	9.
Immigration programme	10.
Surety bonds as contractors' security; reference by the Treasury Board	12.
Rental policy for government-owned housing; reference by the Treasury Board	12.
Cabinet Defence Committee; report	13.
Abasand Oils Limited; payment to government	14.
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No. 77-53

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, December 17th, 1953, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin),
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation; fire replacement account for government property

1. The Minister of Finance submitted a proposal for the introduction of a bill at this session of Parliament to establish a fire replacement account available to departments and certain crown corporations. Expenditures for replacements and repairs due to fire losses, up to a maximum of possibly $5 million, would be charged to the account, which would be replenished annually by votes of Parliament for the services suffering losses.

The Federal government, with few exceptions, had followed the policy of non-insurance of government property since Confederation. The problem of financing urgently required replacements or repairs had, however, not been solved. In establishing the proposed fund, different considerations would apply, on the one hand, to ordinary government departments and crown corporations financed wholly or in part by appropriations and, on the other, to proprietary crown corporations which were expected to conduct their operations without appropriations.

It was proposed that the account would be available for the replacement or repair of buildings or equipment for departments, departmental corporations and certain agency corporations, that expenditures would be subject to the approval of the Governor in Council or Treasury Board, that amounts to reimburse the account would be included annually in the estimates for the service suffering the loss and that there would be a provision for regulations governing the operations of the account.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 27, 1953- Cab. Doc. 320-53).

2. In the course of discussion, the following points emerged:

(a) The suggested fire replacement account was essentially a device to overcome the difficulties that arose when a department sustained serious fire losses and was faced with the necessity either of deferring replacement of the destroyed property or transferring to this purpose certain departmental appropriations initially made for other normal departmental business. Certain relatively minor fire losses could be met by allotments out of the Contingencies Vote, but this vote was not designed for such purposes.

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Under the new plan,departments suffering fire losses could replace such losses immediately without encroaching upon their other appropriations, subject, of course, to the amount being taken from the fire replacement account being replenished by a special departmental vote at a subsequent session of Parliament.

(b) Although the proposed fire replacement account was in no sense an insurance fund, it was thought that there might be some merit in having all departments and agencies contribute to the account an annual premium somewhat similiar to an ordinary fire insurance premium although the amount would naturally be smaller. It was felt that,if such an obligation were placed on each department and agency which would benefit from the fire replacement account, fire protection services might be improved with a consequent decrease in the number of losses sustained.

(c) As a counter-argument, it was pointed out that the payment of annual premiums by departments would not likely have many really beneficial results insofar as reduction in fire losses were concerned and would hold the real disadvantage of artifidally inflating departmental estimates.

3. The Cabinet approved in principle the proposal of the Minister of Finance for the establishment of a fire replacement account to be available to all departments, departmental corporations and certain agency corporations; it being understood that further consideration would be given to the possibility and desirability of having all departments and crown corporations concerned contribute an annual premium to the account; a draft bill to be prepared accordingly.

Legislation; civil servants transfered to crown companies; pension provisions

4. The Minister of Finance recommended that a bill be prepared for presentation at the present session of Parliament to amend statutes which enabled civil servants contributing to the superannuation account under the Civil Service Superannuation Act to enjoy all the benefits of that Act when leaving employment in the Civil Service and becoming employees of crown companies.

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This policy had been introduced to facilitate the transfer of key personnel from the Civil Service at the time of the establishment of a crown company. It normally took some time before newly established crown companies could set up their own pension plans and, even with the prospect of higher salaries, it would have been difficult for crown companies to attract key personnel from the Civil Service had such personnel not been allowed to continue as contributors under the Superannuation Act. While such a provision was recognized as essential at the time a crown company was set up, the need for it gradually disappeared when that company became well established and had a pension plan of its own.

Normally, those civil servants who had benefited in this way had been permanent employees with some years of service to their credit, and the retention of their rights under the Civil Service Superannuation Act could not be regarded as providing excessive benefit even though they enjoyed both the higher salaries paid by crown agencies and the civil service pension which was more generous than the industrial-type pension provided by most crown companies.

With the coming into force of the Public Service Superannuation Act on January 1st 1954, however, these circumstances would be different. If the present provisions were to remain in other acts, it would be possible for a person with only one year's employment in a temporary position to transfer to a crown company and carry with him full rights under the Superannuation Act. The proposal recommended would result in the elimination of this provision but would not affect civil servants who had already become employees of crown companies and continued to be contributors under the Superannuation Act.

It was recommended that the bill contain provisions to authorize corporations to enter into Reciprocal Transfer Agreements with the Minister of Finance as contemplated by the Public Service Superannuation Act; such agreements not to be applied until the company in question had a pension plan of its own.

It was also recommended that, in future, legislation establishing any new crown company might provide temporary procedures to cover the case of civil servants who might be transferred to such newly formed companies.

An explanatory memorandum had been circulated.

(Minister's memorandum Dec. 9, 1953- Cab. Doc. 328-53).

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5. The Cabinet approved in principle the proposal of the Minister of Finance to amend statutes containing pension provisions in respect of civil servants who become employees of crown companies; a draft bill to be prepared accordingly.

Urban homes for veterans; government assistance

6. The Minister of Veterans Affairs submitted a proposal to enact legislation authorizing the Director of the Veterans Land Act to provide technical advice and financial assistance to veterans who wished to construct their own homes and who were approved for first mortgage loans under the National Housing Act. The proposal was substantially the same as that which had been suggested by the Canadian Legion in their brief presented to the government earlier in the year.

Specifically, it was recommended that the Director be authorized to purchase, sub-divide and service properties; to let contracts; to approve veterans for the construction of their own homes on a down payment of a minimum of $700; to finance veteran contractors during the period of construction by progress payments not exceeding a total of $7,000 to be paid from a revolving fund. On completion of construction, the veteran would obtain a loan under the National Housing Act, subject to the usual conditions, from which he would reimburse the Director for progress payments made during the course of construction.

At present, there was a large backlog of applicants seeking assistance under the Veterans Land Act. It was felt many of them would forego the conditional grant and low interest rates provided under the Veterans Land Act if they could build homes on urban lots which could be financed within their limited incomes. It was suggested that the revolving fund be established at $15 million.

The proposal would overcome a serious obstacle to establishing veterans under the small holdings provisions where there was a requirement for a minimum acreage and part-time agricultural operations. It was felt that the net cost per veteran would be considerably less than under the present provisions of the Act.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 14, 1953- Cab. Doc. 331-53).

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7. In the course of discussion, the following points emerged:

(a) Before agreeing to the proposal it would be desirable to ascertain whether commercial institutions would be prepared to make loans on homes built by the owners in the manner suggested.

(b) It might be desirable not to have veterans segregated in building subdivisions. In smaller communities, particularly, they should be spread amongst the other inhabitants.

(c) Under the National Housing Act, Central Mortgage and Housing Corporation could not make loans on already built houses, and this was the reason for the special arrangements for veterans.

(d) If the proposal were to be pursued, it would be helpful to have it considered quickly because the Department of Veterans Affairs, early in the New Year, began its courses to advise veterans on construction methods. If many veterans were to take advantage of the legislation, they should have the advantage of the courses before the construction season began.

8. The Cabinet deferred decision on the proposal to authorize the Veterans Land Act administration to assist and finance veterans in the construction of homes on city size lots pending review of the proposal by officials of the Departments of Veterans Affairs, Finance, Justice and the Central Mortgage and Housing Corporation and agreed that, following such review, a draft bill be prepared for consideration at a subsequent meeting.

Joint United States-Canadian Committee on Trade and Economic Affairs; First Meeting

9. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, said a message had been received from the Canadian Ambassador in Washington, transmitting proposals that the initial meeting of the Joint United States-Canadian Committee on Trade and Economic Affairs be held in or near Washington on February 25th, 1954. Other dates about the end of February would make it inconvenient for Mr. Dulles to be present.

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The United States had suggested a very tentative agenda consisting of the following items:-

(a) Canadian and United States agricultural policies and their relation to international trade;

(b) Methods of disposing of existing surpluses and those which might be expected to accumulate in the immediate future ;

(c) A continental approach to a metals and minerals policy;

(d) The work of the commission on foreign economic policy;

(e) Convertibility of sterling.

If agreed, it was proposed that officials would start the preparation of draft papers at once. It was also proposed to suggest to U.S. authorities that a preliminary meeting of officials be held in Ottawa on February 11th and 12th ,rather than on February 4th and 5th, as originally contemplated, as this would allow a reasonable interval for preparation after the return of the Canadian delegation to the meeting of Commonwealth Finance Ministers in Australia.

It was for decision whether the date suggested for the first meeting was suitable, whether the agenda proposed would be acceptable, and if not, what changes might be suggested, and which Ministers should represent Canada at the meeting. It would also be useful to decide, as soon as possible, on who would be the Canadian Joint Secretary.

An explanatory memorandum was circulated.

(Minister's memorandum, Dec. 16 , 1953 -Cab. Doc. 341-53).

10. In the course of discussion, the following points emerged:-

(a) The agenda should be expanded to include, among other things, the U.S. Customs Simplification Act, and the Buy American Act.

(b) It might not be advisable to have convertibility of sterling on the agenda as this might appear, even though Canada was not responsible for its inclusion, that we were interfering in affairs not directly related to the purposes of the Committee. It might be useful to discuss this problem but this could probably be done under some general heading.

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(c) The Canadian Joint Secretary of the Committee should be appointed a reasonable time in advance of the preparatory meetings.

11. The Cabinet noted the report of the Acting Secretary of State for External Affairs on suggested arrangements for the first meeting of the Joint United States-Canadian Committee on Trade and Economic Affairs, and agreed,

(a) that departments most directly concerned indicate to the Secretary of State for External Affairs what additional items might be included on the agenda; and,

(b) that the Canadian Joint Secretary be appointed at an early date following consultation between the Minister of Trade and Commerce and the Secretary of State for External Affairs.

Salted cod; purchase and disposal

12. The Minister of Fisheries, referring to discussion at the meeting/September 17th, 1953, reported that the Canadian Commercial Corporation had now purchased $200,000 worth of fish in Newfoundland to be shipped to Greece as part of Canada's contribution to earthquake relief and $300,000 worth for relief in Korea. Funds to cover the gifts would be recovered by a supplementary vote in the Department of External Affairs. Purchase of $950,000 worth had previously been approved,so there remained $450,000 worth to be acquired and disposed of outside of commercial markets.

An early decision on disposal of the remaining fish was desirable so as to facilitate marketing of the 1953 production. Since the operation was one of price support, it was recommended that the remainder of the fish be purchased by the Canadian Commercial Corporation on behalf of the Fisheries Prices Support Board,which would make it available to the Department of External Affairs for disposal, principally for Korean relief purposes.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 16, 1953- Cab. Doc. 339-53).

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13. The Cabinet agreed that the Fisheries Prices Support Board be authorized to purchase, through the Canadian Commercial Corporation, the remaining $450,000 worth of salted cod of the total $950,000 previously authorized, and to make the fish available for disposal through the Department of External Affairs as a contribution for relief in kind in Korea.

Canadian National Railways; purchases of Canadian coal

14. The Minister of Mines and Technical Surveys said problems regarding the supply of coal to the Canadian National Railways had become of increasing importance to the maintenance of the Canadian coal industry. In recent years, the C.N.R. had initiated purchasing policies which might soon put many mines out of business. The Coal Board felt that these policies had been adopted without adequate consideration of wider interests and that they had been based upon cost figures which might not have reflected the whole situation. The Canadian Pacific Railway had followed different practices and in the opinion of the Board, these were more helpful to the mines. Decisions on purchasing for the next year's operation had now to be taken and would have a great bearing on the future of bituminous coal producers on C.N.R. lines in western Canada and in the Maritimes.

In the present year, the Coal Board had been authorized to pay a subvention to the C.N.R. on purchases of Canadian coal. A final settlement had not been made yet and there was some difference of opinion between the Railways and the Board as to the amount payable.

Explanatory memoranda had been circulated.

(Memoranda, Dominion Coal Board, Dec. 10, 1953- Cab. Docs. 334-53 and 335-53).

15. In the course of discussion, the following points emerged:

(a) The C.N.R., as a commercial undertaking, should be expected to operate as cheaply as possible. If it was government policy to maintain the coal mining industry at a certain level, the money required for this purpose should come from sources other than the C.N.R.

(b) Subventions paid for the mining and transportation of coal in Canada were gradually becoming larger and larger. In the light of the increased use of oil for locomotives and for other purposes, it would be desirable to examine the whole coal subvention policy and devise as sound an economic and political solution as possible to the difficulties confronting the coal industry.

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(c) There appeared to be no acceptable alternative but to honour the undertaking given the C.N.R. that, provided the Railways took certain agreed quantities of Canadian coal during 1953, the government would pay the difference between the laid-down cost of Canadian and American coal. Whether such an undertaking should be given for 1954 was another matter.

(d) For the future, it would be desirable to have a recommendation from the Coal Board as to the policy the government should follow in paying subventions and supporting mines.

16. The Cabinet agreed,

(a) that a submission for the payment of the claims of the Canadian National Railways for subventions in respect of Canadian coal purchased in the present fiscal year be prepared and submitted to the Treasury Board for determination of the precise amount of subvention; and,

(b) that the Dominion Coal Board submit a report on future coal subvention policy for study by the Interdepartmental Committee on External Trade Policy before consideration by the Cabinet.

Immigration programme

17. The Minister of Citizenship and Immigration recalled that, in December, 1952, the Cabinet had approved the general character and magnitude of the immigration programme for 1953, which called for admission of approximately 160,000 persons. Approval was also given at that time to the continuation of the Assisted Passage Loan Scheme.

For the first ten months of 1953, slightly over 140,000 immigrants had arrived in Canada and thus far no difficulty had been experienced in their establishment. More immigrants could, in fact, have been absorbed into the economy, particularly in the early months of the year. The outlook at the present time for immigrants in 1954 was favourable and, on the basis of surveys made, it appeared that the economy could absorb approximately 222,000 persons, comprising 113,000 workers and 109,000 dependents. However, shipping accommodation on commercial lines appeared to be insufficient to carry this number, and existing staff and facilities overseas were inadequate to cope with such a programme.

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Despite criticism directed towards the Department of Citizenship and Immigration in respect of domestic and farm labour, it would still seem advisable to continue the Assisted Passage Loan Scheme for another year.

It was recommended that the programme for the coming year be set at approximately 160,000 immigrants and that the Assisted Passage Loan Scheme be continued.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 17, 1953-Cab. Doc. 336-53).

18. In the course of discussion, the following points emerged:

(a) Regardless of economic prospects for the coming year, there would be difficulties in certain areas in absorbing a large number of immigrants. It might be preferable to follow a cautious policy and to review the programme at the end of say, the first quarter of 1954.

(b) The Assisted Passage Scheme had enabled many domestics and unskilled persons to come to Canada, mainly from Germany. While these types had been the cause of some trouble, they could ultimately be absorbed and it was doubtful if they would have come without such help.

(c) Some of the problems encountered with this group might be overcome if action were taken to get immigrants to live up to their undertakings to remain in their initial employment for a specified period.

(d) The policy with respect to immigration from Japan might be reviewed. The Japanese were pressing strongly to increase the number of their citizens which might emigrate to Canada.

19. The Cabinet agreed,

(a) that the immigration programme for 1954 be set at about 160,000 immigrants, with a high rate of arrivals early in the year and a relatively low rate later in the year, if required by conditions in Canada; such controls as were needed, to be exercised administratively; and,

(b) that the Assisted Passage Loan Scheme be continued in 1954 on the same basis as during the current year; the Department of Citizenship and Immigration to be authorized to enforce the contract provisions of the scheme by deportation in such cases as the Minister might deem necessary, so as to deter immigrants from leaving the occupations in which they had become established before fulfilling their contracts.

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Surety bonds as contractors' security; reference by the Treasury Board

20. The Minister of Finance said the Treasury Board had recommended a revision of government contract regulations. The revised regulations contained no authority for the acceptance of surety bonds from guaranty companies as security for the performance of government contracts. Although representations had been made that such bonds should be accepted, at present only Government of Canada and Canadian National Railways bonds could be taken as security. The major contracting departments and agencies of the government, as well as the Interdepartmental Committee on Contracts, were opposed to the acceptance of surety bonds. The Board wished to have this question of policy considered by the Cabinet.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of the Treasury Board, Dec. 15, 1953- Cab. Doc. 333-53).

21. The Cabinet noted the report of the Minister of Finance on the suggestion that surety bonds be accepted as security for the performance of government contracts, and deferred decision pending further consideration at a subsequent meeting.

Rental policy for government-owned housing; reference by the Treasury Board

22. The Minister of Finance said there was a lack of uniformity in the terms under which the government provided something over 4,000 housing units for its civilian employees. Following an examination of current practices, he now recommended that Central Mortgage and Housing Corporation, with the assistance of the Veterans Land Act Administration, conduct a complete appraisal of all government-owned housing. The costs, estimated to be about $60,000 would be borne, ultimately, by the departments administering the housing. Following this survey, a uniform rental policy should be formulated for all government housing.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 15, 1953- Cab. Doc. 340-53).

23. In the course of discussion the following points emerged:

(a) In any uniform rental policy, special consideration would have to be given to areas where comparisons with commercial housing could not readily be made, particularly in the far north. It might even be found best to leave the far north completely outside the framework of any general rental policy.

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(b) Care would be required to avoid hardships to persons where rent was substantially raised without corresponding increase in salary or allowances.

(c) It would be advisable to defer decisions on a uniform rental policy until the results of the appraisal were available.

24. The Cabinet noted the report of the Minister of Finance and agreed that the Central Mortgage and Housing Corporation, with the assistance of the Veterans Land Act Administration and in co-operation with the departments concerned, undertake an appraisal of all government-owned housing provided to civilian employees, with a view to working out recommendations for a uniform rental policy.

Cabinet Defence Committee; report

25. The Associate Minister of National Defence reported on decisions of the Cabinet Defence Committee at its meeting on December 2nd, 1953.

(a) It was agreed that an additional sub-component of the Canadian Army Reserves be formed under the name of the Canadian Army Regular Reserve. Its members, who would receive an annual retaining fee of $100, in addition to pay while training, would be men who had completed a three-year engagement in the Regular Forces and who would agree to undertake three weeks training each year and be available for immediate call-up in an emergency.

(b) It was recommended that approval be given for a development programme for the CF105 to replace the CF100, which could not provide an adequate defence against the turbo-jet bombers expected to be in use by 1958. The cost of the development programme was estimated to be $26,925,000.

(c) It was recommended that the R.C.A.F. be granted authority to procure 50 Bristol 175 aircraft to be built in Canada, and 25 Neptune (USN P2V7) aircraft to be bought in the United States. These aircraft would replace the obsolete Lancaster now used by the R.C.A.F. maritime squadrons.

(d) It was recommended that authority be granted to purchase 100 Grumman S2F aircraft to replace the obsolete Avenger anti-submarine aircraft now used by the R.C.N. The estimated cost for

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tooling in 1954-55 was $8 million. 25 aircraft would be delivered in 1955-56, and yearly thereafter, at a cost of $19 million annually.

(e) It was recommended that the appropriation for the Canadian mutual aid programme for 1954-55 be $300 million instead of $324 million in the current fiscal year. It was planned to spend only $280 million of the new appropriation unless there were shortfalls in other parts of the National Defence programme.

26. The Cabinet noted with approval the report of the Associate Minister of National Defence on matters dealt with at the meeting of the Cabinet Defence Committee on December 2nd, 1953.

Abasand Oils Limited; payment to government

27. The Minister of Mines and Technical Surveys reported that Abasand Oils Limited, under an agreement of November 1st, 1946, had undertaken to pay $1,913,427.48 for all rights acquired as a result of expenditures made by the Federal government in the development of bituminous sands in Northern Alberta during the last war. The Company, which was negotiating with a major oil company for the building of a bitumen extraction plant, had requested cancellation of this obligation. He proposed that the original agreement be adhered to, but that the time of payment be deferred until the plant had been in operation for five years.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 14,1953-Cab. Doc. 330-53).

28. In the course of discussion the following points emerged:

(a) The charge made to the Company for development work by the Federal government might have been unreasonably high since the pilot plant built by the government had been destroyed by fire before the property was turned over to the company.

(b) The existence of a heavy debt obligation might prejudice negotiations on the commercial extraction plant; in the long run, the development of the bitumen industry in the area would be of more benefit to the government than repayment of the debt.

(c) It might be desirable to discuss with the Company the possibility of reducing the present debt.

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29. The Cabinet agreed that the Minister of Mines and Technical Surveys seek to negotiate with Abasand Oils Limited the reduction of its debt of $1,913,427.48 arising from the agreement with the Federal government of November 1st, 1946.

Grain elevator, Churchill, Man.; proposed expansion

30. The Minister of Transport, referring to discussion at the meeting of May 2nd, 1952, said grain shipments through Churchill had increased steadily since the end of the last war and had reached 10,784,446 bushels during the 1953 season. It was estimated that an increase in the elevator capacity from 2.5 to 5 million bushels, without any increase in other handling facilities, would make it possible to ship 20 million bushels of grain a year. The estimated cost of the increase was $2.2 million of which a maximum of $900,000 would be spent in the fiscal year 1954-55. The construction of additional elevator capacity at Churchill would help to alleviate the general shortage of grain storage facilities at tide water.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 15, 1953-Cab. Doc. 337-53).

31. The Cabinet approved the recommendation of the Minister of Transport and agreed that the elevator capacity at Churchill, Man., be increased from 2.5 million to 5 million bushels, at an estimated cost of $2.2 million; an amount of $900,000 to be included in the estimates of the Department of Transport for 1954-55.

Railway crossing, Picton, Ontario; disposition of petition

32. The Minister of Transport, referring to discussion at the meeting of November 19th, 1953, reported that he and certain of his colleagues had heard the petition of the Minister of Highways of the Province of Ontario, for grade separations on the spur being built across provincial highways 14/33 and 41 near Picton, Ontario. They were agreed that the traffic in the area did not warrant the expenditure involved and that public safety would be adequately protected by the installation of flashing lights and by train schedules which would avoid the use of the crossings at times of heavy traffic.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 15, 1953-Cab. Doc. 338-53).

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33. The Cabinet agreed that the petition of the Minister of Highways of the Province of Ontario for the amendment of Order No. 81513 of the Board of Transport Commissioners of June 15th, 1953, relating to an industrial spur near Picton, Ontario, be not allowed; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1973, Dec. 17)

Appointments; Canadian Farm Loan Board

34. The Minister of Finance submitted a recommendation for the appointment of a member of the Canadian Farm Loan Board.

35. The Cabinet approved the appointment of Arnold Darroch, Esq., of Clifford, Ontario, to be a member of the Canadian Farm Loan Board for a term of five years, vice Duncan Ross, Esq., who had reached the age of 80 years; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1971, Dec. 17)

Appointment; External Affairs

36. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs , recommended the appointment of an Ambassador.

37. The Cabinet noted with approval the recommendation of the Acting Secretary of State for External Affairs that Jean Desy, Esq., Q.C., be appointed Ambassador Extraordinary and Plenipotentiary of Canada in France, effective January 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1970, Dec. 17).

Sale of gold in free markets; changes in regulations

38. The Ministerof Finance reported that revised Mint Custom Refining and Storage Regulations had been approved (Order in Council P.C. 1953-1944, Dec. 17). It was proposed to announce immediately two changes therein affecting the sale of gold in premium markets.

39. The Cabinet noted with approval the proposal of the Minister of Finance to announce immediately the following changes in the Mint Custom Refining and Storage Regulations affecting the sale of gold in the premium markets:

(a) permission to export gold in the form of 24-carat or fine gold instead of in the form of debased gold of 22-carat or less;

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(b) permission for companies, which had elected to sell gold in the free market and forego assistance under the Emergency Gold Mining Assistance Act, to revert to receiving such aid after the expiration of six months instead of at the end of one year.

Electricity and Fluid Exportation Act; export by Southern Canada Power Company Limited

40. The Minister of Trade and Commerce proposed an increase in the amount of surplus electrical energy which the Southern Canada Power Company Ltd. had been authorized to export. The Department of Hydraulic Resources of the Province of Quebec had no objection.

41. The Cabinet agreed that the volume of surplus electrical energy authorized for export by the Southern Canada Power Company Ltd. be increased as recommended, an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1972, Dec. 17)

Proposed trade mission to Mediterranean area

42. The Minister of Fisheries said it had been proposed that a trade mission, headed by the Minister of Public Works, should visit Lisbon, Madrid, Rome and Athens early in February, 1954. The purpose of the mission was to investigate the possibility of increasing exports of Canadian codfish and to examine arrangements for marketing and handling salt cod. The Minister would be accompanied by officials from the Departments of Fisheries and Trade and Commerce.

43. The Cabinet approved the recommendation of the Minister of Fisheries and agreed that a trade mission, to be headed by the Minister of Public Works, visit the Mediterannean area in February, 1954, to investigate the sale of Canadian codfish in this area.

National Harbours Board; tenders for works in Quebec City

44. The Ministerof Transport reported that the National Harbours Board had called for tenders for certain works at the grain elevator in Quebec harbour. By closing time of 12 noon, December 16th, six tenders had been received, of which the lowest was submitted by Louis Donolo Inc., Montreal for $396,700. A seventh tender, for $387,783, was submitted by Magloire Cauchon Limitee, Quebec, twenty minutes late. It was for consideration whether the tender submitted by Magloire Cauchon Limitee should be accepted.

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45. The Cabinet agreed that the tender submitted by Magloire Cauchon Limitee for certain works at the grain elevator in Quebec harbour be not accepted, and that the contract be given to the lowest bidder who had complied with the regulations respecting the submission of tenders.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 18,1953

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Items discussed

Parliament; Address in Reply to the Speech from the Throne; transmittal to the Governor General 2.

Dominion Coal Company Limited; subvention claims 2.

Indian residential schools; teachers' salaries 2.

Canned pork; present position 3.

Trade and financial relations with Czechoslovakia 4.

Public Service; Re-arrangement and Transfer of Duties Act; transfer of certain functions from the Secretary of State to the Minister of Justice 4.

Expropriation of property; Wellington Street, Ottawa 5.

Deferred depreciation; extension of period 5.

Appointments 6.

Senators and Members of Parliament; indemnities 6.

Brazilian Telephone Company; proposed transfer of headquarters from Canada to Brazil 6.

Great Seal of Canada 7.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, December 18th, 1953, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Solicitor General
and Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Resources and Development
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin),
Mr. R.A.J. Phillips, Privy Council Office.

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Parliament; Address in Reply to the Speech from the Throne; transmittal to the Governor General

1. The Prime Minister reported that the Addresses of both Houses in reply to the Speech from the Throne, delivered at the opening of the present session of Parliament, had been engrossed and were ready for presentation to the Governor General. In conformity with recent practice, it was suggested that the Leader of the Government in the Senate and the Secretary of State transmit the Addresses to His Excellency.

2. The Cabinet agreed that the Addresses of the Senate and of the House of Commons in reply to the Speech from the Throne be presented to His Excellency the Governor General by the Leader of the Government in the Senate and the Secretary of State.

Dominion Coal Company Limited; subvention claims

3. The Prime Minister, referring to discussion at the meeting of December 10th, submitted a recommendation for the payment, by the Dominion Coal Board to the Dominion Coal Company Limited, of a subvention on certain transhipments of coal made by the Company from Three Rivers and Quebec City on January 9th, 1953.

4. The Cabinet agreed that notwithstanding the provisions of the Nova Scotia Coal Subvention Regulations, the Dominion Coal Board be authorized to pay the sum of $22,193.79 to the Dominion Coal Company, Limited, as financial assistance in respect of transhipments of Nova Scotia coal from Quebec City and Three Rivers to various points in the local market area of Montreal, and to points outside that area previously supplied ex-dock Montreal; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1978, Dec. 18)

Indian residential schools; teachers' salaries

5. The Minister of Citizenship and Immigration said that education for children attending Indian schools was provided at 347 day schools, 49 departmentally-owned residential schools and 18 church-owned residential schools. Day school teachers were employed and paid by the Indian Affairs Branch of the Department of Citizenship and Immigration. It was the experience of the Branch that, under this system, a much better calibre of teachers had been obtained compared to those employed in residential schools. At the departmentally-owned Indian residential schools, teachers were employed by church authorities and paid from the per capita

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grants allowed to the churches for the operation of the schools. Under that system, salaries were much lower than those offered by municipal school boards and education divisions, with the result that many of the teachers in the residential schools were not properly qualified.

An experiment had been made in 1949 in three departmentally-owned residential schools to attempt to provide better education. Teachers had been appointed and paid by the Indian Affairs Branch of the Department and this has been found satisfactory to schools operated under the auspices of the Roman Catholic, Church of England, and other denominations. It was recommended that the practice be applied to all departmentally-owned residential schools.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 17, 1953- Cab. Doc. 342-53).

6. In the course of discussion, the following points emerged:

(a) All religious communions operating the departmentally-owned residential schools were agreeable to the proposed scheme.

(b) It was doubtful if there would be any serious repercussions from paying nuns where they were employed in the residential schools.

(c) The proposal would involve an additional expenditure of $230,000 to $250,000 per annum.

7. The Cabinet agreed that, effective September 1st, 1954, teachers, to be employed at the departmentally-owned Indian residential schools, be paid and appointed by the Indian Affairs Branch of the Department of Citizenship and Immigration in the same manner and on the same basis as teachers employed in Indian day schools.

Canned pork; present position

8. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, referring to discussion at the meeting of October 7th, 1953, reported that of 98 million pounds of pork which had been canned subsequent to the outbreak of foot-and-mouth disease, there remained for sale 21 million pounds. This quantity was being disposed of steadily and offers at about 15 cents a pound, which were pending, would probably use up all stocks on hand. If none remained on the market in Canada, prices might become inflated before packers, in the ordinary course of their operations, produced more of this type of meat. It might be safer to dispose of all the canned pork except for 5 million pounds.

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9. In the course of discussion, it was pointed out that the more this type of pork was retained in Canada, the more likely were the possibilities of deterioration. It would be desirable to dispose of as much as possible, outside the country, as soon as this could be done.

10. The Cabinet noted the report of the Acting Minister of Agriculture and agreed that all the present stocks of canned pork, except for 3 million pounds, be disposed of abroad at a price of approximately 15 cents a pound.

Trade and financial relations between Canada and Czechoslovakia

11. The Minister of Finance, referred to difficulties which had arisen over Czechoslovakia's default on repayment of the post war export credit granted by Canada and to certain trade problems which existed between the two countries. A note had been received recently from the Czechoslovak government again protesting valuation procedures adopted against Czechoslovak imports and requesting consultations with the Canadian government on the matter.

An explanatory memorandum was circulated.

(Minister's memorandum, Dec. 17, 1953- Cab. Doc. 343-53),

12. The Cabinet noted the report of the Minister of Finance regarding trade and financial relations between Canada and Czechoslovakia, and deferred decision on the matter until a later meeting.

Public Service; Re-arrangement and Transfer of Duties Act; transfer of certain functions from the Secretary of State to the Minister of Justice

13. The Prime Minister said that under the Criminal Code and other statutes, the Department of the Secretary of State, as well as the Department of Justice, was charged with certain formal functions in connection with remission of sentences. It would be desirable to have all duties of this character discharged in one department.

14. The Cabinet agreed that, under the provisions of the Public Service Re-Arrangement and Transfer of Duties Act, the powers, duties and functions vested in the Secretary of State under the provisions of the Criminal Code, the Ticket of Leave Act, and the Penitentiaries Act, be transferred to the Minister of Justice, effective February 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1979, Dec. 18)

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Expropriation of property; Wellington Street, Ottawa

15. The Prime Minister, referring to discussion at the meeting of November 10th, 1953, said Mr. Garfield Weston, the President of Wittington Investments, Limited, had discussed with him the recent expropriation order in respect of the Norlite Building, Orme Hall and the Brock Building. There had been some misunderstanding on the part of Wittington Investments, Limited, as to the type of building to be erected on Wellington Street to conform with the National Capital Plan. The Company would be quite prepared to have an architect consult with the Department of Public Works to ensure that any structure which might be erected would be of a character suitable to the location. Furthermore, they would agree to have a covenant drawn in respect of the land itself.

16. In the course of discussion, the following points emerged:

(a) Apart from the Norlite Building, the other two sites were hardly large enough for a building suitable for government offices.

(b) Wittington Investments, Limited would rent all the space in the building which they had proposed to erect apart from one floor which would be used for their own purposes. It would be desirable to discuss further with the owners the character of the building which they had in mind. If expropriation were not necessary, a saving of public money could be made.

17. The Cabinet noted the report of the Prime Minister and agreed that the Minister of Public Works discuss with Wittington Investments, Limited, the character of the building which the Company had in mind to erect on Wellington Street and the use to which it might be put, with a view to exploring whether a covenant could be made in respect of the land itself; the Company, after further consideration, to be informed whether the expropriation order now made in respect of the property would be continued in force.

Deferred depreciation; extension of period

18. The Minister of Trade and Commerce submitted a recommendation for extending the time in which a certificate of eligibility for deferred depreciation might be issued to March 31st, 1954.

19. The Cabinet approved the recommendation of the Minister of Trade and Commerce that, under the provisions of section 117 of the Income Tax Act, the Income Tax regulations established by Order in Council P.C. 6471 of December 22nd, 1949, be further amended by revoking sub-section (11) of section 1107 thereof, and substituting therefor

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a new section whereby the Minister of Trade and Commerce might not issue a certificate of eligibility in respect of a property unless written application had been made to him by the taxpayer before March 31st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1953-1977, Dec. 18).

Appointments

20. The Minister of Trade and Commerce submitted recommendations for an appointment and for a re-appointment to the Board of Grain Commissioners.

21. The Cabinet approved the recommendations of the Ministers of Trade and Commerce as follows; Orders in Council to be passed accordingly:

(a) Walter Spence Fraser, Esq., of Winnipeg, to be an Assistant Grain Commissioner for the Province of Manitoba, at a salary of $8500 per annum, effective January 15th, 1954;

(Order in Council P.C. 1953-1975, Dec. 18)

(b) John Vallance, Esq., to remain in office as Commissioner of the Board of Grain Commissioners for Canada until March 11th, 1955.

(Order in Council P.C. 1953-1976, Dec. 18)

Senators and Members of Parliament; indemnities

22. The Prime Minister referred to recent representations concerning the indemnities of Senators and Members of Parliament.

23. The Cabinet gave preliminary consideration to possible adjustments in the indemnities of members of the Senate and the House of Commons.

Brazilian Telephone Company; proposed transfer of headquarters from Canada to Brazil

24. The Secretary of State, referring to discussion at the meeting of November 4th, 1953, said it had been ascertained that it would not be possible to transfer the headquarters of the Brazilian Telephone Company from Toronto to Brazil by a direct surrender of its Canadian charter under the provisions of the Companies Act, and it would be necessary, therefore, to seek Parliamentary approval of the transfer. This could be done by introduction of a private bill during the course of the current session and the sponsors of the measure were anxious to secure the government's support.

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It was suggested that company representatives be informed that the government could, obviously, not sponsor the measure but that it would not oppose the bill when it came up for consideration by the House.

25. In the course of discussion it was pointed out that there were no tax implications insofar as Canada was concerned in the proposed transfer of company headquarters to Brazil.

26. The Cabinet noted the report of the Secretary of State on the proposed transfer of the headquarters of the Brazilian Telephone Company from Canada to Brazil, for the purpose of enabling local financing of projects to be undertaken in Brazil, and agreed that, although the government could not take an active part in introducing the required bill to authorize such transfer, the government would not oppose the measure when it came up for consideration by the House of Commons.

Great Seal of Canada

27. The Prime Minister said it would be necessary to have a new Great Seal of Canada made to replace the one which was currently in use and which bore the figure of the late King George VI and his title in Latin. He suggested that the Secretary of State make the necessary arrangements.

28. The Cabinet agreed that the Secretary of State make the necessary arrangements to have made, in Canada, a new Great Seal bearing the figure of Queen Elizabeth II and suitable inscriptions in English and in French rather than in Latin as had previously been the case.

Paul Pelletier,
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 29, 1953

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Items Discussed

Queen Charlotte Airlines Limited; subvention forwinter of 1953-54	2.
Czechoslovakia; trade and financial arrangements	3.
Canada-Australia Air Transport Services Agreement	5.
Unemployment Insurance Coverage Regulations; extension	7.
Colombo Plan; steam locomotives for India	7.
North Atlantic Council; report by Secretary of State for External Affairs	8.
Bank of Canada; new pension fund rules	9.
Civil Service; superannuation regulations	9.
Applications for television licences	9.
Canadian Broadcasting Corporation; loans for television projects	10.
Deep-test oil well; application for benefits under Income Tax Act	10.
Northern Affairs and National Resources; appointment of Acting Minister	10.
Appointments	11.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

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CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, December 29th, 1953, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Postmaster General
(Mr. Cote),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin),
Mr. R.A.J. Phillips, Privy Council Office.

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TOP SECRET

Queen Charlotte Airlines Limited; subvention for winter of 1953-54

1. The Minister of Transport recalled that, at the meeting of December 22nd, 1952, the Cabinet had agreed that a subvention of $25,000 per month, for a six-month period beginning November 1st, 1952, be paid to the Queen Charlotte Airlines to maintain certain essential services. At that time, it had been pointed out that alternative steamship services were inadequate to meet local requirements and it seemed advisable to grant a subvention, although it was hoped that by the summer of 1953 the company's financial circumstances might be improved. It had also been suggested that, while a subsidy might be justifiable as a temporary measure, the permanent cure of the problem might lie in a merger of the Airlines with two other smaller companies.

The Air Transport Board had now reported that certain essential services on the west coast could not be continued by the Airlines during the winter of 1953-54 without some financial assistance, although on a more modest scale than that provided in the winter of 1952-53. It was recommended that a subsidy of $20,000 a month, for a five-month period beginning December 1st, 1953, or a total of $100,000 for the season, be paid to the Airlines provided the company maintained certain essential services to the satisfaction of the Minister.

An explanatory memorandum had been circulated.

(Memorandum, Assistant Secretary to the Cabinet, Dec. 28, 1953- Cab. Doc. 346-53).

2. In the course of discussion, the following points emerged:

(a) The main justification for payment of a subsidy was the necessity of maintaining communications between points which would not otherwise be served.

(b) The services to be maintained involved routes from Vancouver to Nanaimo, Comox to Campbell River, points on the west coast of Vancouver Island, and various points on the mainland. Satisfactory alternative services did not appear to be available except in the case of the route from Vancouver to Nanaimo. If this latter flight were discontinued, the financial difficulties of the company might not be so great.

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(c) The Queen Charlotte Airlines flew in exceedingly difficult territory and had pioneered the local postal services from Vancouver. Their difficulties in 1952 had arisen from strikes in the province's industries and from obsolete financial methods and techniques. While economies had been made through improved management, discontinuance of non-scheduled operations, and more regular routing, the company was still in difficulty.

(d) Disputes had arisen between Pacific Western Airlines and Queen Charlotte Airlines and there was now litigation in process which might eventually reach the Supreme Court. It would be desirable to maintain essential services in operation for a twelve-month period until arrangements, satisfactory to the public, could be made with respect to rival airline companies. Meanwhile, the Air Transport Board should endeavour to deal with the conflicting claims of the companies and reach some settlement for the future.

3. The Cabinet agreed that, under the provisions of the Aeronautics Act, a subsidy of $20,000 a month, for a five-month period beginning December 1st, 1953, or a total of $100,000 for the season, be paid to the Queen Charlotte Airlines Limited, provided the company maintained certain essential services to the satisfaction of the Minister of Transport; an Order in Council to be passed accordingly.

(Order-in-Council P.C. 1953-2030, Dec. 29).

Czechoslovakia; trade and financial arrangements

4. The Minister of Finance, referring to the discussion at the meeting of December 18th, said the significant problem in economic relations with Czechoslovakia was its debt to Canada. The post-war export credit granted by Canada had been used to the extent of $16.7 million and repayments of principal and interest had reduced the figure to $9.99 million by November, 1952. Under the terms of the agreement, the debt would have been fully repaid by November, 1954. Czechoslovakia however, had defaulted on payment of capital and interest due since November, 1952. The financial agreement provided that, in the event of default on a payment of principal, the whole balance of the loan became due and payable. After a number of warnings to the Czechs, the Canadian government had declared the loan to be in default, and had invoked the provision of the agreement requiring immediate repayment of the entire balance. Earlier this year, the Czechoslovak

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Charge d'Affaires replied to the Canadian representations and complained about restrictions imposed by Canada on trade with Czechoslovakia. He stated that, in view of these restrictions, Czechoslovakia had temporarily withheld payment on the loan. In reply, it had been clearly indicated that the loan constituted an unconditional obligation of the Czechoslovakian government and was in no way related to trade questions.

The Czechoslovakian initial complaint concerned export controls on strategic materials and valuation procedures. Their latest representations referred only to the latter question. In the past few years, representations had been received from Canadian manufacturers complaining that some Czech imports were arriving in Canada at abnormally low prices. Efforts had been made to obtain Czech consent to have Canadian customs officials investigate these values in Czechoslovakia, but no co-operation had been forthcoming and it had been decided to appraise certain categories of Czech imports under section 38 of the Customs Act which provided a maximum advance valuation of 50 percent over invoice values. As a result, such imports had practically disappeared from the Canadian market.

Czechoslovakia had protested that this special valuation procedure was contrary to the General Agreement on Tariffs and Trade and had requested consultation. It was for decision whether or not Canada should agree to consult and, if the decision were in the affirmative, where such consultations should take place and what line should be pursued at the discussion. Under the G.A.T.T., the obligation to afford a member adequate opportunity to consult was unconditional.

In any consultations, Canada could maintain its present position on valuation of Czech imports and insist that there was no relationship between trade matters and the obligation to repay the loan. It would be unlikely that repayment of the loan would follow from this approach. If it were considered sufficiently important, however, to obtain repayment, a more practical solution to the trade problem might be sought. This might involve some modification of present valuation procedures.

An explanatory memorandum had been re-circulated.

(Minister's memorandum, Dec. 17, 1953- Cab. Doc. 343-53).

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5. In the course of discussion, it was pointed out,-

(a) that Canada had not supported proposals to have Czechoslovakia removed from the G.A.T.T.; and,

(b) that it would be advisable to hold the discussions in secret but there was no guarantee that this could be done and, in any event, it was doubtful if difficulties would ensue if it became known that discussions were being held.

6. The Cabinet noted the report of the Minister of Finance on current trade and financial arrangements with Czechoslovakia and agreed,

(a) that in accordance with the provisions of the General Agreement on Tariffs and Trade, Canada accede to the request of Czechoslovakia to consult on special valuation procedures which had been adopted in respect of Czechoslovakian imports;

(b) that the consultations be held in Ottawa with as little publicity as possible; and,

(c) that, once arrangements had been made for the consultations, further consideration be given to the course to be pursued in the discussions; it being understood that Canada's agreement to consult did not in any way alter or reduce the obligations of the Czechoslovakian government under the post-war export credit agreement, but that Canada would examine the trade and economic position to see what mutually satisfactory arrangements might be made.

Canada-Australia Air Transport Services Agreement

7. The Secretary of State for External Affairs said that, for sometime both Canadian and Australian civil avilation authorities had felt that the bilateral air agreement should be reviewed. The Australian authorities had invited representatives of the Canadian government to visit Australia, in the near future, for the purpose of re-negotiating the present agreement.

It was recommended, with the concurrence of the Minister of Transport, that a delegation be appointed for this purpose and that, if a new agreement emerged, it be approved by the Minister of Transport and the Secretary of State for External Affairs, or, at their discretion, it be submitted to Cabinet for approval before signature. It was

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also recommended that, in the event the negotiations were successful, authority to sign the agreement be granted to the High Commissioner for Canada in Australia.

An explanatory memorandum was circulated.

(Minister's memorandum, Dec. 28, 1953- Cab. Doc. 347-53).

8. In the course of discussion, the following points emerged:

(a) In many respects, the same conditions prevailed between Australia and Canada as in the recent situation which arose over Trans Canada Air Lines' operations from Canada to Mexico via Florida. Canada was granting to Australia certain rights which were not always reciprocated by the latter country.

(b) It would be desirable to obtain permanent rights to fly from Vancouver to Australia direct once a week (rather than have a temporary arrangement renewable every three months as was now the case), to overfly Canton Island, and to secure fifth freedon rights at New Zealand on the flight to Australia.

(c) The most likely chance of securing agreement would be through discussions on a political rather than official level. It would be helpful if the Minister of Finance could raise the matter with Australian Ministers while attending the Commonwealth Finance Ministers' Meeting.

(d) Canada now had a reciprocal agreement with Australia and, if the Australians would not accede to these requests, Canada, as a last resort, might revoke certain privileges which had been granted.

9. The Cabinet agreed:

(a) that the Minister of Finance, in the course of his visit to Australia, discuss with the appropriate Australian Ministers the Canadian-Australian Air Transport Services' Agreement;

(b) that the following Canadian delegation be authorized to negotiate a new air agreement with Australia:

A.D. McLean, Esq.,member, Air Transport Board;
R.M. Macdonnell, Esq., Department of External Affairs;
A.S. MacDonald, Esq., Legal Adviser and Executive Director Air Transport Board;
with,
William A. Irwin, Esq., High Commissioner for Canada in Australia, as alternate delegate;

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(c) that, if a new agreement were drawn up, it be approved by the Minister of Transport and by the Secretary of State for External Affairs, or at their discretion, be submitted to Cabinet for approval before signature on behalf of Canada; and,

(d) that, in the event of a successful outcome of the negotiations, the High Commissioner for Canada in Australia, be authorized to sign on behalf of Canada, an agreement as approved in accordance with (c) above.

Unemployment Insurance Coverage Regulations; extension

10. The Minister of Labour submitted a recommendation to extend the Unemployment Insurance Coverage Regulations, 1949, to landscape gardeners other than those primarily employed in nurseries or greenhouses. The proposal would apply to labourers whose primary work was associated with the construction industry but who, in addition, did landscape work and prepared ground for their employers. Relatively few persons would be involved.

11. The Cabinet, agreed that the Unemployment Insurance Coverage Regulations, 1949, established by Order-in-Council P.C. 6126, of December 13th, 1949, be amended to provide that effective March 1st, 1954, every landscape gardener (other than one ordinarily and mainly employed in connection with a nursery or green-house operated by his own employer) who is in excepted employment only because he is employed as a landscape gardener, shall, in respect of such employment, be included among the classes of persons employed in insurable employment; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2004, Dec. 29)

Colombo Plan; steam locomotives for India

12. The Secretary of State for External Affairs, referring to discussion at the meeting of September 9th, 1953, said the programme of assistance for India had included between 60 and 65 steam locomotives valued at about $11 million. Owing to cost of retooling, the unit price for these locomotives manufactured in Canada would be somewhat higher than elsewhere. The Indian authorities, on being so advised, had proposed that the order be increased to 120 locomotives, which could be supplied at an estimated unit cost of $168,745, or about $5,000 less than with the smaller order. If this request were approved, the additional cost of the larger number would be met from funds to be made available for Colombo Plan purposes in the next fiscal year. The provision of steam locomotives for India would make a significant contribution to the Indian transport system and would provide rupee counterpart funds which would be useful on other agreed development projects.

An explanatory memorandum was circulated.

(Minister's memorandum, Dec. 28, 1953- Cab. Doc. 348-53)

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13. The Cabinet agreed,

(a) that 120 WP-type steam locomotives, with five per cent spare boilers, be provided to India as Canadian aid under the Colombo Plan, at an estimated cost of $21 million; and,

(b) that the cost of this assistance, over and above the $11 million already approved by Cabinet, be financed from funds for Colombo Plan purposes which Parliament was being asked to approve for 1954-55.

North Atlantic Council; report by Secretary of State for External Affairs

14. The Secretary of State for External Affairs reported on the ministerial meetings of the North Atlantic Council, held in Paris from Dec. 14th to 16th, and on conversations he had had there with representatives of other NATO countries.

He had noted less emphasis on increasing the size of defence forces in Europe than at earlier meetings. The U.S. representatives, who were reviewing their European commitments, now stressed quality of striking power rather than quantity of forces. It seemed likely that there would be some reduction of U.S. forces in Europe, accompanied by an improvement in the weapons available to them. He had informed the Council that the Canadian defence programme would not be changed substantially in the coming year, although there would be some modifications. The continental defence of North America was assuming increasing importance in Canada and the United States and in other N.A.T.O. countries as well.

The principal problem occupying the minds of N.A.T.O. representatives was the relationship of Germany to N.A.T.O. Consideration was being given to some alternative to the European Defence Community, whose future remained in doubt.

The United States was re-appraising its position and appeared to be moving towards a policy of defence by retailiation. In this policy, static forces in Europe would be less important than bombing bases on the periphery of the Soviet Union. If the United States, as a consequence of this policy, withdrew more of its forces from abroad, it was important that the position of Canadian forces overseas should remain flexible.

15. The Cabinet noted the report of the Secretary of State for External Affairs on the ministerial meetings of the North Atlantic Council of December, 1953.

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Bank of Canada; new pension fund rules

16. The Minister of Finance said that, in order to have the pension plan of the Bank of Canada similar in general effect to the Public Service Superannuation Act, the Board of Directors of the Bank wished to rescind the pension fund rules established by bylaw No. 15 of October 24th, 1947, as approved by Order-in-Council P.C. 4439 of October 31st, 1947. The Board of Directors had now submitted a recommendation, in which he concurred, for new pension fund rules to come into force on January 1st, 1954.

17. The Cabinet approved the recommendation of the Minister of Finance and agreed that the revised pension fund rules, as submitted by the Board of Directors of the Bank of Canada, replace the rules established by bylaw No. 15 of October 24th, 1947, as approved by Order-in-Council P.C. 4439, of October 31st, 1947, the new rules to be effective on January 1st, 1954; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2028, Dec. 29)

Civil Service; superannuation regulations

18. The Minister of Finance submitted a recommendation from the Treasury Board for certain amendments to the Civil Service Superannuation Regulations as approved by Order-in-Council P.C. 5624 of November 8th, 1949.

19. The Cabinet approved proposed amendments to the Civil Service Superannuation Regulations as recommended by the Minister of Finance; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2029, Dec. 29)

Applications for television licences

20. The Minister of Transport submitted certain applications for television broadcasting licences which had been approved by the Board of Governors of the Canadian Broadcasting Corporation.

21. The Cabinet agreed that television broadcasting licences be granted to Ralph H. Parker, Esq., of Port Arthur, Ontario and to La Tribune Limitee of Sherbrooke, P.Q.; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2030 Dec. 29)

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Canadian Broadcasting Corporation; loans for television projects

22. Dr. McCann reported that the Treasury Board had referred to the Cabinet proposals for three loans to the Canadian Broadcasting Corporation for certain television projects. These were $1 million for additional facilities at Montreal and Toronto, $500,000 for an additional transmitter at Ottawa, to be used for French television broadcasts, and $300,000 for preliminary work in the construction of a television transmitter at St. John's, Newfoundland.

23. In the course of discussion, the following points emerged:

(a) Additional television facilities at Montreal and Toronto were urgently required and would eventually be revenue-producing.

(b) It would be desirable to defer consideration of a second transmitter in Ottawa and of construction of a new station in St. John's until a meeting at which the Prime Minister was present.

24. The Cabinet agreed that a loan of $1 million be made to the Canadian Broadcasting Corporation for additional television production facilities in Montreal and Toronto; an appropriate item to be included in the Estimates of the Canadian Broadcasting Corporation for 1954-55.

Deep-test oil well; application for benefits under Income Tax Act

25. The Acting Prime Minister submitted a recommendation of the Minister of Mines and Technical Surveys for the extension of special tax benefits, under the Income Tax Act and the Income War Tax Act, to Hudson's Bay Oil and Gas and Richfield Oil Corporation, in respect of a deep-test oil well in Alberta.

26. The Cabinet agreed that special benefits from the Income Tax Act and the Income War Tax Act be extended to Hudson's Bay Oil and Gas and Richfield Oil Corporation in respect of the Hudson's Bay Richfield Edson Number One deep-test oil well to be drilled in Alberta; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2031 Dec. 29)

Northern Affairs and National Resources; appointment of Acting Minister

27. The Acting Prime Minister submitted a recommendation for the appointment of an Acting Minister.

28. The Cabinet agreed that, in the absence from Ottawa of the Minister of Northern Affairs and National Resources, the Honourable James J. McCann be authorized to act as Minister of Northern Affairs and National Resources; an Order-in-Council to be passed accordingly.

(Order-in-Council P.C. 1953-2008, Dec. 29)

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Appointments

29. The Minister of Finance submitted a recommendation for an appointment to the Canadian Farm Loan Board.

30. The Minister of Justice submitted a recommendation for a judicial appointment.

31. The Cabinet agreed that appointments be made as follows; Orders-in-Council to be passed accordingly:

(a) Frank L. Chester, Esq., of Winnipeg, to be a member of the Canadian Farm Loan Board and Canadian Farm Loan Commissioner for five years, vice John C. Murray, Esq., whose appointment as Canadian Farm Loan Commissioner and Chairman of the Canadian Farm Loan Board expired on January 25th, 1954.

(Order-in-Council P.C. 1953-2164, Dec. 29)

(b) Gaston Desmarais, Esq., Q.C., of Richmond, P.Q., to be a Puisne Judge of the Superior Court for the District of St. Francis, P.Q.

(Order-in-Council P.C. 1953-2190, Dec. 29)

Paul Pelletier,
Assistant Secretary to the Cabinet.

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Cabinet Conclusions

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CANADA
CABINET CONCLUSIONS

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CABINET CONCLUSIONS

Meeting

January 7th, 1954

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Canadian Broadcasting Corporation; loans for television projects	6.
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International Commission on Irrigation and Drainage; Canadian participation	8.
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Public Holidays	10.
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St. Lawrence project	12.
Legislation; Senators and Members of Parliament; indemnities	14.
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CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, January 7th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
and Acting Minister of Finance
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill).

The Secretary to the Cabinet
(Mr. Bryce),
Mr. Paul Pelletier, Privy Council Office,
Mr. W.R. Martin, Privy Council Office.

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Legislation; Patent Act amendment

1. The Secretary of State said the fees provided in the Patent Act were too low and the Patent Office was actually losing money on its operations. He suggested that a bill be introduced during the course of the current session to provide a modest increase in the fees set out in the Act. It was not proposed to make any other amendment to the legislation at this time.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 23, 1953-Cab. Doc. 345-53)

2. In the course of discussion it was pointed out that it would be preferable if the schedule of patent fees were established by Order in Council passed under general powers contained in the legislation, rather than fixed in the statute itself. However, it seemed likely that the whole field of patent legislation and procedures would have to be reviewed in the near future, following which a revision of the legislation might be felt to be desirable. If this were the case,it might be considered, at that time,whether powers should be sought for the Governor in Council to establish the tariff of fees.

3. The Cabinet approved in principle proposed amendments to the Patent Act as recommended by the Secretary of State; a draft measure to be prepared accordingly.

Legislation; review of government programme for current session

4. The Prime Minister briefly reviewed that portion of the government legislative programme for 1953-54 which had not yet been introduced in Parliament.

An explanatory memorandum was circulated.

(Memorandum, Privy Council Office, Jan. 6, 1954-Cab. Doc. 2-54)

5. In the course of discussion the following points emerged:

(a) Following discussion at the meeting of December 3rd, 1953, on proposed amendments to the Railway Act on the government grant in respect of the so-called "railway bridge" between central and western Canada, the Chief Commissioner of the Board

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of Transport Commissioners had been informed that it had never been the intention that water carriers should share in the grant, which was intended as compensation to the railways for the maintenance of trackage and other facilities through the long and unproductive stretches between central and western Canada. It was realized, however, that there was some difficulty in relating the grant specifically to trackage maintenance expenditures in any one year and, for this reason, the government would be prepared to sponsor an amendment which would enable a grant of $7 million to be made each year to the railways whether actual maintenance costs in that year had been above or below that figure. The Board of Transport Commissioners was now having legislation prepared along these lines.

(b) An amendment to the Judges Act to enable members of the Judiciary to undertake academic functions had been approved by Cabinet some time ago for introduction in the Senate. Since then, however, it appeared that the legislation might require further amendment to increase the number of judges in British Columbia and Alberta. Consequently, the legislation had not been forwarded to the Senate, as it was felt that all amendments to the Judges Act should be contained in the one bill. In the light of certain other possible developments, it might also be desirable, at this time, to reconsider the possibility of increasing judges' salaries.

(c) The Parliamentary Counsel of the Department of Justice had been directed to have the Bank Act revision ready for introduction early in February. As this was a major undertaking, it might be necessary to defer the completion of preparation of other legislation in order to have the Bank Act ready for introduction within the suggested time-limit.

(d) It was pointed out that the Senate would have very little government business for consideration when Parliament reconvened and thought might be given to the possibility of introducing a number of bills in that House in the first instance.

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6. The Cabinet,

(a) noted the report by the Prime Minister on the status of the government legislative programme for the current session of Parliament;

(b) agreed that there would be advantage in introducing the Bank Act revision as soon as possible after February 1st; and,

(c) agreed that the Minister of Justice and the Minister of Citizenship and Immigration take whatever steps were required to ensure an adequate flow of government legislation to the Senate and the House of Commons during the remainder of the current session.

Canadian National Railways; financing

7. The Minister of Justice, as Acting Minister of Finance, reported that, since the capital revision of the Canadian National Railways in 1952, the government had made loans totalling approximately $240 million to the Canadian National Railways for capital purposes. During that period, the bond market had been rather unsettled and it had been felt that the government should provide these capital funds rather than have the Railways go the market. In recent months, however, the bond market had improved greatly and it was now thought desirable that the Railway Company itself should go to the market for a $200 million loan. It was suggested that the issue be dated February 1st, 1954, to mature February 1st, 1974, and bear interest at 3 3/4 percent per annum. The bonds would be offered to the public at 99.50 to yield approximately 3.78 percent. The proceeds of this issue would provide $50 million to meet an issue of 5 percent government guaranteed Railway Company Bonds maturing on February 1st, 1954. The remainder, approximately $147.5 million, would be used to repay loans that the Company had obtained from the government.

It was suggested that, in the normal course of events, the government should finance the C.N.R. temporarily during any one year, at the close of which the Company would make a public issue of securities and repay the government advances, insofar as that could be done without interfering with the governments own financing operations.

As a result of the suggested $200 million C.N.R. loan, it would be possible for the government, out of its own cash resources, to pay off, on March 1st, 1954, the remaining balance of the 3 percent Second Victory Loan outstanding in the amount of $474,355,489.

An explanatory memorandum was circulated.

(Memorandum, Acting Minister of Finance, Jan. 6, 1954- Cab. Doc. 1-54).

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8. The Cabinet approved the recommendation of the Acting Minister of Finance that the Canadian National Railway Company offer government guaranteed bonds on January 14th, 1954, in the amount of $200 million, the issue to be dated February 1st, 1954, to mature February 1st, 1974, and to bear interest at the rate of 3 3/4 percent per annum; an Order in Council to be passed accordingly, including the suggested form of guarantee.

(Order in Council P.C. 1954-27, Jan. 7)

Canadian Broadcasting Corporation; International Service

9. Dr. McCann reported that, during the course of preparation of the main estimates for 1954-55, some concern had been expressed at the mounting costs of the International Service of the Canadian Broadcasting Corporation. These expenditures now exceeded $2 million per annum. It was for consideration whether the benefits derived from this service were sufficient to warrant expenditures of this magnitude.

10. The Prime Minister said it had been suggested that an ad hoc Cabinet Committee might usefully review this question and submit recommendations as to whether this service should be continued and, if so, on what scale. He agreed with this suggestion and proposed that a Special Cabinet Committee be established, consisting of Dr. McCann (Chairman), Mr. Pearson, Mr. Garson, Mr. Lapointe and Mr. Harris.

11. The Cabinet agreed that an ad hoc Cabinet Committee, consisting of Dr. McCann (Chairman), Mr. Pearson, Mr. Garson, Mr. Lapointe and Mr. Harris, be established to review the purposes, operations of and accomplishments of the International Service of the Canadian Broadcasting Corporation and to submit recommendations as to future policy concerning this Service.

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Canadian Broadcasting Corporation; loans for television projects

12. Dr. McCann referred to two proposed loans to the Canadian Broadcasting Corporation, for television purposes, which had been discussed at the meeting of December 29th, 1953. The first would involve $500,000 for an additional transmitter at Ottawa to be used exclusively for French television broadcasts while the existing transmitter would be used only for English language broadcasts. The second was in the amount of $300,000 for preliminary work in the construction of a television transmitter at St. John's, Newfoundland.

13. In the course of discussion it was pointed out,-

(a) that it would seem preferable to provide minimum facilities in presently unserviced areas before proceeding with useful but non-essential improvements in areas such as Ottawa where television facilities already existed; and,

(b) that, although the alternative to a C.B.C. station in St. John's would appear likely to be a private station controlled directly or indirectly by those owning the only major newspaper in the province and also a radio broadcasting station, about the quality of whose broadcasting there was some doubt, the erection, at this time, of a C.B.C. station at St. John's would likely give rise to criticism, since it was not now planned to have C.B.C. stations in other more thickly populated regions of Canada. It was understood that, if the C.B.C. did not proceed with construction of a station at St. John's, Newfoundland, application would shortly be made for a private television broadcasting license.

14. The Cabinet agreed that the Canadian Broadcasting Corporation be informed that the government could not, at this time, consider favourably proposed loans of $500,000 for an additional transmitter at Ottawa and of $300,000 for preliminary work in the construction of a television transmitter at St. John's Newfoundland; it being understood, however, that, in the construction of the facilities for the Ottawa transmitter, regard would be had to the possible future addition of a second transmitter.

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Immigration; admission of children of polygamous Asiatic families

15. The Minister of Citizenship and Immigration said that, although polygamy was legal in China, the Department of Citizenship and Immigration, in cases where a Canadian resident of Chinese origin had more than one wife, had considered the children born of one wife only as admissible. This had recently given rise to a test case which had been taken to the Supreme Court of British Columbia by Leong Hong Hing, a Canadian resident of Chinese origin, who was seeking admission of a son borne of a second wife. The Supreme Court of British Columbia, without directing that the son should be admitted, had judged that the application should be processed in the normal manner which technicality had not been complied with by officials of the Department. This judgment had been appealed, first to the Court of Appeals of British Columbia and subsequently to the Supreme Court of Canada which had, the previous month, maintained the decision of the Supreme Court of British Columbia.

In view of this judgment there appeared to be three possible alternative courses of action.

The first would be to comply with the judgment of the Courts, actually process the application and then reject it. Such action would obviously not be satisfactory to the Chinese community of Canada and, in any event, would likely result in the launching of fresh court actions.

The second course of action would be to amend the immigration regulations to define legitimacy in accordance with the prevailing definition in the province of destination of each immigrant.

The third course would be to admit all children of Canadian residents of Chinese origin born either of wives or concubines, provided such children were recognized as legitimate under Chinese law. In these circumstances, not only the children but the wives as well would have to be admitted, which would permit the establishment of polygamous families in Canada. Furthermore, if this procedure were adopted in respect of China, it would have to be followed as well for other countries, such as India, Pakistan and Ceylon.

16. Mr. Harris also pointed out that the Immigration Regulations had been relaxed some time ago on compassionate grounds to enable the admission of children up to the age of 25 rather than 21, which was the normal maximum age of admission of children as dependents. This had resulted, in recent years, in admission of a certain number of young men and women with strong communistic tendencies.

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17. In the course of discussion it was pointed out,-

(a) that, notwithstanding the decision of the Courts in the case of the admissibility of the son of Leong Hong Hing, the policy of the government in immigration matters had never contemplated the possibility of establishing polygamous family units in Canada and, as a consequence, the most desirable course of action would seem to be simply to amend the immigration regulations to ensure that the definition of legitimacy in respect of Chinese and other Asiatic countries coincided with Canadian law and standards; and,

(b) that, as most hardship cases which had prompted the relaxation of the regulations to admit children up to age 25 had largely been met, the previous maximum of 21 years of age should be restored.

18. The Cabinet agreed,

(a) that the Immigration Regulations, established by Order in Council P.C. 1953-859 of May 26th, 1953, be amended to ensure that, in the case of any individual Canadian resident seeking admission of his dependent wife or wives and children, only one wife and her children could be admitted; an Order in Council to be passed accordingly; and,

(b) that persons over the age of 21, be no longer admissible as children of Canadian residents.

International Commission on Irrigation and Drainage;Canadian participation

19. The Minister of Agriculture reported that an International Commission on Irrigation and Drainage had been established with permanent headquarters in New Delhi, India. Its purpose was to stimulate the application of science to the techniques of irrigation and drainage. It held conferences and organized studies and published proceedings from time to time. The Commission was the central agency for a group of national committees, one of which was organized in each participating country. The National Committee could be composed of Federal and other officials and representatives of professional bodies. Membership in the Commission was not held in the name of National Governments but by National Committees.

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The Food and Agriculture Organization relied on such specialized organizations to collect information. At present, 19 countries,including the United Kingdom and the United States,participated in the Commission through their National Committees. The membership fee was $400.

A recommendation had been prepared stating that it would be desirable for Canada to participate in the organization. He felt that little was known at this stage, however, about the project, and a commitment to join and establish a National Committee might lead later on to larger expenditures.

An explanatory memorandum had been circulated.

(Memorandum Acting Minister of Agriculture, Nov. 24, 1953-Cab. Doc. 308-53).

20. In the course of discussion, it was suggested that, as so little was known about the organization, and as the advantages from joining it appeared to be slight, it would be preferable to defer consideration of the matter at the present time. No harm would be done to Canadian diplomatic relations with countries of the Far East. At some future date, it might be considered wise to join this in view of it being an organization whose headquarters were situated in Asia,but only when its objectives were more clearly known to Canada and when it appeared that membership might serve a more useful purpose than it presently appeared.

21. The Cabinet noted the report of the Minister of Agriculture and agreed that no action be taken, at this time, with regard to participation by Canada in the International Commission on Irrigation and Drainage.

War Claims Commission; extension of deadline for asserting prisoner of war claims

22. The Secretary of State, submitted a recommendation to amend the War Claims Regulations to extend the time from December 31st, 1953 to March 31st, 1954, for former members of the armed forces and the merchant marine to file claims for compensation for maltreatment suffered while held as prisoners of war in Europe.

23. In the course of discussion, it emerged that:

(a) It had been found that a number of persons probably entitled to awards had not yet filed their claims and it would be desirable to provide a further opportunity for them to do so. The War Claims Commission also felt that, if a further three-month period were granted, faster progress could be made in processing claims which had already been made.

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(b) While the recommendation specifically did not refer to Canadians who might have been captured in Africa, they would undoubtedly be dealt with because they would have been moved to prison camps in Europe.

(c) Persons who had suffered maltreatment because of incarceration in Asia received the automatic award for compensation and it was not necessary to deal with them in the present submission.

24. The Cabinet agreed that the War Claims Commission Regulations, made and established by Order in Council P.C. 4267 of October 9th, 1952, be amended to provide for the receipt by the War Claims Commission up to March 31st, 1954 of claims of former members of the armed forces and of the merchant marine for compensation for maltreatment suffered as prisoners of war in the European theatre; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-30, Jan. 7)

Public holidays

25. The Secretary of State said that the Chairman of the Civil Service Commission had informed him that it was customary for the government to decide, at this time of the year, what public holidays would be observed by the Civil Service in 1954. This raised the question as to when Her Majesty's birthday and Thanksgiving Day would be observed. The public and business men particularly would like to know, for planning purposes, when these holidays would be held. It was recommended that the Queen's birthday be celebrated on Victoria Day and that Thanksgiving Day be on October 11th, the second Monday of the month.

26. In the course of discussion, the following points emerged:

(a) The Queen's birthday in 1953 had been observed on Victoria Day. At the time, it was hoped this would be a useful precedent for the future and that in due course this holiday might come to be known as the Queen's Birthday.

(b) Both Victoria Day and the date fixed for the Queen's birthday in Canada were not public holidays in the United Kingdom.

(c) The Thanksgiving holiday seemed to come too soon after Labour Day. On the other hand, it was a convenient time about mid-way between Labour Day and Remembrance Day, both of which were public holidays according to law.

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(d) There appeared to be too many public holidays, particularly now that the five-day week was in effect. Anything which could be done quietly to restrict their number would be desirable

27. The Cabinet agreed,

(a) that, subject to Her Majesty's approval, a proclamation be issued for the observance in 1954, of the Queen's birthday on Victoria Day; and,

(b) that a proclamation be issued for the observance of Thanksgiving Day on October 11th, 1954, the second Monday in the month;

Orders in Council to be passed accordingly

Textile industry; position of Canadian Cottons Limited

28. The Minister of Trade and Commerce referred to the present difficult position of the cotton textile industry. In particular he noted that he had received information that Canadian Cottons Limited was losing $100,000 a week and were planning to close certain of their plants in Ontario. The difficulties of the company were not due to dumping but to the fact that cottons were being imported from the southern part of the United States at prices with which the company could not compete. Most cotton mills in the New England States had closed and their operations had been taken over by mills in the South. The present duty on most cotton textiles was 20 percent. The only solution to the difficulties of Canadian Cottons Limited, and the one which officials of the company desired, was an increase in the tariff to 30 percent.

29. In the course of discussion the following points emerged:

(a) The costs of production of Canadian textiles were being reduced but not to the extent that enabled the industry to compete successfully against imports, particularly from the southern United States.

(b) No duties had been raised in Canada since 1935. If duties were raised to meet the present textile situation, it would be a serious departure from existing policy and needed careful consideration.

(c) It did not appear that the stockpiling requirements of the Canadian defence forces would provide any opportunity to alleviate this problem as the stocks were already adequate, nor was

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there any requirement in sight for textiles for mutual aid purposes.

(d) The cheese industry was also in a difficult position and production might be drastically reduced unless protection was provided. The principal reason why Canadian cheese was still being produced and sold was because of the annual informal arrangement with New Zealand withholding shipments from that country to Canada.

(e) One of the main difficulties confronting the Canadian textile industry, and other industries as well, had been the recurrent annual increases in wages without corresponding increases in productivity. Unless something were done to increase production and keep costs down, many industries would be placed in a precarious position.

(f) The figures issued by the National Employment Service, showing applications for employment on file at a certain date, did not reflect the true employment situation. They received a great deal of publicity but differed considerably from the Labour Force figures published by the Bureau of Statistics. It would be desirable for the Interdepartmental Committee on Unemployment Questions to look into this situation again.

30. The Cabinet noted the report of the Minister of Trade and Commerce and agreed that he inform Canadian Cottons Limited that they could not count on action being taken to increase the duties on cotton textiles in the immediate future.

St. Lawrence project

31. The Secretary of State for External Affairs said he had received information to the effect that the United States administration proposed to recommend that the measure sponsored by Senator Wylie in the U.S. Senate be given top priority in its legislative programme at the current session of Congress. It provided for joint participation in the construction of the power project and seaway but contained certain features which could be improved from the Canadian viewpoint.

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In the spring of 1953, Canada had been asked to comment on the proposed legislation, but the view taken was that nothing should be said at that time. If the bill were to pass and the Canadian government then raised objections, it might prejudice co-operation by the U.S. administration in expediting the litigation before the U.S. courts concerning the licence granted to the New York State Power authority by the Federal Power Commission. Furthermore, Canada was already on record as being willing to discuss any concrete proposals for joint co-operation in the project. There appeared to be a good chance that the Wylie measure would be approved by the Senate though approval by the House was more doubtful. It was desirable to consider whether any Canadian comment should now be made with respect to the bill.

32. In the course of discussion, the following points emerged:

(a) There was something to be said for joint construction of the project and the settling of tolls by an international agency, provided account was taken of the expenditures previously made on the system and those to be made in the proposed new construction.

(b) If suggestions were put forward now, even on an informal basis, with a view to making the bill more acceptable from a Canadian point of view, the impression would be created that Canada now favoured the joint project. No such representations should be made until a decision were taken one way or another in this respect.

(c) If no representations were made, the bill might pass Congress and then Canada would be confronted with an unsatisfactory proposal, and yet by taking no action, the impression would have been created that there had been no objection.

(d) One course of action might be to make no comment on the measure at this stage, observe the progress of the legislation in the U.S. Senate and, if approval appeared likely, to then make representations before it was considered by the House of Representatives.

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33. The Cabinet, noted the report of the Secretary of State for External Affairs and agreed that no action be taken at the present time, with respect to the measure to be brought before the United States Senate at its current session regarding the St. Lawrence Seaway and Power project.

Legislation; Senators and Members of Parliament; indemnities

34. The Prime Minister, referring to discussion at the meeting of December 18th, 1953, suggested that further consideration might now be given to a measure to adjust the indemnities of Members of the Senate and House of Commons.

35. The Cabinet agreed that a measure be prepared to provide for the payment of indemnities to Members of the Senate and of the House of Commons on a revised basis, and that it be considered at an early meeting.

Sale of Crown property in Nova Scotia and Quebec

36. The Minister of Defence Production submitted recommendations for the sale, through Crown Assets Disposal Corporation, of parcels of Crown property in Halifax, Stellarton and Shulie, all in Nova Scotia, and in Longueuil, Quebec.

It had been agreed some years ago that all recommendations for the sale of substantial parcels of Crown property in or near urban areas should be considered by the Cabinet before action was taken.

37. The Cabinet approved the sale of the following parcels of Crown property:

(a) approximately .95 acres of land between MacLean Street and Young Street, in Halifax, to A.S. MacMillan of Halifax, for $16,000;

(b) 3.62 acres of land, west of Stellarton, to the town of Stellarton for $25;

(c) a parcel of land and lighthouse building thereon at Shulie, to Frank E. Sonier of Amherst for $125;

(d) a parcel of land on Princess Helene Avenue, at Longueuil, to Vytantos Gavelis of Longueuil, for $150;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-28, Jan. 7).

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Appointments; Queen's Counsels

38. The Minister of Justice submitted a recommendation for the appointment of certain officials in the Department of Justice as Queen's Counsels.

39. In the course of discussion, the following points emerged:

(a) The main reason for making the recommendations was that most of the personnel concerned were now doing court work and, in some cases, appeared in the Supreme Court. Opposing counsel, in many instances were Q.C.s, and it was embarrassing for government counsel not to have similar status.

(b) While the recommendations involved personnel who had comparatively few years of service with the government, many of the senior counsel in the Department of Justice had left recently for private employment, and there was no other course but to fill the vacancies created by promoting less experienced personnel.

(c) A lawyer could not become a judge until he had practised law for ten years. In addition, in most provinces, lawyers were not recommended for Q.C.s until they had also served ten years at the Bar. The recommendations involved some persons who had not been members of the Bar for that period of time. The reason for this, however, was service in the Forces for a lengthy period and it was thought fair to take such service into account.

(d) There were lawyers in other departments who might also be recommended for Q.C.s and it would be desirable to decide whether or not their names should be included along with the above.

40. The Cabinet deferred consideration of the recommendation of the Minister of Justice to appoint, as Queen's Counsel, certain members of the Department of Justice, pending consideration, at a later meeting, of a revised submission by the Minister which would include, in addition to officials of his own department, the names of lawyers from other departments and also include mention of the war service of those persons recommended with less than the usual experience at the Bar.

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Appointments

41. The Prime Minister submitted a recommendation of the Minister of Finance for the appointment of a Director of the Bank of Canada.

42. The Cabinet approved the recommendation of the Minister of Finance and agreed that John L. Cavanagh, Esq., of New Glasgow, N.S., be appointed a Director of the Bank of Canada, for a term expiring February 28th, 1955, the remainder of the term of C.J. Morrow, Esq., resigned; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-29, Jan. 7).

R. B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 11th, 1954

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Port Arthur, Ontario; disposal of former Customs Building by Crown Assets Disposal Corporation	2.
nterprovincial Farm Union Council; request for interview	2.
Ministry; resignation and appointment	3.
Post Office; increase in rates	3.
Legislation; Senate and House of Commons Act amendment; Salaries Act amendment; Judges Act amendment	4.
Civil Service; review of salaries of senior officials	5.
Korea; reduction in Commonwealth forces	5.
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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Monday, January 11th, 1954, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Solicitor General and
Leader of the Government in the Senate
(Senator Macdonald),
The Secretary of State
and Acting Postmaster General
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage)

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Canadian Broadcasting Corporation; appointment

1. Dr. McCann submitted a recommendation for an appointment to the Canadian Broadcasting Corporation.

2. The Cabinet approved the appointment of Kenneth G. Montgomery, Esq., of Edmonton, Alberta, as a Governor of the Canadian Broadcasting Corporation for a period of three years from January 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-32, Jan. 12)

Port Arthur, Ontario; disposal of former Customs Building by Crown Assets Disposal Corporation

3. The Minister of Defence Production submitted a recommendation regarding disposal of the former Customs Building at Port Arthur, Ontario.

4. The Cabinet approved the sale of the former Customs Building at Port Arthur, Ontario, by Crown Assets Disposal Corporation to News-Chronicle Ltd. for the sum of $100,000; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-33, Jan. 12)

Interprovincial Farm Union Council; request for interview

5. The Prime Minister said he had received a telegram from the Chairman of the Interprovincial Farm Union Council seeking an interview with members of the government at an early date.

(Telegram, Jan. 9, 1954, J.L. Phelps, Chairman of the Interprovincial Farm Union Council to Prime Minister).

6. The Cabinet agreed that the Chairman of the Interprovincial Farm Union Council be informed that the Minister of Trade and Commerce, who would be Acting Prime Minister at that time, and certain other members of the government, would be prepared to meet representatives of the Council at 12 o'clock noon on Friday, February 12th.*

*(The Minister of Trade and Commerce subsequently suggested that the meeting take place at 12 o'clock noon on Friday, February 19th)

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Ministry; resignation and appointment

7. The Prime Minister submitted a recommendation on certain proposed changes in the Ministry.

8. The Cabinet approved the recommendation of the Prime Minister that Senator Macdonald be appointed Solicitor General vice Mr. Campney who was resigning as Solicitor General in order to be able to devote more time to his portfolio of Associate Minister of National Defence; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-31, Jan. 12)

Post Office; increase in rates

9. The Secretary of State, as Acting Postmaster General, referring to discussion at the meeting of December 7th, 1953, submitted for approval certain changes in postal rates ancillary to an increase in rates for first class domestic mail, which had previously been approved and which would be given effect by an amendment to the Post Office Act. Changes other than the domestic letter rate would be dealt with by regulations under the Act.

The increases proposed in these ancillary rates would be such as to maintain the relationship which now existed between the domestic and other rates. Rates proposed would be four cents for postcards, five cents (the same as domestic rate) for letters to the United States, Commonwealth countries, France, Pan-American countries and Spain and six cents for letters to other foreign countries. There would be an increase of one cent on the domestic and international commercial paper rates. It was intended that the all-up five cent air rate would apply to letters only and not to parcel post.

It was not proposed to make any change in the present definition of postal areas. For example, such places as Vancouver-New Westminster, Port Arthur-Fort William etc. would continue to be considered as two separate urban areas and letters mailed from one of these areas to the adjacent area would require a five cent rather than a four cent stamp.

10. The Cabinet agreed in principle that the present relationship between domestic letter rates and other postal rates should be maintained as proposed and that these other rates, therefore, should be increased, as recommended by the Acting Postmaster General, to keep them in line with the previously approved increase in the domestic letter rate, which will be given effect by appropriate amendments to the Post Office Act.

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Legislation; Senate and House of Commons Act amendment; Salaries Act amendment; Judges Act amendment

11. The Prime Minister, referring to discussion at the meeting of January 7th, submitted draft measures to amend the Senate and House of Commons Act and the Salaries Act.

The purpose of these amendments was to provide certain increases in the sessional allowances payable to Members of the Senate and House of Commons, the special allowance payable to the Leader of the Opposition in the House of Commons and the salaries of Minister of the Crown.

12. In the course of discussion the following points emerged:

(a) Although it was felt that the increases proposed for Members of the Senate and the House of Commons and for the Leader of the Opposition in the House of Commons, on the one hand, and increases proposed for Ministers of the Crown, on the other, should be dealt with in two separate bills, both measures might be preceded by a single resolution.

(b) There had been suggestions that increases in the salaries of judges might be dealt with by Parliament at the same time as proposed increases for Members of the Senate and the House of Commons, but it was felt, on balance, that the question of judicial salaries should be divorced entirely from the question of sessional indemnities and should be dealt with on its own merits at a later date.

(c) The penalty for non-attendance should possibly be increased at the same time as the sessional indemnity.

(d) It was generally felt that it would be impractical to consider providing a special allowance for Members representing the Yukon, the Northwest Territories and other equally difficult constituencies.

13. The Cabinet,

(a) approved for introduction a measure to amend the Senate and House of Commons Act and a measure to amend the Salaries Act as submitted by the Prime Minister; it being understood that the latter measure would be modified to include the Associate Minister of National Defence whose salary was now provided for in section 6 of the National Defence Act;

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(b) agreed that introduction of both measures be preceded by a single resolution; and,

(c) agreed that the question of judges' salaries be dealt with separately at a later date.

Civil Service; review of salaries of senior officials

14. The Prime Minister, referring to discussion at the meeting of November 19th, 1953, concerning the revision of Civil Service salaries, suggested that a Special Committee, consisting of the Secretary to the Cabinet, the Chairman of the Civil Service Commission and the Secretary of the Treasury Board, be instructed to review and report on possible adjustments in the salaries of senior civil servants including, particularly, those not established under the Civil Service Act.

15. The Cabinet agreed that the Secretary to the Cabinet, the Chairman of the Civil Service Commission and the Secretary of the Treasury Board consider and report on possible adjustments in the salaries of senior officials of the public service.

Korea; reduction in Commonwealth forces

16. The Minister of National Defence, referring to discussion at the meeting of September 27th, 1953, reported that U.S. armed forces in Korea were being reduced at a fairly rapid rate. This had obvious implications for all Commonwealth countries with troops in Korea.

It had previously been suggested that, pending a final settlement of the Korean problem, Commonwealth troops might be reduced to one infantry brigade, to which Canada, the United Kingdom and Australia would each contribute one battalion. The former Commander of the Commonwealth Division in Korea had now apparently expressed the view that this was impractical and that efficient operation demanded that the same country furnish the three battalions to make up the proposed brigade. It was anticipated that this view would be accepted in the United Kingdom and consideration should now be given to the sort of contribution Canada could best make to the United Nations forces remaining in Korea for the time being.

Perhaps the best solution would be for Canada to maintain its military hospital in the Korean theatre as long as required and, in addition, provide certain engineering and ordnance facilities for Commonwealth troops. The Royal Canadian Navy also had three destroyers

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in Korean waters and these could be kept there for some time without any difficulty.

17. The Secretary of State for External Affairs felt that Canada should withdraw its troops from Korea as rapidly as possible, keeping in mind the needs of the United Nations Commander. The United States obviously, would, have to maintain troops in Korea for a longer period than other U.N. countries because of the bilateral defence arrangements it had entered into with the Republic of Korea.

The prisoners of war who did not want to return to their country of origin presented, of course, the main immediate difficulty. At the present time they were under custody of Indian troops. There were approximately 23,000 Chinese and North Korean prisoners and a few hundred South Korean and United Nations troops who did not want to return to their respective countries of origin. The question as to what should be done with the 23,000 former Communist soldiers, when released, created a real problem which was aggravated by the fact that India had asked to be relieved of its guardianship functions on January 22nd.

18. The Cabinet noted the reports by the Minister of National Defence and the Secretary of State for External Affairs on the progressive demilitarization of South Korea, and agreed that the total number of Canadian military personnel in that area should be gradually reduced, provided this were done consistently with Canadian obligations to the United Nations.

German war criminals

19. The Minister of National Defence, referring to discussion at the meeting of October 21st, 1953, said a report had now been received from Canadian counsel who had attended sessions of the Mixed Clemency Board in the United Kingdom zone of occupation in Germany, established to review cases of German servicemen convicted of war crimes, including those of Kurt Meyer and Johann Neitz.

The Board had recommended clemency in both instances. Specifically, it was recommended that the sentences of Meyer and Neitz be reduced to fourteen years, to include the period of pre-trial custody, and that good behaviour be taken into account in determining the length of time which the sentences would run.

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If the recommendation was accepted, it would mean the release of Meyer and Neitz in a year's time. The British and the French had accepted all similar recommendations in respect of prisoners which they held. A submission to the Governor-in-Council was being prepared and would be ready shortly. The two cases had received a good deal of publicity and had been mentioned in Parliament on more than one occasion. In England, no publicity had been given to the release of war criminals. Two things had to be settled. Decision had to be taken regarding the recommendation itself and, secondly, if it were accepted, consideration had to be given to the manner in which any announcement might be made.

20. The Cabinet, noted the report of the Minister of National Defence and agreed that, on the assumption that the recommendation of the Mixed Clemency Board in the cases of Kurt Meyer and Johann Neitz was accepted by the government, a brief announcement be made by the Minister in the House of Commons stating that the recommendation of the Board had been received and acted upon, and that, while matters of this kind were not discussed normally in Parliament, it was mentioned because the cases had been referred to, there, on previous occasions.

R. B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 14th, 1954.

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Items Discussed

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Legislation; Government Employees Compensation Act amendment	2.
Legislation; Animal Contagious Diseases Act amendment	3.
Legislation; Export Credits Insurance Act amendment	4.
Poliomyelitis in Yukon Territory; Federal assistance	4.
Agricultural Prices Support Board; action re holdings of adulterated butter	5.
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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, January 14th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Agriculture
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Legislation; Senate and House of Commons Act amendment; Salaries Act amendment

1. The Prime Minister, referring to discussion at the meeting of January 11th, submitted a draft resolution to precede the introduction of proposed amendments to the Senate and House of Commons Act and to the Salaries Act.

In addition he noted that section 6 of the Salaries Act provided a salary of $2,400 for the Secretary of the Governor General. This obsolete rate had been supplemented in recent years by special authority in the Appropriations Act. As the Salaries Act was to be amended in any event to provide increases in ministerial salaries, it was suggested that section 6 might simply be repealed; it being understood that henceforth, the salary of the Governor General's Secretary would be fixed by the Governor in Council and the required funds appropriated by Parliament each year.

(Memorandum, Secretary to the Cabinet to Prime Minister, Jan. 13, 1954).

2. The Cabinet,

(a) approved for introduction the resolution to precede proposed amendments to the Senate and House of Commons Act and the Salaries Act as submitted by the Prime Minister; and,

(b) agreed that the measure to amend the Salaries Act, approved for introduction at the meeting of January 11th, be further modified to provide for the repeal of section 6 of the Act.

Legislation; Government Employees Compensation Act amendment

3. The Minister of Labour reported that, during discussion of proposed amendments to the Government Employees Compensation Act by the Cabinet Committee on Legislation the previous day, it was suggested that, perhaps, additional amendments might usefully be made at the same time. Consequently, he proposed that this question be reviewed again by the special Interdepartmental Committee appointed for the purpose, following which a decision could be reached, in the light of the time remaining before prorogation, as to whether a bill to amend this Act should be introduced during the current session or deferred for introduction during the next ensuing session.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 7, 1954-Cab. Doc. 3-54).

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4. The Cabinet deferred decision on proposed amendments to the Government Employees Compensation Act pending further consideration of possible additional amendments by the special Interdepartmental Committee appointed for the purpose; it being understood that, if and when these proposals were approved, introduction of the amending bill might be deferred until the next session if there then appeared to be insufficient time before prorogation of the current session.

Legislation; Animal Contagious Diseases Act amendment

5. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, submitted a resolution and bill to amend the Animal Contagious Diseases Act.

Under the proposed amendment, compensation for slaughtered swine and sheep would be paid on the basis of the animal's market value immediately before slaughter. In the case of horses, a ceiling of $200 was placed on pure-bred animals and $100 on grade animals. In the case of cattle, compensation has been on the basis of market value immediately before slaughter, provided such compensation did not exceed $100 for pure-bred animals and $40 for grade animals, plus an amount equivalent to the market value of the carcass if sale of the carcass is unlawful.

Copies of the draft bill had been circulated.

6. In the course of discussion, the following points emerged:

(a) Under the proposed amendments, it would be possible to compensate for the value of swine and sheep on the hoof, whereas, in the case of cattle, compensation would be limited to $100 or $40 as the case may be, plus the market value of the carcass. This seemed unduly harsh discrimination against the owners of slaughtered prize cattle or valuable dairy cattle.

(b) On the other hand, the ceiling on the compensation for slaughtered cattle was said to reflect the general recognition of those raising cattle, particularly dairy farmers, that the eradication of bovine tuberculosis in their herds was in their own interests, and already the vast majority of cattle had been tested and those slaughtered had been paid for on the old rates.

7. The Cabinet deferred decision on introduction of the resolution and bill to amend the Animal Contagious Diseases Act pending further consideration at a subsequent meeting.

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Legislation; Export Credits Insurance Act amendment

8. The Minister of Trade and Commerce submitted a resolution and bill to amend the Export Credits Insurance Act.

The main purpose of the measure was to increase the authorized capital of the Corporation from five to fifteen million dollars. It was also proposed to amend the Act in certain other minor respects.

Copies of the draft bill had been circulated.

9. The Cabinet approved a resolution and bill to amend the Export Credits Insurance Act as submitted by the Minister of Trade and Commerce.

Poliomyelitis in Yukon Territory; Federal assistance

10. The Prime Minister referred to a decision of June 12th, 1953, that victims of the outbreak of poliomyelitis in the Yukon Territory in 1953 should be treated on a basis as favourable as that provided by Provincial governments for residents within their boundaries. Subsequently, the Commissioner of the Yukon Territory had recommended to Treasury Board that the entire costs involved, estimated at $86,563.10, should be born by the Federal government. As there was some doubt as to whether this was in accord with the Cabinet's decision of June 12th, 1953, Treasury Board had referred the Commissioner's recommendation back to the Department of Resources and Development for reconsideration. An amended submission had been returned to the Board requesting that only half the costs be reimbursed to the Territorial government. After considering this amended submission on January 7th, 1954, Treasury Board had directed that the matter be referred to Cabinet for a decision in principle.

An explanatory memorandum had been circulated.

(Secretary's memorandum, Jan. 13 1954-Cab. Doc. 8-54)

11. In the course of discussion it was argued, on the one hand, that most provinces provided free treatment for poliomyelitis victims and that, if the Yukon Territory was to be considered as a province, insofar as the handling of its finances were concerned, it should be expected to defray the cost involved without direct Federal assistance.

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It was argued, on the other hand, that the Yukon Territory could not be equated to an independent province in respect of its fiscal requirements, and therefore some degree of direct Federal assistance would be desirable in this instance, particularly since the 1953 outbreak of poliomyelitis in the Yukon had been nearly six times more severe, on a proportionate basis, than in Manitoba, the Province most severely affected.

12. The Cabinet agreed that the Yukon Territorial government be reimbursed 50 percent of the estimated costs involved in treating victims of the 1953 poliomyelitis epidemic in the Yukon Territory; Treasury Board to be informed accordingly.

Agricultural Prices Support Board; action re holdings of adulterated butter

13. The Minister of Citizenship and Immigration, as Acting Minister of Agriculture, reported that, during the season of 1953, the Agricultural Prices Support Board had purchased a quantity of butter which was later found to be adulterated with foreign fat. Check samples were taken, immediately, of current butter purchases and of holdings. None of the 1952 butter was adulterated but some lots, purchased in 1953, were found to contain fat other than that of milk. Transactions between the Board and the seller of the butter had been on the basis of Grade Certificates issued by the Department of Agriculture. Creameries were required to pack butter in properly branded standard boxes and grading was then done on the basis of flavour, workmanship and package. The product was tested also for water and salt content but not analysed for adulteration with fat or preservatives. This was because of the time element involved in testing and also, mainly, because the specially refined oils could not be detected by known methods of analysis until a few months ago.

Adulteration appeared to have been carried out by the manufacturer, not the broker, and there was no evidence to suggest that the latter sold the butter to the Board in other than good faith. Disposal presented difficulties because, while it was wholesome food, most Provincial legislation in Canada prevented its sale as being neither butter nor margarine.

It was suggested that the Board request the brokers selling the adulterated butter to refund the purchase price plus storage and any other handling charges. If this request were not met, the Board would sue for recovery of the funds. On receipt of the money,

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the Board would release the product to the brokers and notify the Department of Agriculture and the Food and Drug officials accordingly.

It was also recommended that the Departments of National Health and Welfare and Agriculture consider what legal action, if any, should be taken against the manufacturer and examine any plan of disposal of the product suggested by the owner which might comply with Federal and Provincial legislation.

An explanatory memorandum had been circulated.

(Memorandum, Acting Minister of Agriculture, Jan. 11, 1954 - Cab. Doc. 7-54)

14. Mr. Harris also said it was likely that other lots of adulterated butter, possibly as much as 1 million pounds would be discovered. The brokers involved, assuming that their sales would be rescinded, were now carrying out negotiations to see if the product could be sold for special uses.

15. In the course of discussion, the following points emerged:

(a) While the product purchased was quite wholesome, difficulties would be encountered with the dairy industry if it were recognized that butter might contain ingredients other than milk fat.

(b) Unless a method were devised to enable the brokers or creameries concerned to dispose of this product, some might go bankrupt and farmers having contracts to sell their milk to these creameries would be placed in a difficult position.

(c) The brokers concerned realized that they would have to refund money to the Agricultural Prices Support Board, and, therefore, were holding back amounts payable to creameries which had been selling them this adulterated butter.

(d) While the government could not associate itself with any wrongdoing, some help might be given in arranging the sale of this product, properly identified, either domestically or in export markets. The price would inevitably be considerably lower than that of butter. There was, for example, a possibility of sales to a chocolate manufacturer in Ontario.

(e) It would be desirable to take action, as soon as possible both to recover the purchase price and to give whatever help was possible to the creameries concerned so that milk producers themselves would not suffer hardship.

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16. The Cabinet noted the report of the Acting Minister of Agriculture and agreed:

(a) that the Agricultural Prices Support Board request the brokers selling adulterated butter to refund to the Board the purchase price, plus storage and any other handling charges, and, in the event this request were not met, the Board should take legal action for recovery of the funds;

(b) that, once the funds had been received, the adulterated butter be released to the brokers concerned;

(c) that the Board notify officials of the Departments of National Health and Welfare and Agriculture of the release of the product; and,

(d) that steps be taken by the Departments of National Health and Welfare and Agriculture to assist the owners to dispose of the adulterated butter as expeditiously as possible and in compliance with existing legislation.

Sixth Empire Mining and Metallurgical Congress; government grant

17. The Minister of Mines and Technical Surveys said Canada was expected to be the host country for the Sixth Empire Mining and Metallurgical Congress in 1957. The cost of the Congress was estimated at between $200,000 and $250,000. The Canadian Institute of Mining and Metallurgy had requested a contribution of $80,000 from the Federal government. The object of the Congress was to afford an opportunity for mining engineers, metallurgists, scientists and others concerned, to discuss technical progress and problems, including the development of mineral resources of the Commonwealth. Canada was the leading country in the Commonwealth for mineral development and a major producer and exporter. It was felt desirable to act as the host country for the Sixth Congress. As the host country, Canada would be expected to arrange for the visiting delegates to visit mining and metallurgical industries across Canada. The Provinces, and some Canadian enterprises, would also be asked to contribute towards the expenses of the Congress.

It was recommended that the Federal government contribute $75,000, on condition that the Provinces contributed an equal amount, the payments to be made in annual instalments up to 1957.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 11, 1954-Cab. Doc. 5-54)

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18. In the course of discussion, it was pointed out that it was difficult to follow a consistent policy in respect of grants for international congresses held in Canada. As the matter was not urgent, it would be useful to ask the Advisory Panel on Scientific Policy to suggest some principles on which the proposed grant and similar grants might be made in future.

19. The Cabinet deferred consideration, to a later meeting, of the recommendation of the Minister of Mines and Technical Surveys for a government grant to the Sixth Empire Mining and Metallurgical Congress, pending a report from the Advisory Panel on Scientific Policy on the principles upon which grants of this kind might be made; the report to include a schedule of international bodies of a scientific and professional character which might be recognized; and the Departments of Finance and External Affairs to be asked for views on the principles that might govern the approval of such grants as proposed in fields other than that covered by the Panel.

Royal Canadian Navy; provision of chapels in married quarter areas; reference from Treasury Board

20. The Minister of National Defence said the Royal Canadian Navy had a large married quarter settlement at Shannon Park across the harbour from Halifax, comprising 521 families, and another at Belmont Park across the bay from Esquimalt, comprising 372 families. Buildings used at present on a part-time basis for religious worship were unsatisfactory and the closest alternative facilities on the East coast were at Dartmouth, over two miles away, and on the West coast at Esquimalt, a mile and a half away. Both the settlements were outside the confines of the naval establishments proper and residents were not subject to the same Service control as were the occupants of married quarters located within the limits of a Service establishment. Certain conditions in both areas were having a bad effect on morale, and religious authorities felt these could be improved if adequate places of worship were available.

It was recommended that approval be given to construct one Roman Catholic chapel and one Protestant chapel in each of the settlements at an estimated total cost of $346,000. Treasury Board had considered the proposal and had referred it to Cabinet for consideration.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 11, 1954 - Cab. Doc. 6-54).

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21. In the course of discussion, it was argued, on the one hand:

(a) that the two communities were relatively isolated from the respective naval stations and normally, similar settlements were within the confines of a camp or station and the chapels provided for the men were available for dependents as well;

(b) that the churches had come to regard the forces as normally providing accommodation for worship in Service establishments and they considered that this policy should include Shannon Park and Belmont Park;

(c) that as much as possible should be done to enable families living in the areas to have decent surroundings and opportunities for ordinary religious worship;

(d) that schools, stores and the like had been constructed by the Department in the communities and it seemed reasonable, therefore, also to construct chapels;

(e) that while there might be criticism of expenditure of public monies for this purpose, there might be more criticism from other quarters for not doing what was possible to encourage church attendance; and,

(f) that, particularly at Shannon Park, there was a serious morale problem and, if chapels were provided and padres lived in the communities, it was felt that this situation would be improved.

On the other hand, it was argued:

(a) that the position of persons living in the two areas was similar to residents of many ordinary Canadian communties who had to go some distance to attend church; the people in the two settlements had fairly good incomes and should be just as well able to pay for their own churches as many of those who lived in comparable communities in other parts of the country;

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(b) that, as it was proposed to construct only one Protestant chapel in each settlement, difficult problems might arise in deciding which denominations would have the right to use the buildings available for worship for Protestants;

(c) that both communities were served by commercial transportation, and there appeared to be little difficulty getting to church if individuals wished to do so; and,

(d) that the areas, while detached from main service stations, came under the Commanding Officers of those stations for administrative purposes and a solution might be found by treating them as a part of the main stations and building chapels there, as was normally done in other establishments across the country.

22. The Cabinet noted the report of the Minister of National Defence on the provision of chapels at Shannon Park and Belmont Park, and agreed that, as these two residential areas came within the administrative jurisdiction of the Commanding Officers of the Naval Establishments at Halifax and Esquimalt respectively, they could be regarded as part of such Establishments and the provision of chapels did not require any new decision of policy by the Cabinet but could be authorized by the Treasury Board in the same way as the construction of chapels and other Service buildings in other defence establishments; Treasury Board to be advised accordingly.

Japanese immigration

23. The Minister of Citizenship and Immigration, referring to discussion at the meeting of December 17th, 1953, said that, early in the century, the Japanese government had prohibited immigration to Canada, but in 1906, Canada's adherence to the Treaty of 1894 between Great Britain and Japan had brought about a substantial increase in immigration. Agreements had been made from time to time with Japan regulating the number of persons to be admitted. The last, in 1928, provided for 150 immigrants of certain classes. In addition, under Order in Council P.C. 2115 of September 16th, 1932, wives and children under 18 years of age of Canadian citizens resident in Canada who were British subjects under Canadian law were admitted. This agreement had been terminated at the outbreak of war and had not been renewed by the Peace Treaty.

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During the war, certain persons of Japanese origin who were Canadian citizens by birth or naturalization had been deprived of their citizenship, and nearly 4,000 persons had been repatriated to Japan. These wartime Orders in Council respecting enemy aliens had been rescinded and immigration from Japan was now governed by the Order in Council of 1932, which applied to all persons of Asiatic origin. This Order now provided for admission of the wife, husband or unmarried children under 21 years of age of any Canadian citizen legally admitted to and resident in Canada who was in a position to receive and care for such dependents.

Agreements had been made with other Asiatic countries governing immigration, and it now appeared that the position of certain Japanese groups and classes had to be considered. These included Canadian citizens now in Japan itself who, as a matter of right, were admissible to Canada; persons who had domicile in Canada and who were in Japan at the outbreak of war; persons admissible under P.C. 2115 of September 16th, 1952 and not included in the first two categories; and Canadian citizens who served in the enemy armed forces.

It would seem that there were between 10,000 and 12,000 persons of Japanese origin who, by reason of birth in Canada or by being a close relative of a Canadian citizen of Japanese origin, were now admissible. It could be assumed that the Japanese government desired to renew the agreement made in 1928 respecting immigration, and a case could be made for renewing it in the interests of Canada to show that there was no discrimination against Japan and also to regulate the flow when the time came for normal immigration. Against this would be the fact of treating a former enemy in the same category as certain Asiatic persons in the Commonwealth and giving the Japanese a preferance over other Asians.

Admission might be refused to those who had become voluntary repatriates before the war but it would be difficult to refuse admission to natural-born or naturalized Canadians who were out of Canada at the outbreak of the war. There was also the case of those who had returned to Japan since the war. Wives and children of Canadian citizens residing in Canada would have to be considered as well.

Representations from the Japanese to admit more persons to Canada were now being made from time to time. It might be advisable to delay any agreement until the persons of Japanese origin now admissible to Canada were dealt with. Chinese immigration had been relatively high in recent years and, if the Japanese were now admitted in substantial numbers, most of them would probably settle in British Columbia/ a difficult problem would be created. and

An explanatory memorandum had been circulated.

(Memorandum, Department of Citizenship and Immigration, Nov. 17, 1952- Cab. Doc. 9-54).

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24. In the course of discussion, the following points emerged:

(a) It would be difficult to continue, in the face of increasing pressure, the exclusion of all persons of Japanese origin A start could be made with those legally admissible to Canada but the flow should be kept to a reasonable volume.

(b) This was an important prestige problem for the Japanese and something should be worked out to put them in the same position, in principle, as other Asiatic nations.

25. The Cabinet agreed,

(a) that steps be taken to enable people of Japanese origin, who were legally admissible, to enter Canada; it being understood that the movement would be spread over a reasonable period of time; and,

(b) that the Departments of External Affairs and Citizenship and Immigration consider the position of Japan with respect to immigration generally and make recommendations to provide that the treatment of that country would not differ in principle from that of other Asiatic countries.

South African immigration

26. The Minister of Citizenship and Immigration said enquiries were being made with respect to the possible immigration to Canada of coloured people from South Africa. An increasing number of requests could be anticipated in the future. Persons involved were admissible as British subjects. They could, however, be treated in the same manner as people from the British West Indies.

27. The Cabinet noted the report of the Minister of Citizenship and Immigration regarding immigration from South Africa.

Central Mortgage and Housing Corporation; capital budget

28. The Minister of Public Works, with the concurrence of the Acting Minister of Finance, pursuant to the provisions of section 80 of the Financial Administration Act, submitted a capital budget of $6,700,500 for Central Mortgage and Housing Corporation for the calendar year 1954, setting forth the expenditures to be financed out of

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corporation funds and out of monies to be borrowed from the Treasury. The budget did not include an amount to meet commitments for loans under the National Housing Act estimated at $120,600,000 and for expenditures under section 46 of the National Housing Act for federal-provincial projects estimated at 14.5 million.

29. The Cabinet approved a capital budget of $6,700,500 for Central Mortgage and Housing Corporation for the calendar year 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-65, Jan. 14)

Deep-test well;application for benefits under Income Tax Act

30. The Minister of Mines and Technical Surveys submitted a recommendation for the extension of tax benefits under the Income Tax Act to Imperial Oil Limited in respect of a deep-test well in Saskatchewan.

31. The Cabinet agreed that benefits provided for by subsection (5A) of section 53 of chapter 25 of the Statutes of Canada 1949 (second session) be extended to Imperial Oil Limited in respect of the Tide Water Imperial South Kisbey Crown No. 1 well being drilled in Saskatchewan; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-66, Jan. 14)

Export Credits Insurance Corporation; contract for shipments of milk to Venezuela

32. The Minister of Trade and Commerce submitted a recommendation to enable the Export Credits Insurance Corporation to enter into an insurance contract covering shipments of powdered milk to Venezuela by the Cooperative Agricole de Granby.

33. The Cabinet agreed that authority be granted to the Export Credits Insurance Corporation to enter into a contract of insurance to cover shipments of milk powder made by the Cooperative Agricole de Granby to Venezuela, from January 1st, 1954 to December 1st, 1954, at a premium of 1½ percent on the gross invoice value of each shipment, the maximum liability of the Corporation not to be more than $2,550,000; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-68, Jan. 14)

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Civil Service Commission; extension of term of office of Chairman

34. The Prime Minister submitted a recommendation for the extension of the term of office of the Chairman of the Civil Service Commission to September 6th, 1954, the date of his next birthday.

35. The Cabinet approved the extension of the term of office of C.H. Bland, Esq., as Chairman of the Civil Service Commission, from March 31st, 1954 to September 6th, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-70, Jan. 14)

Appointments

36. The Prime Minister submitted a recommendation for an appointment to the Income Tax Appeal Board.

37. The Secretary of State submitted a recommendation for the appointment of a Returning Officer.

38. The Minister of Finance submitted a recommendation for the appointment of Auditors of the Bank of Canada.

39. Dr. McCann submitted a recommendation for a re-appointment to the Board of Governors, Canadian Broadcasting Corporation.

40. The Minister of Trade and Commerce submitted a recommendation for an appointment of a Director of the Export Credits Insurance Corporation.

41. The Cabinet agreed that appointments be made as follows; Orders in Council to be passed accordingly;

(a) Cecil L. Snyder, Esq., of Toronto, to be a member and Assistant Chairman of the Income Tax Appeal Board, effective February 1st, 1954, for a period of 10 years;

(Order in Council P.C. 1954-64, Jan. 14)

(b) Leonard Derome, Esq., of Montreal to be Returning Officer for the Electoral District of St-Denis (Montreal).

(Order in Council P.C. 1954-69, Jan. 14)

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(c) J. Grant Glassco, Esq., of Toronto, and Maurice Samson, Esq., of Montreal, to be Auditors of the Bank of Canada to serve for the year February 1st, 1954 to January 31st, 1955.

(Order in Council P.C. 1954-72, Jan. 14)

(d) Dean Adrien Pouliot, Esq., of Quebec, to be re-appointed a Governor of the Canadian Broadcasting Corporation for a period of three years from January 25th, 1954.

(Order in Council P.C. 1954-71, Jan. 14)

(e) Mitchell W. Sharp, Esq., Associate Deputy Minister of Trade and Commerce, to be a Director of the Export Credits Insurance Corporation.

(Order in Council P.C. 1954-67, Jan. 14).

R. B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 15th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, January 15th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin)

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German war criminals

1. The Minister of National Defence, referring to discussion at the meeting of January 11th, submitted recommendations for the commutation of sentences for war crimes now being served by Kurt Meyer and Johann Neitz.

Brigadier Sherwood Lett had acted as observer on behalf of the Canadian government during the review of both cases by the Mixed Consultative Board. He reported that the members of the Board had given full consideration to all relevant factors available and that deliberations had been conducted in an objective and impartial manner. The Board had unanimously recommended that both sentences be reduced to imprisonment for a term of fourteen years and that the sentences, as reduced, should run so as to include the period of pre-trial detention.

Brigadier Lett concurred in the conclusions of the Board and was of the opinion that the Canadian clemency authority should give effect to them. The Minister recommended, therefore, that the sentences being served by Kurt Meyer and Johann Neitz be commuted to terms of fourteen years, with reductions allowable for good conduct.

Submissions had been circulated.

(Recommendations, Minister of National Defence, Jan. 15, 1954 - Cab. Docs. 11-54 and 12-54.)

2. Mr. Claxton also submitted a draft statement which he proposed to make in Parliament.

3. In the course of discussion, the following points emerged:

(a) The presence of Brigadier Lett, as an observer during the Board's review, would assure the public, and veterans particularly, so far as possible, that the government was not acting arbitrarily or precipitately if it accepted the recommendations.

(b) In the submission respecting Meyer, it was not made clear that Brigadier Lett had concurred in the conclusions of the Board. The submission should be revised to bring out this point as he had, in fact, given his concurrence.

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(c) It would be desirable to indicate in the statement the observer's military rank and distinction.

(d) Control at Werl Prison was in the hands of the United Kingdom authorities, and remission of sentences was granted in accordance with rules laid down by the British Custodian. This point should also be stressed in the Minister's statement.

4. The Cabinet, after further discussion, agreed that the life sentence now being served by ex-Major General Kurt Meyer, and the sentence being served by Johann Neitz, be commuted to terms of fourteen years, to be computed from May 8th, 1945, and July 22nd, 1945, respectively, subject to such reductions, if any, for good conduct as they may have earned, or may earn, in accordance with the rules in force for the prison in which they were undergoing punishment; the submission respecting Meyer, and the draft statement, to be amended in accordance with the discussion; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-75 and 1954-74, Jan. 16).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 19th, 1954.

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Items Discussed

Legislation; Senate and House of Commons Act amendment 2.

Northwest Territories Council; per diem allowance for elected members 2.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, January 19th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Legislation; Senate and House of Commons Act amendment

1. The Prime Minister, referring to discussion at the meeting of January 11th, submitted revised draft amendments to the Senate and House of Commons Act to increase the salaries of the Speaker of the Senate and the Speaker and Deputy Speaker of the House of Commons, the sessional allowances of members of the Senate and the House of Commons and the annual allowances of the Leader of the Government in the Senate, the Leader of the Opposition in the Senate and the Leader of the Opposition in the House of Commons.

2. In the course of discussion, reference was made to the possibility of increasing the salaries, provided by special appropriations each year, for Parliamentary Assistants and the allowance similarly provided for the Deputy Chairman of Committees of the whole House, but it was thought that such increases should not be proposed at this time.

3. The Cabinet approved for introduction the revised measure to amend the Senate and House of Commons Act, as submitted by the Prime Minister.

Northwest Territories Council; per diem allowance for elected members

4. The Minister of Northern Affairs and National Resources said that, under the Northwest Territories Act, elected members of the Northwest Territories Council were entitled to an allowance of $50 for each day of attendance at sittings of the Council, provided the total allowances paid in any one year did not exceed $1,000. The Act further provided that elected members were entitled to their actual travelling expenses in proceeding to and from Council meetings and to an allowance of $25 for living expenses incurred while the Council was in session.

It was to be expected that, following introduction of the measure to increase the sessional allowances of members of the Senate and of the House of Commons, the government would be asked to increase the $50 per diem allowance now provided under the Act. An acceptable solution might be to leave the present ceiling of $1,000 per annum unchanged, but to increase the per diem allowance from $50 to $75.

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5. In the course of discussion it was pointed out that, following introduction of the proposed amendments to the Senate and House of Commons Act and to the Salaries Act, there would likely be a large number of representations to the government seeking increases in a variety of government paid salaries and allowances and even in the scale of such social benefits as Family Allowances and Old Age Pensions. It seemed clear that such representations should be considered on their own merits and not be related to the proposed increases in sessional allowances and Ministerial salaries.

6. The Cabinet noted the report by the Minister of Northern Affairs and National Resources regarding the per diem allowance paid to elected members of the Northwest Territories Council and agreed that, depending on developments, this question might be considered at some later date.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 20th, 1954.

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Items Discussed

Television station, Hull, Quebec 2.

Interprovincial and international road transportation; jurisdiction 3.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, January 20th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Television station, Hull, Quebec

1. The Minister of Transport said the proprietors of the newspaper, Le Droit, had made an application to the Controller of Telecommunications for the grant of a license for a French language television station in Hull. Representations had also been received from other sources in this connection. It had been indicated to the applicants such a grant would be contrary to government policy at this time.

2. In the course of discussion, the following points emerged:

(a) It was government policy to have C.B.C. television stations established in the larger centres and to grant licenses for private stations only,in other areas. If licenses for private stations were to be granted now in a community directly adjacent to an area covered by the C.B.C., it would be difficult to refuse applications for private stations in Toronto, Montreal and Vancouver where the C.B.C. television services had only recently come into operation.

(b) The C.B.C. had requested a loan of $500,000 for an additional transmitter at Ottawa to be used exclusively for French television broadcasts. This request had not been considered favourably, but it was understood that present planning would take into consideration the possible addition of a second transmitter in Ottawa, for use in French language services.

(c) Programmes now carried over Ottawa television facilities were in both languages and were being improved. It would be preferable to ascertain the public reaction to the improved programmes and better technical operation of the station before considering the granting of a private license in the area.

(d) While it might not be desirable to license a private station, it would also not be advisable to spend any more public money in the same area when there were other places in Canada which had no service at all.

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(e) It was probable that serious difficulties and criticism might arise from differences in the types of programmes likely to be provided by a publicly operated English station and a privately operated French station in the same general area.

3. The Cabinet agreed that the proprietors of Le Droit be informed that no approval could be given, at the present time, to their application for a French language television station in Hull.

Interprovincial and international road transportation; jurisdiction

4. The Prime Minister said a decision on jurisdiction over interprovincial and international road transport could be expected in the near future from the Judicial Committee of the Privy Council and would likely be that transportation of this character fell within Federal jurisdiction. He had discussed, with the Minister of Transport and the Chairman of the Board of Transport Commissioners, the possible courses of action which the government might take in this event. As he might be absent when a decision was required from the government, he thought he should let the Cabinet have an indication of his views on the matter.

From 80 to 90 percent of road transport in Canada was carried on within the boundaries of individual provinces. To administer regulations and establish a service to control the remaining international and interprovincial operations would be extremely costly. The Chairman of the Board of Transport Commissioners had discussed the matter, recently, with officials of the United States and had been advised that such regulation was expensive and difficult to administer. If the Board of Transport Commissioners were to enter this field, considerable additions in staff would be required. If the decision should be that this was a field of Federal jurisdiction, it might be desirable to inform the provinces that, as they had managed thus far to regulate interprovincial and international road transport, they should continue to do so. If Federal legislation turned out to be necessary, it could still be administered by provincial or local authorities, as was the Criminal Code. If there should be interference with interprovincial trade, the Federal government would have to intervene. If and when a judgment is delivered establishing Federal jurisdiction, the Minister of Transport might discuss the matter with the provinces.

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5. In the course of discussion, the following points emerged:

(a) Very little trucking extended beyond two provinces, which made cooperative measures between provinces practicable.

(b) Should the Federal government, in fact, regulate interprovincial and international road transport, it was very apt to be drawn deeply into financing highway construction, as in the case of the U.S. government.

(c) There was now an indication that some trucking interests were counting on a decision being given in favour of Federal jurisdiction and were making plans to operate a trans-continental trucking service. This was causing considerable concern to trucking companies which did most of their business within the boundaries of one or other of the provinces.

6. The Cabinet noted the views of the Prime Minister regarding the implications of the judgment likely to be delivered, in the near future, by the Judicial Committee of the Privy Council, in respect of interprovincial and international road transport.x

R.B. Bryce,
Secretary to the Cabinet.

x It was understood that, when word of this judgment had been received and the Cabinet had reached a decision as to the policy to be followed, the Minister of Transport would make a brief statement, thereon, as soon as possible, in the House of Commons.

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CABINET CONCLUSIONS

Meeting

January 21st, 1924.

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National Revenue; remission of duties	13.
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By-elections; issue of writs	15.
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No. 7-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE -CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, January 21st, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote)
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage)

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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St. Lawrence Seaway; report on U.S. legislation

1. The Secretary of State for External Affairs reported that the previous day, the U.S. Senate had passed the Wiley bill by a vote of 51 to 33. The main purpose of the bill was to authorize establishment of a Corporation to construct and operate that portion of the St. Lawrence Seaway lying between Lake Ontario and Cornwall. The measure would also authorize the Corporation to establish a schedule of tolls, either by agreement with the St. Lawrence Seaway Authority, or, unilaterally, on its own portion of the Seaway if agreement were not possible. There was now some indication that, contrary to earlier forecasts, a similar measure (the Dondero bill) might be passed by the House of Representatives during the current session of Congress.

After considering the details of the Wiley bill in the light of Canadian requirements, particularly in relation to the St. Lawrence Seaway Authority Act, the Interdepartmental Committee on the St. Lawrence project had recommended that Canada should not, at this time, make any representations to the United States regarding the bills now before Congress. This was not only because there were no practical amendments to the U.S. legislation which could be suggested at this time, but also because comment by Canada might have an adverse effect with regard to the litigation now before U.S. courts on the power development project in the International Rapids Section of the St. Lawrence. Although the essential features of the Wiley and Dondero bills were fully reconcilable with the Canadian legislation, the Committee had pointed out that there were three important ancillary questions on which agreement would have to be reached if and when these bills became law. These were:

(a) the methods to be followed in establishing tolls either by international agreement or by unilateral action;

(b) reconsideration, in the light of the proposed construction of the International Rapids Section canal in U.S. territory, of the commitment made by the Canadian government to pay $15 million to the power developing agencies (if the all-Canadian Seaway were built) in consideration of the benefits that would accrue to navigation from certain additional dredging to be undertaken in the power pool; and,

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(c) consideration as to what, if anything, should be done to continue the existing 14 foot canal system in the International Rapids Section.

An explanatory memorandum had been circulated.

(Memorandum, Interdepartmental Committee on St. Lawrence Project, Jan. 20, 1954 - Cab. Doc. 17-54).

2. In the course of discussion, the following points emerged:

(a) The Wiley bill contemplated that the proposed U.S. Corporation and the St. Lawrence Seaway Authority would each construct and operate its share of the St. Lawrence Seaway quite independently of the other.

(b) U.S. participation in construction of the project might make it easier to attract U.S. capital for the financing of the Canadian share of the undertaking, including power development .

(c) In correspondence exchanged between the late Mr. Mackenzie King and the Premier of Quebec in 1941, it was suggested that Canada might reimburse that province to the extent of nearly $8 million for certain common works in the Beauharnois Canal. These suggestions were made, however, at the time the 1941 Great Lakes-St. Lawrence Basin Development agreement was being negotiated with the United States and the sharing of costs of so-called "common works" between power and navigation was contemplated. This concept had no place in the current power development project as approved by the International Joint Commission in October 1952, and, in fact, the economics of hydro-electric developments were now such that both Ontario Hydro and the New York State Power Authority had been willing to assume all, or just about all, the costs of those portions of the project which would formerly have been designated as common works. In the light of these developments, Canada might not be required to pay any, or at least not all, of the $7,972,500 referred to in 1941 as the cost of the common works in the Beauharnois Canal properly attributable to navigation.

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3. The Cabinet noted the reports by the Secretary of State for External Affairs and the Interdepartmental Committee on the St. Lawrence project regarding Congressional proposals for United States participation in the construction of the St. Lawrence Seaway, and agreed that Canada should not, at this time, make any representations to the United States on these proposals.

North Atlantic Ocean weather stations; Fourth I.C.A.O. Conference; Canadian participation

4. The Secretary of State for External Affairs said the third North Atlantic Ocean Stations Conference held in Brighton, England, in July 1953, had been convened by the International Civil Aviation Organization solely to review the allocation of responsibilities of the participating states in connection with the continued operations of the network of ten ocean weather stations.

In view of certain difficulties that had arisen since then, a fourth conference would be convened in Paris on February 9th, 1954.

As the maintenance of an adequate weather forecasting service in the North Atlantic was important to Canada, it was felt that every effort should be made to continue the present arrangements in some form after the current agreement expired and that Canada should, therefore, be represented at the Paris conference.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Transport, Jan. 15, 1954 - Cab. Doc. 13-54).

5. The Cabinet agreed,

(a) that Canada be represented at the Fourth International Civil Aviation Organization Conference on the North Atlantic Ocean Stations, to be convened in Paris, on February 9th, 1954;

(b) that the Minister of Transport and the Secretary of State for External Affairs be authorized to appoint the members of the Canadian delegation (after consultation with the Department of Finance as to the desirability of including a representative from that department); and,

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(c) that the delegation should have, as its principal objective, the maintenance in being of an efficient and economical ocean station network in the North Atlantic; the costs thereof to be shared on an equitable basis by countries deriving benefits from it, provided,

(i) that the delegation is not to agree to any contribution by Canada which would be significantly in excess of Canada's proportionate responsibility, based on the present method of estimating contributions, without prior reference to the Cabinet; and,

(ii) that any agreement reached at the conference could be accepted only by the delegation "ad referendum".

Agreement on Commerce with Japan

6. The Secretary of State for External Affairs reported that the Canadian group negotiating with the Japanese Embassy had produced agreed drafts of an Agreement on Commerce with Japan and supplementary notes which were now believed to be satisfactory to both governments. In addition to giving the original instructions to the group, the Cabinet had considered, from time to time, specific points raised in the negotiations and had given appropriate directions on them.

It had proved possible, by an exchange of notes supplementary to the Agreement, to set forth the principles on which a procedure for valuation for duty and dumping duty, consistent with the General Agreement on Tariffs and Trade, would be carried out in a manner that would safeguard Canadian industry against imports causing, or threatening to cause, serious injury. The Japanese had requested that this procedure be covered in an exchange of notes rather than in the Agreement itself.

The Canadian proposal for unconditional non-discrimination in trade and exchange restrictions had not been wholly acceptable to the Japanese government, who considered certain discrimination in trade and exchange restrictions was essential in order to safeguard the external financial position of Japan. A formula had been agreed to, however, whereby Japan would undertake, in respect of all commodities, not to discriminate against Canada in favour of other hard currency sources of supply, and, in respect of nine important Canadian export products, not to discriminate in favour of any other country. There would be an exchange of notes covering the undertaking on the nine important commodities and it had also been agreed that exceptions should be made to this undertaking for certain existing firm commitments the Japanese had made for the purchase

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of these commodities from other countries, and also for certain quantities of wheat which Japan was proposing to include in agreements currently in negotiation with the Argentine and Turkey. A general reference to such exceptions by mutual agreement would be made in the published notes, but the application of these exceptions would be incorporated in other notes which, at the request of the Japanese, would remain confidential.

7. Mr. Pearson recommended, with the concurrence of the Minister of Trade and Commerce and the Minister of Finance, that the government approve entry into the proposed Agreement with the Japanese and the four supplementary exchanges of notes. If the Agreement were approved, consideration should then be given to the time and place of signature of the Agreement, and the manner and timing of its discussion in Parliament.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 18, 1954-Cab. Doc. 15-54).

8. In the course of discussion, the following points were brought out:

(a) The Japanese text of the Agreement, which was to be equally authentic with the English, was now being prepared in Japan. This would be checked against the English text in Ottawa and it would take some weeks before all the documents were ready for signature.

(b) It was suggested that it might be appropriate for the Prime Minister to sign the Agreement when he visited Tokyo in March. There were, however, arguments for and against associating the Prime Minister so closely with the Agreement, which might turn out to be quite a controversial one.

(c) In regard to timing, some concern was expressed at the prospect of discussing the Agreement in Parliament during the winter when seasonal unemployment was usually at a peak, but, on the other hand, there were advantages to be gained by having the Agreement in effect as soon as possible in order that the non-discrimination clause would safeguard Canada against large Japanese purchases of U.S. wheat.

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(d) Once the treaty had been approved and the texts completed, consideration should be given to the manner in which it would be presented to Parliament. It was stated, during discussion, that it had not been the practice to have all trade agreements approved by Parliament, although an indication had been given to the House of Commons that important international treaties would usually be discussed in both Houses before ratification.

(e) It was important that strict secrecy should continue to be observed in regard to all aspects of the Agreement until the time of publication, and then, secrecy would have to be observed in regard to the confidential exchange of notes on the exceptions to the non-discriminatory treatment of trade in the nine commodities.

9. The Cabinet,

(a) approved the entry by Canada into the proposed Agreement on Commerce with Japan;

(b) approved the four supplementary exchanges of notes;

(c) agreed that final preparations of the texts of the Agreement and the exchanges of notes in both languages be proceeded with; and,

(d) deferred decision in regard to the time and place of signature of the Agreement and the representative of Canada who would sign, as well as the time at which and manner in which the Agreement would be presented to Parliament for consideration.

Eldorado Mining and Refining Company Limited and Northern Transportation Company Limited; revised budget 1953 and budget 1954

10. The Minister of Defence Production, with the concurrence of the Acting Minister of Finance, and pursuant to the provisions of the Financial Administration Act, submitted a revised capital budget for 1953 and a proposed capital budget for 1954, for Eldorado Mining and Refining Company Limited and its wholly owned subsidiary, Northern Transportation Company Limited.

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Due to unforeseen conditions which developed during the year, it was necessary to acquire additional assets to the extent of approximately $1 million. The increases were for buildings and facilities at Port Radium and Beaver Lodge and would be financed out of the working capital of the respective companies. The capital budget for 1954 would amount to $2 million and would also be financed out of working capital.

11. In the course of discussion, it was pointed out that the profits of Northern Transportation Company Limited had been high for 1951 but in 1952 were a good deal lower. It was difficult to estimate the volume of traffic in advance, All rates were subject to the approval of the Board of Transport Commissioners.

12. The Cabinet approved the recommendation of the Minister of Defence Production for a revised capital budget for 1953 of $3,765,000 (in place of $2,725,000) and a capital budget for 1954 of $2 million for the Eldorado Mining and Refining Company Limited and the Northern Transportation Company Limited; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-117, Jan. 21)

Canadian Overseas Telecommunications Corporation; capital budget

13. The Minister of Transport, with the concurrence of the Acting Minister of Finance, and pursuant to the provisions of the Financial Administration Act, submitted a capital budget of $1,662,780 for Canadian Overseas Telecommunication Corporation for the calendar year ending December 31st, 1954, to be financed out of corporation funds to the extent of $248,000 and for the balance out of advances and loans to the Corporation from the Treasury. The budget included further development of beam-stations in the Montreal area which were required notwithstanding plans to proceed with the new telephone cable. The beam-stations would be needed for direct circuits to countries not served by the cable to the United Kingdom, and also as stand-by circuits in the event of the cable being interrupted.

14. The Cabinet approved the recommendation of the Minister of Transport for a capital budget of $1,662,780 for Canadian Overseas Telecommunication Corporation for the calendar year 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-118, Jan. 21)

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Proclamations re Queen's Birthday and Thanksgiving Day .

15. The Secretary of State, referring to discussion at the meeting of January 7th, said the Queen had now approved Victoria Day, Monday, May 24th, for the celebration of her birthday in Canada this year. In respect to the proclamation for the observance of Thanksgiving Day on October 11th, 1954, the wording would not be that which had prevailed in previous years because it was proposed to issue the proclamation well in advance of the time when the condition of the harvest would be known.

16. The Cabinet noted that Her Majesty had approved Victoria Day for the celebration of her birthday in Canada this year and the changes in the wording of the proclamation respecting Thanksgiving Day, and agreed that proclamations regarding both occasions be issued; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-121 and 1954-122, Jan. 21).

International Botanical Conference

17. The Prime Minister said that, in 1950, he had been approached by the President of the Royal Society of Canada to ascertain if the government would support an invitation to the International Botanical Conference to meet in Canada in 1955. He had informed the President that, while it was not possible to commit future administrations, it would be reasonable to suppose that the government of the day would be prepared to look favourably on the invitation and to recommend that Parliament make a grant of $50,000 towards the expenses of the Conference. It was not possible for the Conference to hold its 1954 meetings in Canada as had been proposed. Recently, however, it had been suggested that the government support an invitation to have the Ninth International Botanical Conference meet in Canada in 1958 or 1959. If there was to be an invitation, it would have to be made within the next few weeks. The Advisory Panel on Scientific Policy had considered the proposal and strongly recommended government support. In view of the action taken in 1950, it seemed desirable to indicate that, while no commitments could be made for the future, the government, at that time, would probably extend its support for the holding of the meeting in Canada.

(Letter, President, National Research Council to Minister of Trade and Commerce, Jan. 15, 1954).

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18. In the course of discussion, the following points emerged:

(a) It did not seem likely that support of this invitation would prejudice consideration of the reference which had been made recently to the Advisory Panel on Scientific Policy to consider the principles to govern assistance granted for the financial support of meetings of international bodies in Canada.

(b) One of the principal reasons why it was thought desirable to hold this particular meeting in Canada was because of the research which had been carried out on wheat problems.

(c) It could be expected that an increasing number of international meetings would be held in Canada, as many of the persons normally attending conferences of this kind were not allowed to enter the United States because of its immigration law.

19. The Cabinet agreed that the President of the National Research Council be informed that the government would support an invitation to have the Ninth International Botanical Conference held in Canada in 1958 or 1959; and, while it was not possible to commit future administrations, it would be reasonable to expect that proper arrangements could be made for holding the Conference and that financial assistance for it would be recommended to Parliament by the government then in power.

United Kingdom Air Transport Agreement, 1949

20. The Secretary of State for External Affairs said the Minister of Transport had informed him that the United Kingdom now wished to discuss the Canada-U.K. Air Agreement covering North Atlantic services operated by both countries. The Agreement also covered services between Canada, Bermuda and the West Indies operated by the Trans-Canada Air Lines, the Canadian Pacific Air Lines services to Hong Kong and through Fiji, and a British service, hitherto not used, from the United Kingdom to the Orient by The Pas or Churchill.

For two years, the United Kingdom had been pressing for a revision of the Agreement and now had made a formal request for discussion between Ministers. The United Kingdom would like to have access to the important traffic point of Toronto, in addition to Montreal, for the trans-Atlantic service. A request would also be made to permit British Overseas Airways Corporation, in developing a trans-polar route to the Orient, to make calls for traffic

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at Edmonton, Calgary or Vancouver. T.C.A. opposed the U.K. proposals as it now had a monopoly out of Toronto across the Atlantic, and a direct service to the United Kingdom from Western Canada would drain off some traffic.C.P.A. would also be seriously concerned over the effect of granting B.O.A.C. traffic rights out of Western Canada to the Orient. Canada did not have, at this time, any important new concessions to seek from the United Kingdom but, if it were decided to negotiate, traffic rights might be sought at Bermuda from Boston on the Montreal-Boston-Bermuda route, and T.C.A. might be interested in obtaining a monopoly position on the routes from Bermuda and the British West Indies to Canada. The United Kingdom might also be asked to agree not to apply the "cabotage" principle to the movement of passengers between the British West Indies and the United Kingdom over Montreal and between the British colonies in the West Indies.

The United Kingdom had a right under the Air Agreement to demand consultation, and Canada could not refuse this request. Direction was sought as to whether any concessions should be made to the United Kingdom, keeping in mind that failure to meet some of the requests might mean the loss of Prestwick as a traffic stop for T.C.A.

An explanatory memorandum was circulated.

(Memorandum, Minister of Transport, Jan. 20, 1954- Cab. Doc. 18-54).

21. Mr. Pearson noted that the United Kingdom had suggested discussions in London as their Minister of Civil Aviation could not leave England at this time, and it appeared that the Minister of Transport would be able to attend meetings in London commencing February 2nd.

22. In the course of discussion, the following points emerged:

(a) Information had been received from T.C.A. that the U.K. suggestions would affect adversely both their operations and those of C.P.A. Little could be obtained in return for the rights requested.

(b) It was not clear whether the U.K. had a right to demand consultation under the Agreement. This should be clarified before a reply was made to the U.K.

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(c) T.C.A. had at its disposal two traffic points in the United Kingdom, Prestwick and London, and B.O.A.C. also had two traffic points in Canada, Gander and Montreal. While Prestwick was of considerable significance in T.C.A. operations, Gander was also of some importance to B.O.A.C.

(d) It seemed clear that little could be gained, from the Canadian point of view, in discussing the matter with the U.K. authorities at this stage. It seemed desirable, therefore, to delay discussions and to take advantage, for this purpose, of the inability of the U.K. Minister to leave England in the near future.

23. The Cabinet noted the report of the Secretary of State for External Affairs, on the request of the United Kingdom for discussions between Ministers about the Canada-U.K. Air Agreement, but deferred decision pending an examination of the Agreement to ascertain if the United Kingdom had a right to such consultation, and agreed that, in the meantime, the U.K. High Commissioner in Ottawa should be informed that it would be preferable to delay any discussions until a more convenient time.

Appointments

24. The Prime Minister submitted a recommendation that the Assistant Clerk of the Senate be authorized to administer the Oath of Allegiance to members of the Senate.

25. The Cabinet agreed that Rodolphe Larose, Esq., Assistant Clerk of the Senate, be authorized to administer the Oath of Allegiance and the Declaration of Qualification required to be taken by members of the Senate of Canada pursuant to Section 128 of the British North America Act, 1867; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-120, Jan. 21)

Deep-test well; application for benefits under Income Tax Act

26. The Minister of Mines and Technical Surveys submitted a recommendation for the granting of benefits to the Home Oil Company Limited and Shell Oil Company of Canada, Limited, under the Income Tax Act, in respect of a deep-test well.

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27. The Cabinet agreed that benefits provided for by subsection (5A) of section 53 of chapter 25 of the Statutes of Canada 1949 (second session) be extended to the Home Oil Company Limited and Shell Oil Company of Canada, Limited, both of Calgary, Alberta, in respect of the Shell-Home-Sarcee No. 1 well to be drilled in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-119, Jan. 21)

National Revenue; remission of duties

28. The Minister of National Revenue said his department had received two requests for the remission of duties. These involved large sums of money and issues on which he would like the views of Cabinet. The first was from the Canadian Pacific Air Lines in respect of a cargo aeroplane valued at $1 million. The plane had been imported into Canada on the assumption that it would be used in a trans-continental all-cargo air service but, as the application for such a proposed service had not been granted by the government, the company now proposed to dispose of the aircraft outside the country. His department had collected $110,000 in sales tax from the Company on the original purchase.

The second request related to a subsidiary of the Inland Steel Company which sought remission of customs duties and sales tax on machinery which it proposed to import for installation in the hull of a dredge being built at Port Arthur. Under a recent amendment to the customs tariff, a complete dredge of this kind was admitted duty free, but parts thereof were still subject to duties and sales tax. Remission of duties had been made in several instances in the past in the importation of plant and equipment for developmental purposes.

29. In the course of discussion, the following points emerged:

(a) Rightly or wrongly, the Canadian Pacific Air Lines had been under the impression that their application to carry freight trans-continentally would be granted and had imported the aeroplane in question on this assumption. In view of the unfavourable decision taken by the government, it would seem harsh not to remit sales tax of such an amount.

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(b) Building the hull of the dredge in Port Arthur would mean added employment in the area, which it would not be desirable to discourage at this time.

(c) As complete dredges were admitted duty free, the tariff item should be changed to provide for the admission of dredges and parts thereof n.o.p.

(d) Remission of these duties would not likely be embarrassing.

30. The Cabinet, noted the report of the Minister of National Revenue and agreed,

(a) that sales tax amounting to $110,000, in respect of the purchase and importation by the Canadian Pacific Air lines of a cargo aircraft, be remitted to the Company; and,

(b) that customs duties and sales tax amounting to $270,000, in respect of machinery to be installed in a dredge being built at Port Arthur by a subsidiary of the Inland Steel Company, be remitted to the Company.

Trans-Canada Highway; irregularities in Ontario Department of Highways; Fort William section

31. The Minister of Public Works said irregularities had been disclosed in the operations of the Fort William district of the Ontario Department of Highways. They affected several portions of the Trans-Canada Highway being constructed in the area. The government had agreed to contribute over $5 million for that portion of the road and, thus far, $3.2 million had been paid to the Province for work which presumably had been carried out. However, until he was satisfied that all the money had been used for actual construction, he had given instructions for further payments to be withheld. It appeared that the irregularities involved personnel in the provincial department as well as some of the contractors,and charges had been laid against several provincial employees. It seemed unlikely that any Federal officials would be implicated to any great extent. An investigation of the department was being undertaken by the firm of J.D. Woods and Gordon Limited.

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32. In the course of discussion it was suggested that it would be advisable to have counsel appointed by the Federal government to observe any legal proceedings to be undertaken.

33. The Cabinet noted the report of the Minister of Public Works on irregularities discovered in the Department of Highways of the Province of Ontario engaged in joint construction of the Trans-Canada Highway, and agreed that counsel be appointed to represent the Department of Public Works of Canada and to observe any legal proceedings undertaken in respect of the case.

Dominion Coal Board; appointment of Special Consultant

34. The Minister of Mines and Technical Surveys reported that the Dominion Coal Board had been successful in engaging the services of Professor Christie of Johns Hopkins University, to survey thermo-power facilities in the Maritimes. It was proposed to make the results of the surveys available to the provinces concerned.

35. The Cabinet noted with approval the report of the Minister of Mines and Technical Surveys that the Dominion Coal Board had secured the services of Professor Christie of Johns Hopkins University, U.S.A., as special consultant to carry out a survey of thermo-power facilities in the Maritime Provinces.

By-elections; issue of writs

36. The Prime Minister said consideration should be given to the issuing of writs for certain by-elections.

37. The Cabinet, after discussion, agreed that writs be issued for by-elections in the electoral districts of Peel and Verdun-La Salle, the polling day to be March 22nd, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-116, Jan. 21).

U.S. Senate Sub-Committee on Internal Security; interview with Igor Gouzenko

38. The Secretary of State for External Affairs, referring to discussion at the meeting of November 30th, 1953, reported that members of the Sub-Committee on Internal Security of the U.S. Senate, representing the U.S. government, had interviewed Igor Gouzenko on January 4th. A transcript of the proceedings had been obtained and Gouzenko had signed a statutory declaration as to the correctness of what he had

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said. Officials of his department and of the R.C.M. Police had examined the transcript carefully to ascertain whether its publication would jeopardize any investigations currently taking place in Canada or would be harmful to the reputation of individuals outside the United States. They had reported that, with the exception of 35 words which referred to Canadian citizens or citizens of a third country by name, the proceedings could be published without any harm being done. Mr. Gouzenko had divulged no new information in the course of the interview. It would be advantageous to have the document published to show that such was the case but Canada should not press for publication. If the U.S. State Department wished to make the document public, Canadian authorities could indicate that they had no objection, provided the references to Canadian citizens and citizens of any third country were not included. A note to this effect was being prepared for despatch to the State Department.

39. The Cabinet noted the report of the Secretary of State for External Affairs on the interview which members of the Sub-Committee on Internal Security of the U.S. Senate, representing the U.S. government, had had with Mr. Gouzenko, and agreed that, if the U.S. State Department requested that the transcript of the interview be made public, no objection would be made to this course of action provided that the references to Canadian citizens and citizens of a third country were deleted from the published record; a note to this effect to be despatched to the U.S. State Department.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

January 25th, 1954.

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Items Discussed

Potatoes; imposition of countervailing duties by the United States 2.

National Park; Newfoundland 2.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, January 25th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin)

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Potatoes; imposition of countervailing duties by the United States

1. The Minister of Trade and Commerce reported that the United States would impose countervailing duties as from 2:00 p.m., that day, January 25th, on potatoes imported from the Maritimes. U.S. authorities claimed that such potatoes were being subsidized by Canada because of arrangements made under the Agricultural Products Co-operative Marketing Act and were being sold at a price less than the support price in Canada. It had been indicated that, if Canada were to give an assurance regarding the price of exports so that the average price would not be below the Canadian support price, countervailing duties might not be applied. It would be exceedingly difficult to have them removed once action had been taken. The imposition of such duties would stop, entirely, the export of potatoes from the Maritimes.

2. The Minister of Labour said he had had a brief discussion, recently, with the Chairman of the New Brunswick Potato Marketing Board, and it was his impression that the matter was not as serious as had been indicated.

3. The Cabinet noted the report of the Minister of Trade and Commerce on the imposition, by the United States, of countervailing duties on Maritime potatoes marketed under the provisions of the Agricultural Products Co-operative Marketing Act and exported to the United States.

National park; Newfoundland

4. The Prime Minister said that, in case the matter should come up in his absence, he wished to let the Cabinet have his views on the proposed establishment of a national park in Newfoundland. He had discussed the question with the Minister of Northern Affairs and National Resources and had been in communication with the Premier of Newfoundland. The Trans-Canada Highway Act provided for construction by the Federal government, within national parks, of such roads as formed a part of the Trans-Canada Highway. It seemed desirable, first, to settle the question of establishment of the park before giving consideration to the financial responsibility of the Federal government in relation to that portion of the Highway that might be within the park. He felt that, if the Province were willing to convey to the Crown in the right of Canada, free of charge and free of encumbrances, the land necessary for the park, the government should agree to establish a park. The suggestion had been made that, as the boundaries of the park had not yet been delineated, it would be desirable, provided the government of Newfoundland agreed, to pass enabling

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legislation to come into effect on proclamation, with the provision that the proclamation include the exact legal description of the territory involved. The act would not be operative until full agreement on all details had been reached with the Province.

5. The Cabinet noted the report of the Prime Minister on the proposed establishment of a national park in the Province of Newfoundland, and agreed that the matter be considered at a subsequent meeting.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

January 28th, 1954.

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Items Discussed

Legislation; disability allowances	2.
Legislation; Veterans Land Act; amendment re housing	3.
Legislation; Northwest Atlantic Fisheries Convention	4.
Legislation; Patent Act amendment	4.
Patent, copyright, industrial design and trade marks legislation; review	4.
Newfoundland; establishment of a national park	5.
Newfoundland Railway; National Harbours Board; pension rights of former employees	7.
Canada-United Kingdom Air Transport Agreement 1949; U.K. request for consultation	8.
Displaced merchant seamen; vocational training	9.
Assistance to indigent immigrants	11.
Colombo Plan; pest-control units for Ceylon	12.
Public Service Re-arrangement and Transfer of Duties Act; transfer of audit of advertising from the Department of Public Printing and Stationery to the Department of Finance	12.
National Film Board; construction contract	13.
Veterans Treatment Regulations; entitlement to treatment for non-pensionable disability	15.
Appointments; Queen's Counsels	17.
Appointment; National Defence	17.
Deep-test well; application for benefits under Income Tax Act	18.
Civil Service; public holidays	18.
Civil Service; review of salaries of senior officials	19.
Coal subvention policy; Canadian National Railways subventions 1954-55	19.
Legislation; Post Office Act amendment	21.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE -CANADA

TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber at 10:30 a.m. and in Room 201 of the House of Commons at 4:30 p.m. on Thursday, January 28th, 1954.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner) (for morning meeting only)
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Labour
(Mr. Gregg) (for morning meeting only)
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters) (for morning meeting only)
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),(for morning meeting only)
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Legislation; disability allowances

1. The Minister of National Health and Welfare, referring to discussion at the meeting of November 4th, 1953, reported that, on January 26th, he had had preliminary discussions with the Health Ministers of the various provinces regarding the proposed Federal Disability Allowances legislation. All provincial representatives had agreed on the general principle involved (apart from (h) below) although there yet remained certain fairly important details to iron out.

It was proposed that some of the more important features of the scheme should be as follows:

(a) The legislation would be patterned very much along the lines of the Blind Persons Act.

(b) The pension would be on the basis of $40 a month, to be borne by the Federal and the various Provincial governments on a fifty-fifty basis.

(c) The provinces would bear the full costs of administration, except in certain cases where there might be doubt as to their disability, in which event the Federal government would share the cost of whatever special medical investigations and review were made at the request of the Federal authorities.

(d) The means test would be the same as that provided in the Blind Persons Act, which was slightly more generous than the income ceilings under the Old Age Assistance legislation.

(e) Totally incapacitated persons would become eligible to receive the pension at age 18.

(f) To be eligible for the allowance, a totally disabled person must have had 10 years residence in Canada, as stipulated in the Blind Persons Act.

(g) Totally disabled persons in institutions such as mental hospitals, sanatoria, penitentiaries, etc. would not be eligible for the pension.

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(h) The legislation would also contain a provision debarring otherwise eligible persons from receiving the pension if they refused to submit to rehabilitation measures which, in the opinion of competent provincial medical authorities, would be likely to produce beneficial results.

(i) It was intended that the new act should come into force on January 1st, 1955.

2. In the course of discussion, it was pointed out that the proposed statute would be enabling legislation under which the Federal government could enter into agreements with the provinces along the lines indicated by the Minister of National Health and Welfare. Present indications were that all ten provinces would enter into such agreements after the legislation had been enacted.

3. The Cabinet approved the general principles of the Disability Allowances proposed by the Minister of National Health and Welfare and agreed that a draft measure be prepared accordingly; it being understood that the various details of the plan would be reviewed by the Cabinet Committee on Legislation, and subsequently by Cabinet, when the bill was in printed form.

Legislation; Veterans Land Act, amendment re housing

4. The Minister of Veterans Affairs, referring to discussion at the meeting of December 17th, 1953, submitted a draft bill to amend the Veterans Land Act with regard to housing. This had been prepared, as directed by Cabinet, following consultation between officials of the Department of Veterans Affairs, the Department of Finance and the Central Mortgage and Housing Corporation.

As a result of these consultations, it was now suggested that the maximum loan to veterans who wished to benefit from this scheme be increased from $7,000 to $8,000, and that the cash down-payment by the veteran to the Director of the Veterans Land Act Administration be increased from $750.00 to $800.00.

A draft bill had been circulated.

(Draft bill to amend the Veterans Land Act, Jan. 25, 1954-Cab. Doc. 23-54).

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5. The Cabinet agreed that proposed amendments to the Veterans Land Act on assistance to veterans for home building, as submitted by the Minister of Veterans Affairs, be considered in detail by the Cabinet Committee on Legislation after preparation in final draft bill form by the Department of Justice.

Legislation; Northwest Atlantic Fisheries Convention

6. The Minister of Fisheries submitted a resolution and bill to give statutory authority for the carrying out of the obligations assumed by Canada under the International Convention for the Northwest Atlantic Fisheries signed in Washington on February 8th, 1949, and ratified on July 3rd, 1950, following approval by Parliament.

7. The Cabinet approved for introduction a resolution and bill entitled "The Northwest Atlantic Fisheries Convention Act".

Legislation; Patent Act amendment

8. The Secretary of State, referring to discussion at the meeting of January 7th, 1954, submitted a bill to provide increases in some of the fees prescribed by section 75 of the Patent Act.

9. The Cabinet approved for introduction a bill to amend the Patent Act as submitted by the Secretary of State; it being agreed that a section be added to the measure to bring the amendment into effect on April 1st, 1954.

Patent, copyright, industrial design and trade marks legislation; review

10. The Secretary of State, referring to discussion at the meeting of January 7th, 1954, reported that the Patent Act, the Copyright Act and the Industrial Design Act were all in need of complete revision. Certain changes might also be desirable in the Trade Marks Act. Important questions of policy were involved and, before submitting revising measures to Parliament, it seemed advisable, particularly in view of the highly technical and intricate character of this legislation, to have these matters reviewed, possibly by a Royal Commission composed of persons whose recommendations would likely carry weight with Parliament and with the general public.

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If this course of action were approved, he suggested that, on second reading of the bill to amend the Patent Act in respect of certain fees, a brief statement be made that the government proposed to establish a Royal Commission to review the whole subject with a view to ensuring that patent, copyright and other related legislation, on the one hand, gave ample incentive to Canadians to perfect and develop inventions and create literary and artistic works and, on the other hand, protected the public from exploitation through the granting of excessive rights to inventors, writers and artists.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 26, 1954-Cab. Doc. 24-54)

11. In the course of discussion it was suggested that, although legislation on copyrights, patents and other related matters could usefully be subjected to a complete review at this time, this could as well be done by a less formal Commission of Inquiry appointed under Part II of the Inquiries Act. Whatever the form, it seemed clear that, if the fullest benefit were to be derived from the inquiry, the government should appoint competent counsel, with ample time for advance preparation and one of whose main functions it would be to ensure that the public interest was fully brought out, notwithstanding the greater interest and knowledge that will be shown in the proceedings by or on behalf of those benefiting from the rights conferred by this legislation.

12. The Cabinet agreed that, on second reading of the bill to amend the Patent Act, the Secretary of State announce that it was the intention of the government to appoint a Commission of Inquiry (without specifying the precise nature of the Commission) for the purpose of reviewing, in detail, Federal legislation relating to property in inventions, ideas and artistic creations with a view to recommending such amendments to existing legislation as might be thought desirable.

Newfoundland; establishment of a national park

13. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of January 25th, described briefly previous action on a proposal for a national park in Newfoundland. The matter had been raised first by the Newfoundland Minister of National Resources in December, 1949, and the Director of the Parks Branch had carried out an investigation of possible sites in 1950.

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As a result, an area on the east coast of the province, at Newman Sound, had been recommended, but no further action was taken in view of existing heavy Federal commitments for national defence. Last December, the Premier of Newfoundland had submitted a formal request for the establishment of a park and had suggested an area of approximately 250 square miles, the boundaries of which were essentially the same as those recommended in 1950.

National parks had now been established in all provinces except Quebec and Newfoundland. The unusual attractions of the Newman Sound area would be a most desirable addition to the present parks system and the establishment of this area as a national park would prevent further encroachment and spoliation there.

As had been mentioned at the previous meeting, the suggestion was that, if approved the recommendation would be implemented by the introduction of separate legislation rather than by an amendment to the present National Parks Act, as the legal description of the bounds of the area had not yet been fixed. Prior to introduction of such legislation, an undertaking should be obtained from the Provincial government that it was prepared to turn over the area in question to the Federal government free of encumbrances.

It was further recommended that, with the exception of the Trans-Canada Highway, which would traverse the park from north to south, full development of the park be postponed until the present high level of expenditures on defence could be reduced. The Trans-Canada Highway Act provided for the construction by the Federal government of such parts of the Highway as were within national parks.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 26, 1954-Cab. Doc. 21-54).

14. The Cabinet approved, in principle, the recommendation of the Minister of Northern Affairs and National Resources that a measure be introduced in Parliament to establish an area of approximately 250 square miles in the vicinity of Newman Sound in Newfoundland as a national park, provided an undertaking were obtained from the Provincial government that the area would be turned over to the Federal government free of all encumbrances; a draft bill to be prepared accordingly.

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Newfoundland Railway; National Harbours Board; pension rights of former employees

15. The Prime Minister, referring to discussion at the meeting of October 14th, 1953, said the Special Committee had now submitted a report and recommendations on pension rights of former Newfoundland Railway employees now with the Canadian National Railways.

The formula approved by the government in the summer of 1953 related only to the C.N.R. non-contributory pension scheme (Part I). The Committee did not recommend any change in that formula, but suggested that former employees of the Newfoundland Railway be allowed to ~~combine~~ combine their total service both with the Newfoundland Railway prior to Confederation and with the government railways after Confederation for the purpose of computing pensions under the C.N.R.'s contributory plan (Part II). Under this scheme, the C.N.R. would pay that portion of the pension attributable to post-Confederation allowable service, the Newfoundland government would pay that portion to which the employee would otherwise have been entitled in respect of pre-Confederation service, and the Federal government would pay any balance that might be owing to make up the total pension calculated under the C.N.R. Part II rules.

This plan had been approved at the official level by representatives of the Federal and Provincial governments and had been concurred in by the Canadian National Railways who would administer the plan.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, Jan. 26, 1954-Cab. Doc. 26-54)

16. In the course of discussion, it was pointed out that a problem similar to that of former Newfoundland Railway employees had arisen in connection with the continuing pension rights of certain former National Harbours Board employees in British Columbia who had been transferred to the Canadian National Railways. There was, however, a real difference in the degree of Federal responsibility in each case. The Terms of Union of Newfoundland with Canada imposed a statutory obligation on the Federal government to preserve all acquired pension rights of former Newfoundland Railway employees who were taken over by the C.N.R. whereas, in the case of the former N.H.B. employees referred to, it was largely a matter of contractual arrangements between the Board, on the one hand, and the C.N.R., on the other.

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It was suggested that perhaps the most equitable and satisfactory solution to this problem would be to have the Board make whatever financial arrangements were required in order that the transferred employees might buy their way into the C.N.R. pension plan and thus be permitted to count their total combined service for C.N.R. pension purposes.

17. The Cabinet noted the report of the Prime Minister and,

(a) approved the special contributory pension plan for former employees of the Newfoundland Railway who had been transferred to the Canadian National Railways, on April 1st, 1949, as recommended by the Special Interdepartmental Committee, and agreed that the plan, if and when approved by the Newfoundland government, be brought into force by Order in Council; and,

(b) agreed that the Minister of Transport ascertain whether the National Harbours Board could make financial and other arrangements to enable former N.H.B. employees in British Columbia, who had been transferred to the Canadian National Railways, to count their combined N.H.B. and C.N.R. service for pension calculation purposes under the C.N.R. pension scheme.

Canada-United Kingdom Air Transport Agreement 1949; U.K. request for consultation

18. The Secretary of State for External Affairs, referring to discussion at the meeting of January 21st, regarding U.K. requests for ministerial discussions of the Canada-U.K. Air Transport Agreement of 1949, said that the U.K. High Commissioner at Ottawa had called on him to point out that the United Kingdom was of opinion that, under the terms of the Agreement, either party had a right to consultation. Sir Archibald had urged that such consultation should take place, whether or not the Canadian authorities felt that the talks would be productive.

19. In the course of discussion, the following points emerged:

(a) Not only would the additional concessions desired by the United Kingdom be injurious to Trans-Canada Air Lines, but they would also make it difficult for the government to withhold similar concessions from Canadian Pacific Air Lines.

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(b) The concessions that the United Kingdom was proposing to offer Canada were in no sense a quid pro quo, as they had very little commercial air transport value.

(c) In the circumstances, it was thought that the U.K. authorities might be informed that, although the Canadian government did not feel that ministerial discussions on the 1949 Agreement would be productive, the Minister of Transport would, nonetheless, be prepared to meet with appropriate U.K. representatives in Ottawa at a mutually convenient time.

20. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that the United Kingdom government be informed that, although Canada did not feel that ministerial discussions on the Canada-U.K. Air Transport Agreement of 1949 would be productive, the Minister of Transport would be prepared to discuss the agreement with appropriate U.K. representatives in Ottawa at a mutually convenient time.

Displaced merchant seamen; vocational training

21. The Minister of Transport reported that, as a result of increasing transfers of Canadian ships to U.K. registry, a relatively large number of Canadian merchant seamen were being displaced.

Consideration had been given by the Departments of Transport and Labour to the desirability of providing vocational training for these displaced seamen in provincial schools under the vocational training programme of the Department of Labour. This training would be administered by the Department of Labour in co-operation with the Department of Transport and, in view of the special circumstances, it was suggested that the provinces carrying out the work be reimbursed 100 percent of the costs involved.

It was estimated that the transfers of Canadian shipping to U.K. registry might result in the displacement of as many as 660 seamen. Of this total, it was thought that 25 percent, or 165, would apply for training, the total cost of which would be approximately $130,350.

An explanatory memorandum had been circulated.

(Minister's memorandum Jan. 26, 1954-Cab. Doc. 22-54)

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22. In the course of discussion, the following points emerged:

(a) Although Canada had assumed 100 percent of the cost of providing vocational training for displaced merchant seamen under "The Merchant Seamen Vocational Training Order" of 1949, a seaman's eligibility for such training was conditional on his having had war-time service in the Canadian merchant marine. The vocational training provided at that time could be said to be a form of veteran's benefit.

(b) The present proposal was in no way tied to war service and there did not seem to be any valid reason why the Federal government should assume 100 percent of the costs. It could not be argued that the government had been responsible for the transfer of Canadian ships to U.K. registry through any positive act. The government had merely withheld substantial subsidies which might perhaps have prevented such transfers.

(c) If the vocational training scheme for merchant seamen were approved on the basis recommended, it could then be argued that the Federal government should bear 100 percent of the costs of providing vocational training for displaced coal miners and textile workers, as it could be argued that the government might have prevented their displacement by heavily subsidizing the coal and textile industries.

(d) It was suggested, in the circumstances, that no special programme be initiated for the benefit of displaced Canadian merchant seamen, but that these seamen would be expected to take advantage, where possible, of the existing vocational training arrangements under which costs were shared on a fifty-fifty basis by the Federal and Provincial authorities.

23. The Cabinet after noting the report of the Minister of Transport, concluded that it would be inadvisable, at this time, for the Federal government to initiate special vocational training programmes for displaced merchant seamen, the costs of which would be borne wholly by the Federal Treasury.

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Assistance to indigent immigrants

24. The Minister of Citizenship and Immigration recalled that, in December 1950, approval had been given for negotiating agreements with the provinces to share, on an equal basis and for a limited period, the cost of medical care, hospitalization, temporary welfare or rehabilitation assistance for immigrants rendered indigent through accident or illness, provided the terms of such agreements were approved by the Cabinet before conclusion. Under the arrangement, immigrants who had become destitute through no fault of their own and who did not have the required residence qualifications would benefit from the services normally supplied to indigents by provinces or municipalities.

Agreements had been made with five of the provincial governments. The period during which costs of such assistance would be shared, in any one case, was limited to one year. Alberta and Nova Scotia had now agreed to conclude agreements under substantially similar terms and conditions as those in effect with the Province of Ontario, except that the agreement proposed by Nova Scotia did not cover welfare. The Federal government's share of expenses was not known but it would be considerably less than under the agreement concluded with Ontario. The proposed agreements would have effect from April 1st, 1953. He recommended, with the concurrence of the Minister of Labour, that authority be given to conclude agreements with the Provinces of Alberta and Nova Scotia in the form and under terms and conditions similar to the draft agreements submitted.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 15, 1954-Cab. Doc. 20-54)

25. The Cabinet approved the recommendations of the Minister of Citizenship and Immigration, as concurred in by the Minister of Labour, that authority be given to conclude agreements with the governments of the Provinces of Alberta and Nova Scotia for the equal sharing, for a period not exceeding one year, of the expenses of welfare, assistance, medical treatment and hospitalization, including care in sanatoria for the tuberculous, and hospitalization for the mentally ill, when an immigrant was rendered indigent through accident or illness in the first year of his arrival in Canada; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-148, and P.C. 1954-149, Jan. 28).

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Colombo Plan; pest-control units for Ceylon

26. The Secretary of State for External Affairs, referring to discussion at the meeting of July 6th, 1953, said that, in connection with a programme for capital assistance for Ceylon, it had been agreed, in principle, that assistance be provided for agricultural pest-control, subject to specific recommendations. A request from the Ceylon government for 40 pest-control units at an estimated cost of $360,000 had now been thoroughly investigated and, by agreement, the scheme had been adjusted to pilot project size. It was recommended that 10 slightly smaller units, at an estimated cost of $27,500, be provided for Ceylon under the Colombo Plan. The equipment could be obtained in Canada and the necessary funds were available. This assistance would be a useful contribution to the development of agricultural techniques and lead to an eventual increase in food production.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 26, 1954-Cab. Doc. 25-54)

27. The Cabinet approved the recommendation of the Secretary of State for External Affairs that authority be given, in connection with the Colombo Plan, to provide Ceylon with 10 mobile pest-control units, each to consist of 1 half-ton panel truck, equipped with heavy-duty tires, 7 rotary hand-dusters with single discharge pipes, and 14 knapsack sprayers, at an estimated total cost of $27,500.

Public Service Re-arrangement and Transfer of Duties Act; transfer of audit of advertising from the Department of Public Printing and Stationery to the Department of Finance

28. The Prime Minister said there had been a duplication of work in the auditing of accounts for advertising by the Queen's Printer and the Comptroller of the Treasury. He proposed, with the concurrence of the Acting Minister of Finance, to have this function, heretofore carried on by the Department of Public Printing and Stationery, transferred to the Department of Finance.

29. The Cabinet approved the Prime Minister's recommendation that, under the provisions of the Public Service Re-arrangement and Transfer of Duties Act, the duties with which the Department of Public Printing and Stationery was charged by paragraph (d) of subsection (1) of section 4 of the Public Printing and Stationery Act, i.e. the audit of all accounts for advertising for the Senate and House of Commons and the several departments of the government, be transferred to the Office of the Comptroller of the Treasury in the Department of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-124, Jan. 28).

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National Film Board; construction contract

30. The Minister of Citizenship and Immigration said tenders had now been received for the construction of the new National Film Board building in Montreal. A submission had gone forward to Treasury Board recommending acceptance of the lowest tender, that of George Hardy, Ltd., to the amount of $5,230,760. With the addition of incidentals of say half a million, the cost of purchase of the land and any alterations that might be made in the specifications as work progressed, the total costs would be an estimated $7 million. He had asked that the matter be considered by Cabinet before any decision were taken by the Board. Although the proposal to move the Board to Montreal had been considered on two previous occasions, it seemed desirable to review it again before this main commitment was made.

31. In the course of discussion, the following points emerged:

(a) Film activities of the government had originally been centered in the Department of Trade and Commerce. Later, a separate film agency had been established which had increased the number of films produced and built up a large staff of employees. Having in mind the desirability of leaving the production of films to private industry, it might be advisable to have only a relatively small unit co-ordinating departmental requirements for films, and arranging distribution, but not producing films itself.

(b) In general, it was believed that there was strong and widespread public support for the activities of the National Film Board and any noticeable curtailment of the Board's work would likely arouse criticism. Many of the types of films made by the Board and of value in interpreting Canada to Canadians would not be produced satisfactorily by the private film industry.

(c) Production could not be carried on much longer in the existing quarters. If it was thought inadvisable to proceed with the construction of a complete new building for the whole work of the Board, a smaller building for production purposes alone might be constructed. This should be located in Ottawa, as presumably the remainder of the Board's operations would not then be moved out of Ottawa.

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(d) The design for the new building did not include as much floor space as the Board now had in the several buildings it occupied in Ottawa.

(e) The Royal Commission on National Development in the Arts, Letters and Sciences and the report of J.D. Woods and Gordon and Company had both recommended, and a Parliamentary Committee had, by implication, approved the concentration of the Board's administration and operations under one roof.

(f) Some action had to be taken immediately in view of the fact that tenders for the new building in Montreal had been called and $1 million of security deposits on these tenders were now being held. Either a tender had to be accepted or a decision made not to proceed with this particular project and all deposits returned.

(g) While it seemed possible to keep the Board in Ottawa if production facilities only were to be built, it did not seem wise to reverse the decision to move to Montreal, made , later reviewed and confirmed by Cabinet, if new accommodation for the whole of the Board's work were to be constructed.

(h) There was some question as to whether the Province of Quebec might be able to assert rights to censor the production of films within the Province, but it did not appear that this was a serious risk.

(i) If it was decided not to proceed forthwith with the building in Montreal, the question of the proposed move might be placed before a Parliamentary Committee where full information concerning it and other aspects of the Board's work could be made available.

32. The Cabinet, noted the report of the Minister of Citizenship and Immigration and agreed,

(a) that the construction of the new building for the National Film Board in Montreal be proceeded with as planned, and,

(b) that the tender of the lowest bidder, George Hardy Limited, of Toronto, in the amount of $5,230,760 be accepted; the Treasury Board to be advised accordingly.

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Veterans Treatment Regulations; entitlement to treatment for non-pensionable disability

33. The Minister of Veterans Affairs reported that his department was now authorized to treat patients for most non-pensioned disabilities in departmental hospitals, to the extent that facilities were available, provided the veteran had had overseas service or was in receipt of a disability pension, and provided his income and liquid assets were below a certain level. The veteran who qualified under this means test received treatment without charge, but the veteran whose resources or income just exceeded the limits of the means test was not admitted but could obtain treatment by paying the full departmental cost. There were, at present, a number of vacant beds in departmental hospitals and representations had been made to extend further the free treatment to veterans.

It was recommended that the Veterans Treatment Regulation be amended to permit any veteran who qualified on service grounds to be admitted to a departmental hospital, where facilities were available, for treatment of a non-pensioned disability. No charge would be made for the medically indigent but, otherwise, the veteran would be charged at the full departmental rate up to a certain limit. This limit would be determined by the amount the veteran's liquid assets exceeded a fixed exempt amount and also by his income. To the degree his income exceeded a set minimum, he would pay an increasing proportion of his hospitalization costs, on a sliding scale. The effect of the proposal would be to fill empty beds in departmental hospitals and would lead to a more economical overall operation. Furthermore, a veteran would pay for treatment according to his ability and would be protected from financial disaster due to a lengthy illness. It was difficult to estimate the cost but it was believed that the additional patient load would not exceed 650 and the annual cost would not exceed $950,000.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 8, 1954 - Cab. Doc. 4-54).

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34. In the course of discussion, the following points emerged:

(a) The suggestion had arisen because of pressure to extend hospitalization to various classes or groups of veterans or their dependents on the grounds that many hospital beds were not being used. Furthermore, it was desirable to maintain a high standard of medical treatment in veterans' hospitals, which would be difficult to do as an adequate number of patients were not available.

(b) Certain veterans already could receive treatment in departmental hospitals at a rate considerably less than in civilian institutions. If this opportunity were to be extended, a section of the population would be receiving low-cost medical and hospital care not available to the ordinary citizen. This could lead to charges being made by the medical profession and by the general public that a measure of health insurance was being provided for a limited group of people.

(c) Members of the medical profession were only employed by the department on a part-time basis and as their service were required. It seemed doubtful that they would object to the proposal.

(d) If a scale of payment were established, as suggested, and certain standards set up, it would be difficult to maintain flexibility in the system and it would not leave open for consideration various course of action which might have to be adopted should national health insurance be provided at a future date.

(e) The problem of empty beds and facilities not being used economically might be met by extending hospitalization to wives of veterans who receive the War Veteran's Allowance, widows of veterans and the like.

(f) While the Department of National Defence used veterans hospital facilities, part of the difficulty might be met if they were more extensively employed by the three services. In any event, this aspect of the matter was worth further examination.

(g) It might be useful to have the problem and the proposal of the department examined by a group of senior officials.

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35. The Cabinet deferred decision on the proposal of the Minister of Veterans Affairs to amend the Veterans' Treatment Regulations so as to permit veterans, qualifying on service grounds, to obtain treatment for non-pensioned disabilities and to pay for such treatment according to a sliding scale based on ability to pay, pending examination of its implications and of the arguments for and against it, by a committee of senior officials from the Departments of Veterans Affairs, National Health and Welfare, Finance and National Defence; the committee to consider and include in its report any suggestions considered advisable for making more effective use of departmental hospital facilities.

Appointments; Queen's Counsels

36. The Minister of Justice, referring to discussion at the meeting of January 7th, submitted recommendations for the appointment of certain officials as Queen's Counsels.

37. In the course of discussion, it was suggested that no officials from the Department of Justice be appointed Queen's Counsels at this time, but that appointments be made for a limited number when at least one of the officials who had been a member of the armed forces had served for ten years at the bar.

38. The Cabinet, approved the recommendations of the Minister of Justice that John Gear McEntyre, Esq., of Ottawa, Assistant Deputy Minister, Department of National Revenue, and Angus Alexander Cattanach, Esq., of Ottawa, Director of the Companies Branch, Department of the Secretary of State, be appointed Queen's Counsels; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-153 and P.C. 1954-152, Jan. 28).

Appointment; National Defence

39. The Minister of National Defence submitted a recommendation for the promotion of Lieutenant- General Charles Foulkes, Chairman of the Chiefs of Staff Committee, to the rank of General. The Minister also noted that it was his intention, if the Cabinet approved his recommendation, to inform General Foulkes that he could expect to remain as Chairman of the Chiefs of Staff Committee at least until the end of January 1956.

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40. The Cabinet approved the recommendation of the Minister of National Defence and agreed that Lieutenant-General Charles Foulkes, Chairman of the Chiefs of Staff Committee, be promoted to the rank of General with effect from the 26th of January, 1954, at a consolidated rate of pay of $15,000 per annum in accordance with Order in Council P.C. 566 of February 1st, 1951; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-150, Jan. 28).

Deep-test well; application for benefits under Income Tax Act

41. The Minister of Mines and Technical Surveys submitted a recommendation for the granting of benefits to the New Superior Oils of Canada Limited, General Petroleums of Canada Limited, and Altex Oils Limited, under the Income Tax Act, in respect of a deep-test well.

42. The Cabinet approved the recommendation of the Minister of Mines and Technical Surveys and agreed that benefits provided for by sub-section 5 (A) of section 53 of chapter 25 of the Statues of Canada 1949 (Second Session) be extended to the New Superior Oils of Canada Limited, General Petroleums of Canada Limited and Altex Oils Limited, all of Calgary, Alberta, in respect of Hudson's Bay Garrington No. 11-33 well to be drilled in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-151, Jan. 28)

Civil Service; public holidays

43. The Secretary of State, referring to discussion at the meeting of January 7th, read a communication that he proposed to send the Chairman of the Civil Service Commission in respect to holidays for the Civil Service during 1954.

44. The Cabinet noted the report of the Secretary of State and agreed that he inform the Chairman of the Civil Service Commission that, in addition to the holidays provided for by section 45 of the Civil Service Act and the observance of one civic or local holiday permitted by Order in Council P.C. 1953-98 of January 22nd, civil servants would be allowed the Friday afternoons preceding Christmas Day, 1954 and New Year's Day, 1955, as time off, and that the normal latitude in hours of attendance on religious days would be continued.

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Civil Service; review of salaries of senior officials

45. The Prime Minister, referring to discussion at the meeting of January 11th, said that the Secretary to the Cabinet, on behalf of the committee established to consider and report on possible adjustments in the salaries of senior officials of the Public Service, had suggested it would be desirable, both for the committee and the Cabinet, if informed but impartial advice could be obtained from a source outside the Public Service itself in regard to certain of the problems arising in such a review.

It might be helpful, if Mr. Walter Gordon, who had been Chairman of the Royal Commission on Administrative Classifications in the Public Service, in 1946, were asked to re-examine the salaries of senior public servants and advise the Prime Minister upon them.

46. The Cabinet, approved the recommendation of the Prime Minister and agreed that Walter Gordon, Esq., of Toronto, be asked to review the salaries of senior officials of the Public Service, and advise the Prime Minister concerning the revision of such salaries in light of changes that had taken place since the time a report on this matter was made, in 1946, by the Royal Commission on Administrative Classifications in the Public Service.

Coal subvention policy; Canadian National Railways subventions 1954-55

47. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of December 17th, 1953, said the Dominion Coal Board had now submitted a report on future coal subvention policy. One of the matters dealt with in the report was the rate of subvention payable for railway coal in the next fiscal year. The Board had recommended that, from April 1st, 1954, in calculating subvention assistance on Canadian coal delivered to the Canadian National Railways for locomotive consumption, the cost of transportation should be based on the transportation rate (on Company service) of 7 mills per ton mile. He concurred in this recommendation. There was some urgency attached to this aspect of the report as plans had to be made by the Board and the Railways for the next year. It would be recalled that difficulties had arisen in calculating the amount of assistance payable to the mines in respect of the use of coal by the Railways in the current fiscal year.

48. In the course of discussion, the following points were advanced:

(a) While the Canadian National Railways had purchased some 1.6 million tons of coal in the present fiscal year, it seemed doubtful that, under the suggested subvention formula of 7 mills per ton mile, much more than 225,000 tons would be taken by the C.N.R. Information might be obtained from the C.N.R. showing how much they would actually buy at the proposed rate.

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(b) The Dominion Coal Board felt that, if the 7 mill rate were applied in the Maritimes, it would keep the railway demand for coal there at the present level. In Western Canada, the Board had suggested that it might confer with C.N.R. officials and suggest that 100 of the locomotives employed in that part of the country, which might be converted to oil, should continue to burn coal.

(c) It seemed fantastic to subsidize one fuel in Alberta against another from the same province.

(d) Considerable quantities of additional coal would be needed in time of a national emergency. This problem could be met, relatively quickly, by opening up strip mines. If, on the other hand, many mines were now to cease operations, coal handling facilities such as the docks at the lakehead, would close down and would not be available in war-time.

(e) The C.N.R. might be requested to use as much coal as it could at the 7 mills per ton mile rate but it should also be informed that it was not intended to adopt, for a further year, the formula which had been in effect in 1953-54.

49. The Cabinet noted the report of the Minister of Mines and Technical Surveys and agreed:

(a) that the Minister or Department of Transport ascertain the amount of coal the Canadian National Railways would buy at the subvention rates recommended in the Coal Board's report;

(b) that, in lieu of consideration of this matter by the Interdepartmental Committee on External Trade Policy, the Secretary convene a committee of officials from the Coal Board and the Departments of Finance, Trade and Commerce and Transport to consider the report submitted by the Coal Board on coal subvention policy, and to report to the Cabinet on coal subvention policy in general and on the particular recommendations of the Board;

(c) that the committee examine urgently and report as soon as possible on the particular recommendations concerning subventions for coal delivered to the Railways for locomotive consumption during the fiscal year 1954-55; and,

(d) that the committee consult with such officers of the C.N.R. as the President of the Railways might designate, on the subject of the coal requirements of the C.N.R. and their relation to coal subvention policies and arrangements.

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Legislation; Post Office Act amendment

50. The Prime Minister said representations had been received from the Periodical Press Association that speedier delivery of magazines could be assured by having more than one mailing point. The periodical press had been faced with difficulties over the years and the suggestion made would help to overcome some of their problem.

51. The Cabinet noted the report of the Prime Minister and agreed that the bill to amend the Post Office Act, now before the House of Commons, be further amended in Committee by adding a clause which would provide the Postmaster General with authority to approve one or more mailing points for a newspaper or periodical in postal areas other than those in which the publication office was situated, for the purpose of greater convenience in the distribution of such newspaper or periodical and provided that such action would not adversely affect postal revenues.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

January 29th, 1954.

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Legislation; Members of Parliament Retiring Allowances Act 2.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in Room 201, of the House of Commons, on Friday, January 29th, 1954, at 2:00 p.m. and 6:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner) (for evening meeting only)
The Minister of National Defence
(Mr. Claxton),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann) (for afternoon meeting only)
The Secretary of State for External Affairs
(Mr. Pearson) (for afternoon meeting only)
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe) (for afternoon meeting only)
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair) (for afternoon meeting only)
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Legislation; Members of Parliament Retiring Allowances Act

1. The Prime Minister said the Members of Parliament Retiring Allowances Act had been devised in such a manner that, in the event of a change in the amount of the sessional indemnity of Members of Parliament, there would be an automatic and proportionate change in the amount of both the contributions of Members and the maximum pension. Under the Act as it now stood, Members contributed 6 percent of their indemnity and were entitled, under certain conditions, to a maximum annuity upon retirement of $3,000. With the proposed amendments to the Senate and House of Commons Act now before Parliament, Members would, unless the Retiring Allowances Act were amended, be required to contribute 6 percent of their increased indemnity of $8,000 per annum and be entitled, eventually, to a maximum annuity of $6,000.

It was for consideration whether the Members' pensions should be increased so substantially at this time.

2. In the course of discussion, two alternative courses of action were suggested and considered. The subject of Members' pensions could simply be referred to the Committee on Banking and Commerce for consideration and report, or the government could sponsor an amendment to the Members of Parliament Retiring Allowances Act for the purpose of maintaining the contributions and pensions at their present level.

3. The Cabinet approved for introduction a bill to amend the Members of Parliament Retiring Allowances Act under which Members of Parliament would be required, for pension purposes, to contribute to the Consolidated Revenue Fund 6 percent of the first $4,000 payable to them by way of sessional indemnity each year, and under which the maximum allowable pension would be fixed at $4,000 per annum.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 3rd, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE -CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, February 3rd, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)
Mr. R.A.J. Phillips, Privy Council Office.

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Canadian Federation of Agriculture; request for interview

1. The Prime Minister said he had received a communication from Mr. H.H. Hannam, President of the Canadian Federation of Agriculture, asking if it would be possible for the Prime Minister and other members of the government to receive representatives of the Federation on Friday, February 19th.

2. The Cabinet agreed that the President of the Canadian Federation of Agriculture be informed that the Minister of Trade and Commerce, who would then be Acting Prime Minister, and other members of the government would be prepared to meet representatives of the Federation at 12:00 o'clock noon on Friday, February 19th, in the Prime Minister's Office, East Block.

National Defence; special adviser on civilian personnel problems

3. The Prime Minister recalled that, on March 5th, 1953, Cabinet had approved the appointment of Mr. Arthur McNamara as special adviser to the Department of National Defence on employment of civilians, following his retirement as Deputy Minister of Labour that day. Appointment to this position had been made by a temporary certificate of the Civil Service Commission which would expire on March 31st, 1954.

A letter had now been received from Mr. McNamara in which he suggested that, as of April 1st, 1954, he be appointed to serve as special adviser on employment of civilians and on manpower problems as required by the Departments of National Defence, Labour or other departments and that he be paid for time worked on a per diem basis, during which periods his superannuation allowance would be suspended.

(Letter, Mr. A. McNamara to Prime Minister, Jan. 27, 1954).

4. During the course of discussion, it was suggested that it might be undesirable to establish a precedent by making formal arrangements for a "retaining" appointment for Mr. McNamara, and that, in any event, his services could be used on an ad hoc basis if and when required by various departments after his retirement.

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5. The Cabinet noted the report of the Prime Minister on the request by Mr. Arthur McNamara that, following his retirement on March 31st, 1954, he be appointed to serve as special adviser on employment of civilians and on manpower problems as required by government departments, to be paid for time worked on a per diem basis, during which periods his superannuation allowance would be suspended, and agreed that he be informed that it was felt inadvisable to make any formal arrangement of this kind, but that his services could nonetheless, be retained, from time to time, on an ad hoc basis by various government departments, if and when required.

Legislation; Pension Act amendment

6. The Minister of Veterans Affairs submitted for consideration proposed amendments to the Pension Act which had been examined and concurred in by the Cabinet Committee on Legislation and officials of the Department of Finance. These amendments, if approved, would involve estimated additional expenditures of approximately $101,000 per annum.

An explanatory memorandum had been circulated.

(Memorandum, Canadian Pension Commission, Jan. 29, 1954-Cab. Doc. 27-54).

7. The Cabinet approved, in principle, proposed amendments to the Pension Act, as submitted by the Minister of Veterans Affairs, and agreed that a draft measure be prepared accordingly.

Legislation; Animal Contagious Diseases Act amendment

8. The Minister of Agriculture, referring to discussion at the meeting of January 14th, 1954, said the proposed amendments to the Animal Contagious Diseases Act, as set out in the bill submitted to Cabinet at that time, were designed to carry out the undertaking given by the government shortly after the outbreak of hog cholera in Ontario during 1953. It should be noted, however, that the scale of compensation suggested in these amendments was not quite as generous as the compensation paid for cattle slaughtered as a result of the outbreak of hoof and mouth disease in Western Canada in 1952.

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9. In the course of discussion, the following points emerged:

(a) The scale of compensation for slaughtered hogs, as set out in the proposed amendments, was felt to be such as to fulfill the undertaking given by the government during the summer of 1953, and would likely be considered reasonable by the owners of animals that had been slaughtered following the outbreak of hog cholera in Western Ontario.

(b) Although it was sometimes contended that the present law did not adequately compensate the owners of certain types of slaughtered cattle, particularly dairy cattle, it was suggested that the existing scale of compensation produced returns to the owners which were not infrequently in excess of the market value of the animals.

10. The Cabinet approved for introduction a resolution and bill to amend the Animal Contagious Diseases Act, as submitted by the Minister of Agriculture.

Salted cod; deficiency payments for 1953 catch

11. The Minister of Fisheries, referring to discussion at the meeting of October 14th, 1953, reported that, in order to avoid the difficulties which had arisen in the marketing of the 1952 Atlantic Coast catch of salted cod, the Fisheries Prices Support Board had recommended that approval in principle be now given to a deficiency payment for the 1953 catch, on the understanding that the precise amount of the payment would be determined later, sometime before April 10th, 1954.

Exports to date, together with forward sales and estimated future sales, indicated that export prices for 1953-54 would be approximately $1 per hundredweight below those for 1952-53.

It was suggested that the deficiency payment for 1953-54 should not exceed 1 cent per pound, dried basis, and in no case should result in raising the average price to fishermen to a figure closer than 25 cents per 100 pounds below the average 1952 price. If this were agreed in principle, it was further recommended that the Minister of Fisheries be authorized to sponsor informal agreements between the fishermen and the exporters, in any or all of the Maritime provinces, for the payment of initial prices by the trade to fishermen for their 1954 production, and the sharing of market realizations for that production; it being

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understood, however, that there would not be any firm commitment at this time by the Federal government regarding deficiency payments for the 1954 catch, although any action taken in respect of the 1953 catch would provide some reason to expect similar action for the 1954 catch, if such were necessary.

In Newfoundland, an agreement had been reached between fishermen and merchants providing for initial payments in respect of the 1953 catch at the rate of 80 percent of 1952 prices and providing, further, that fishermen would later receive additional payments, depending upon market developments. It was now anticipated that these additional payments might be approximately 40 cents per quintal. In addition to the above arrangement, however, the Provincial government had, in October 1953, offered to fishermen an advance of $1.50 per quintal. This offer was made on condition that all future payments receivable by fishermen were assigned to that government. If, as anticipated, such additional payments averaged only 40 cents per quintal, the Provincial government stood to lose $1.10 per quintal. In view of this special arrangement in Newfoundland, it was recommended that, in cases where this offer had been accepted by fishermen, the Federal deficiency payment be made to the Newfoundland government rather than to the fishermen, as partial repayment of the province's advances, on the written understanding that the province would, henceforward, refrain from taking similar action without prior discussion and approval by the Federal government.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 29, 1954-Cab. Doc. 28-54).

12. During the course of discussion, it was pointed out that the U.S. Tariff Board would soon be reviewing current movements of Canadian fish into the United States. It was feared that, if the proposed deficiency payment scheme for the 1953 catch of salted cod in the Atlantic Coast provinces were to be announced at this time, it might result in the U.S. Tariff Board imposing restrictions against Canadian fish exports to the United States. This would not be of any serious consequence insofar as salted cod was concerned, as very little fish of this type was exported to the United States. It would, however, have a most injurious effect on the sizeable fresh and frozen fish industries in New Brunswick and particularly in Nova Scotia, which depended heavily on U.S. markets, and, indeed, on the sizeable trade in such fish from Newfoundland to the U.S. as well. In the circumstances, it was thought preferable not to take any action of this kind, at least until all or most of the 1953 catch had actually been sold.

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It was further pointed out that, under the provisions of section 22 of the Terms of Union of Newfoundland with Canada, Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) would continue in existence until March 31st of the current year. The none too satisfactory marketing practices of this organization had, to some extent at least, contributed to the difficulties that had been experienced during the last few years in ensuring the orderly marketing of Newfoundland salted cod at reasonable prices. It was understood that efforts were being made in some quarters in Newfoundland to have N.A.F.E.L. replaced by a provincial marketing board. In view of the desirability of maintaining effective Federal jurisdiction over the export activities of the fishing industry in all the Atlantic Coast provinces, it was felt that the establishment of such a provincial marketing board in Newfoundland should be discouraged.

13. The Cabinet deferred decision on the recommendations of the Minister of Fisheries that approval in principle be given, immediately, to the making of deficiency payments on the 1953 production of salted cod in Newfoundland, Quebec, New Brunswick, Prince Edward Island and Nova Scotia.

Rainmaking experiment; United States request

14. The Secretary of State for External Affairs reported that the Cabinet Defence Committee, at a recent meeting, had considered a request submitted by the United States Embassy, to permit the U.S. Army Signal Corps to conduct rainmaking experiments in supercooled stratus clouds over parts of Ontario, Quebec and New Brunswick. The proposal was for flights at monthly intervals, over a period of six to eight months, each operation lasting 10 days and involving one or two aircraft without ground support. Canadian observers would be invited to participate and reports would be supplied to the Canadian government. The U.S. authorities did not anticipate any significant precipitation or other weather changes as a result of the experiments. No objections had been raised at the official level in the departments and agencies concerned. The Defence Committee had referred the matter to Cabinet for decision.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 26, 1954- Cab. Doc. 29-54).

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15. In the course of discussion the following points emerged:

(a) It would be difficult to preserve the secrecy of any U.S. rainmaking experiments over Canada and the government might well be exposed to criticism or ridicule for allowing what could be considered an interference with Canadian weather conditions.

(b) There could be a risk of law suits arising from such experiments and, if the project were approved, the United States should be required to accept responsibility for any damage claims.

(c) The government might find it difficult to accede to more important U.S. requests for facilities in Canada, and it was, therefore, desirable that, in the more minor requests, the United States should be accommodated.

(d) Should it appear that the experiments would be of benefit to Canada, it might be desirable for Canadians to undertake them, if necessary, in collaboration with the U.S. Army Signal Corps.

16. The Cabinet noted the report of the Secretary of State for External Affairs on a request from the United States government for permission to carry out rainmaking experiments over Canadian territory, and agreed that the Minister investigate, with the Minister of National Defence, the possibility of a Canadian agency, either alone or jointly with the United States, carrying out a project along the lines proposed by the U.S. Army Signal Corps.

Surety bonds as contractors' security; reference by the Treasury Board

17. The Minister of Finance, referring to discussion at the meeting of December 17th, 1953, suggested that it would be desirable to consider further whether or not surety bonds from guaranty companies should be accepted as security for the performance of government contracts.

18. In the course of discussion the following points emerged:

(a) The acceptance of surety bonds in place of the deposit of cash or government bonds might encourage unreliable contractors to submit tenders.

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(b) The use of surety bonds was almost certain to involve law suits that could be avoided by requiring the posting of cash.

(c) Many of the objections to the requirement for cash or bonds would be met by the proposal that interest be paid on cash posted as bond by contractors.

19. The Cabinet noted the report of the Minister of Finance and agreed,

(a) that surety bonds be not accepted as security for the performance of government contracts; and,

(b) that the proposed amendment to the Government Contracts Regulations, providing for the addition of a Part V dealing with security deposits for contracts, include no provision for the acceptance of surety bonds; an Order in Council to be passed accordingly.

Uncollectable debts due the Crown;establishment of an Inter-departmental Committee;reference from Treasury Board

20. The Minister of Finance said the Treasury Board had considered a proposal to establish a standing Interdepartmental Committee on Uncollectable Debts due the Crown. The Financial Administration Act did not provide for the write-off of amounts in excess of $1,000. The proposed committee would review recommendations from departments and agencies and advise the Treasury Board on the disposition or deletion of uncollectable obligations or debts and establish a general procedure for this purpose.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, Feb. 2, 1954- Cab. Doc. 30-54).

21. The Cabinet noted the report of the Minister of Finance and agreed that a standing Interdepartmental Committee on Uncollectable Debts be established,composed of representatives from the Departments of Finance, National Revenue, Justice and Veterans Affairs; the committee to review recommendations from departments and agencies of the government, and to advise the Treasury Board on the disposition of uncollectable debts due the Crown, including debts in excess of those amounts which could be written off under authority of the Financial Administration Act; Treasury Board to be advised accordingly.

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Proposed trade negotiations with Spain and Portugal

22. The Secretary of State for External Affairs, referring to discussion at the meeting of December 17th, 1953, said possibilities existed for improving Canada's trade relations with Portugal and Spain and for expanding the opportunities in these markets for exports of salt cod. Negotiations might also lead to new direct trade agreements to replace the pre-war U.K. treaties now governing Canada's commercial relations with these countries. Canada might offer, in addition to extension of "most favoured nation" treatment to Spanish and Portugese colonies, new tariff concessions on some of the principal exports from the two countries to Canada. It was recommended, with the concurrence of the Ministers of Trade and Commerce, Finance and Fisheries, that negotiations for trade agreements be started, at an early date, through the Canadian Missions in Lisbon and Madrid and that representatives of the Departments of Fisheries, Trade and Commerce, Finance and External Affairs be responsible for the conduct of the negotiations.

An explanatory memorandum had been circulated.

(Minister's memorandum, undated-Cab. Doc. 31-54).

23. The Cabinet approved the recommendation of the Secretary of State for External Affairs, and agreed,

(a) that negotiations for trade agreements with Portugal and Spain be initiated;

(b) that the conduct of such negotiations be the responsibility of representatives of the Departments of Fisheries, Trade and Commerce, Finance and External Affairs, meeting under the chairmanship of the representative of the Department of External Affairs; and,

(c) that the Cabinet be kept informed of the progress of such negotiatons.

Deep-test wells; application for benefits under Income Tax Act

24. The Minister of Mines and Technical Surveys submitted a recommendation for the extension of special tax benefits, under the Income Tax Act, in respect of two deep-test wells.

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25. In the course of discussion, it was pointed out that the number of such requests had increased in recent months. It seemed desirable to examine, further, recent applications, in order to ensure that they complied with the spirit of the legislation concerned.

26. The Cabinet agreed that recent applications for tax benefits under the Income Tax Act for deep-test wells, be withheld,pending an examination, by officers of the Departments of National Revenue, Finance and Mines and Technical Surveys, of the requests and of the manner in which these provisions of the law in respect of such wells was being applied.

Appointments; External Affairs

27. The Secretary of State for External Affairs recommended certain diplomatic appointments.

28. The Cabinet noted with approval the recommendations of the Secretary of State for External Affairs for the following appointments:

(a) G.L. Magann,Esq., to be Canadian Ambassador to Switzerland and to Austria;

(b) T.W.L. MacDermot, Esq., to be Canadian Ambassador to Greece;

(c) E.W.T. Gill, Esq., to be Canadian High Commissioner to South Africa;

(d) C.S.A. Ritchie, Esq., to be Canadian Ambassador to Germany.

Agreement on commerce with Japan

29. The Secretary of State for External Affairs, referring to discussion at the meeting of January 21st, 1954, said that it would be desirable to decide the time and place of signature of the agreement on commerce with Japan.

30. In the course of discussion the following points emerged:

(a) It might be undesirable to associate the Prime Minister closely with a controversial agreement of this nature.

(b) Care had been taken to emphasize that the purpose of the Prime Minister's tour was for good-will rather than commercial purposes; it might therefore be inconsistent for him to sign a commercial agreement in the course of his tour.

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(c) A decision to have the treaty signed in Ottawa would give greater flexibility in the timing of final negotiations.

31. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that signature of the agreement on commerce with Japan take place in Ottawa at a date to be settled with the Japanese government.

St. Lawrence Seaway; progress of U.S. legislation

32. The Secretary of State for External Affairs, referring to discussion at the meeting of January 21st, 1954, reported that the Public Works Committee of the U.S. House of Representatives had now reported favourably on the Dondero Bill. The House Rules Committee would now be asked for a rule sending the bill to the floor of the House of Representatives. Washington observers now considered that it had an even or perhaps better than even chance of approval in the House. It was important that no Canadian statements be made which would appear to be seeking to influence the course of this bill before it was put to a final vote. Meanwhile, with the exception of an appeal to the Supreme Court, all legal obstacles to the power development appeared to have been removed. It now seemed probable that any such appeal would be disposed of by the middle of June.

The St. Lawrence Board of Engineers had planned a meeting in Washington at the end of February. In view of the stage which legislation on the seaway had reached in the U.S. Congress, it seemed desirable to change the place of meeting to Ottawa.

33. The Cabinet noted the report of the Secretary of State for External Affairs on the St. Lawrence Seaway Project, and agreed that no statement be made at this time, on the legislation relating to the Seaway now before the U.S. Congress.

Accommodation for aged veterans in Saskatoon

34. The Minister of Veterans Affairs, said that, when the new Saskatoon University Hospital was being built, the Federal government had paid a grant toward the capital cost, in return for which it was to have the permanent use of one wing. When this wing would be occupied by veterans in the near future, temporary accommodation provided by the Department of Veterans Affairs would be closed. A problem now arose as to the accommodation of aged veterans who had been occupying space in the temporary quarters but who could not,

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justifiably, be given beds in the modern active treatment hospital. The Provincial government was planning to build a nursing home for the aged, and suggestions had been made, at the official level that the Department of Veterans Affairs consider a contribution toward its costs in return for which space would be made available for aged veterans. It was suggested that authority be given for discussions with the Provincial government to this end.

35. The Cabinet agreed that the Minister of Veterans Affairs discuss with the Provincial government of Saskatchewan proposals for a Federal contribution to a new provincial nursing home for the old, in Saskatoon in which accommodation might be provided for aged veterans; any proposed agreement with the Provincial government to be submitted to the Cabinet for consideration.

Radio broadcasting station, Camrose, Alta.

36. The Minister of Transport reported that an application had been made for the grant of a private commercial broadcasting station license to H.J. Yerxa for the establishment and operation of a radio broadcasting station at or near Camrose, Alberta.

37. The Cabinet noted the report of the Minister of Transport and agreed that a private commercial broadcasting license be not issued to H.J. Yerxa for the establishment and operation of a radio broadcasting station at or near Camrose, Alberta.

Freedom of Worship Act of Quebec

38. The Minister of Justice reported that Mr. Coldwell had given notice that he intended to ask, on the orders of the day, whether the Federal government would ask the government of the Province of Quebec to make a joint reference to the Supreme Court of Canada, to determine whether the recently passed Freedom of Worship Act was or was not within the jurisdiction of the Quebec Legislature. It was proposed to reply that there was no provision in the Supreme Court Act for joint references.

It must be anticipated, however, that there might be supplementary questions as to whether the government, itself, was prepared to refer the question to the Court, or whether the government proposed to disallow this Act. These possible supplementary questions raised issues of policy which merited consideration by the government.

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39. The Cabinet, noted the questions raised by the Minister of Justice in respect of the Quebec Freedom of Worship Act and, after considerable discussion concerning possible answers to these several questions, agreed,

(a) that the answer to the question of which Mr. Coldwell had given notice should be as suggested,- that the Supreme Court Act made no provision for a joint reference by the Federal government and a province;

(b) that, if the Minister were asked whether the government itself would refer the constitutionality of the Act to the Supreme Court, he would reply that, since steps had already been taken to test the constitutionality of the measure in the courts, the government was not giving consideration, at this time, to such a reference; and,

(c) that, if the Minister were asked whether the government would disallow this legislation, he would reply that the British North America Act provided for disallowance of provincial legislation by the Governor General within one year after receipt thereof, and that it was not the custom to announce important matters of policy in answer to questions. He would also seek an opportunity, in replying to such a question, to note that steps had been taken to bring the matter before the courts, but without implying that any action in respect of disallowance would depend, in any way, upon whether or not the Act was brought before the courts.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 4th, 1954.

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Items Discussed

By-elections; electoral districts of Gatineau and Elgin 2.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, February 4th, 1954, at 5:00 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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By-elections; electoral districts of Gatineau and Elgin

1. The Acting Prime Minister, referred to vacancies which existed in the electoral districts of Elgin, Ontario and Gatineau, Quebec, as a result of the recent deaths of the members for the districts.

2. The Cabinet agreed that by-elections be held on March 22nd, 1954, in the electoral districts of Elgin, Ontario and Gatineau, Quebec; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-177, Feb. 4)

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 11th, 1954.

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Items Discussed

Legislation; Vocational Training Co-ordination Act amendment	2.
Parliament; legislative programme; Rules Committee	2.
Cultural agreement with Italy	3.
Cabinet Defence Committee; report by Minister of National Defence	4.
War Memorials Advisory Committee; proposed establishment	5.
Canadian Farm Loan Board; capital budget	7.
Deep-test well; application for benefits under Income Tax Act	7.
N.A.T.O. Status of Forces Agreement; import of liquor into Canada	7.
Post Office; introduction of five-day week	8.
National Revenue; remission of duties	9.
Appointments	11.
Prince Rupert; disposal of C.N.R. dry-dock	12.
Unemployment; representations by Trades and Labour Congress and Canadian Congress of Labour	13.
Abasand Oils Limited; payment to government	13.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, February 11th, 1954, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton)
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
Mr. R.A.J. Phillips, Privy Council Office.

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Legislation; Vocational Training Co-ordination Act amendment

1. The Minister of Labour submitted a resolution and bill to amend the Vocational Training Co-ordination Act.

Copies of the draft bill had been circulated.

2. The Cabinet approved for introduction the resolution and bill to amend the Vocational Training Co-ordination Act as submitted by the Minister of Labour.

Parliament; legislative programme; Rules Committee

3. The Minister of Citizenship and Immigration reported that the House of Commons was now dealing with government legislation at a fairly rapid rate. If this continued, and unless the Bank Act revision could be introduced at an early date, there was a possibility that the House might run short of government measures. With the recent tabling of the Estimates for 1954-55, of course, it would be possible to use time on these and he suggested that the estimates of four or five departments be called the following Monday.

4. The Minister of Finance said he hoped it would be possible to have notice of the Bank of Canada Act revision and the Bank Act revision on the Order Paper of the House of Commons by Monday, February 22nd. Both measures were now in an advanced stage of preparation and he expected that they would be ready for submission to Cabinet during the week of February 15th.

5. Mr. Harris referred to some of the problems faced by the Rules Committee of the House in relation to Parliamentary procedure.

It was understood that one of the members of the C.C.F. would move that the quorum of the House of Commons be increased from 20 to 30 members. As this would involve an amendment to section 48 of the British North America Act, it was for consideration whether the initiative for sponsoring such a constitutional amendment should not be taken by the government itself, provided of course it were agreed that the proposed increase in the quorum was desirable.

It would likely be suggested that the length of the debates on the Speech from the Throne and on the Budget should be limited to a maximum number of days, say eight. On balance, this seemed preferable to imposing more severe restrictions on the time allowed for individual speeches in the House and in Committee.

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6. In the course of discussion, it was suggested that attendance in the House of Commons might be improved by having afternoon and evening sittings on Wednesdays, and afternoon sittings only on Fridays. It was thought that this would likely be acceptable to members, particularly now that the evening sittings terminated at 10:00 p.m. rather than 11:00 p.m. as was previously the case. Several arguments were brought forward in support of an increase in the quorum of the House and it was pointed out that there would be some value in the precedents established by making relatively minor constitutional amendments of this kind from time to time.

7. The Cabinet,

(a) noted with approval the reports by the Minister of Citizenship and Immigration and the Minister of Finance regarding the conduct of government business in the House of Commons;

(b) noted the report by the Minister of Citizenship and Immigration with respect to rules and procedures of the House of Commons; and,

(c) agreed that arrangement be made for royal assent to be given certain legislation the following Wednesday, February 17th, at 5:45 p.m.

Cultural agreement with Italy

8. The Acting Prime Minister, said the government of Italy in settling certain claims with Canada in March 1950, had undertaken to conclude a cultural agreement providing for the creation of a Foundation to promote cultural relations between Italy and Canada. The government of Italy had agreed to make available to the Foundation the equivalent of $500,000 in the form of Italian government bonds bearing interest at the rate of 5 percent, which interest would be used for educational purposes in accordance with the statutes and decisions of the Foundation. It had been stipulated that the Canadian Ambassador in Rome would be the president of the Foundation.

A cultural agreement had now been negotiated between representatives of both countries and the Secretary of State for External Affairs recommended that approval now be given to it. Under the agreement, lira equivalent to approximately $25,000 would be administered by the Canadian Foundation at Rome for cultural activities, including scholarships and fellowships to enable Canadians

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to pursue studies, research or their art or profession in Italy. This plan could be incorporated in the present programme of Canadian Overseas Awards for study in France and the Netherlands, funds for which were now provided from blocked balances in France and the Netherlands and candidates for which were selected by the Royal Society of Canada. The agreement would also provide that the government of Italy would have the right to maintain an Italian cultural institute in Montreal, the purposes and functions of which would be in principle similar to those of the Canadian Foundation at Rome.

An explanatory memorandum and draft agreement had been circulated.

(Minister's memorandum, Feb. 8, 1954-Cab. Doc. 34-54).

9. The Cabinet agreed that the Canadian Ambassador in Rome be authorized to execute an exchange of notes to constitute a cultural agreement between the governments of Canada and Italy, in substantially the form recommended by the Secretary of State for External Affairs; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-210, Feb. 11)

Cabinet Defence Committee; report by Minister of National Defence

10. The Minister of National Defence reported on matters considered by the Cabinet Defence Committee at its meeting of January 29th, 1954.

Standard military pattern three-quarter ton and two and one-half ton vehicles were now being produced in Canada with some U.S. components. As the United States was ceasing production of the components, it had become desirable to place orders for enough spare parts to keep the line open at the lowest economic rate until, if practicable, the estimated needs of the Army up until the end of the first three months of war were secured. Meanwhile, the Department of Defence Production would investigate the possibility of producing the components in Canada.

The Committee had also recommended that 4,500 tons of picrite, and spares for 150 radar sets No. 4 Mark 6/2, be included in the 1954-55 mutual aid programme.

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Canada, the United Kingdom and the United States were developing infantry carriers, and each country had agreed to provide one prototype model of their vehicle for comparison. The cost of a mild steel prototype had been estimated at about $250,000, but the full cost of development of the carrier might well amount to $2 million. It was recommended that a mild steel prototype be manufactured for engineering tests.

11. The Cabinet noted the report of the Minister of National Defence on the Cabinet Defence Committee meeting of January 29th, 1954, and agreed that:

(a) present lines for the production of standard military pattern three-quarter ton and two and one-half ton vehicles be kept open at the lowest economic rate and to the extent practicable, until the estimated minimum needs of the Army up to M-day plus three months were secured; meanwhile, components for 2,000 two and one-half ton and 500 three-quarter ton standard military pattern vehicles be procured;

(b) 4,500 tons of picrite (nitroguanadine), at an estimated cost of $2,925,000, and 150 radar sets No. 4 Mark 6/2, at an estimated cost of $1,550,000, be included in the mutual aid programme for 1954-55; and,

(c) a mild steel prototype of the Canadian-type infantry carrier now under development be manufactured for engineering tests.

War Memorials Advisory Committee; proposed establishment

12. The Minister of Veterans Affairs reported that, although he had authority, as representative of Canada in the Agency of the Imperial War Graves Commission, to appoint advisory committees to assist him in provision of war memorials in Canada within the scope of the commission's functions, he had no authority to appoint any advisory or coordinating body to recommend on any memorial, not within the competence of the commission, that the government might wish to provide in the National Capital District. Any plans of course, would require approval of the Federal District Commission.

A number of matters relating to war memorials now required consideration. The Book of Remembrance for World War II would be completed by 1955 and a suitable place for its permanent repository would have to be found.

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A war memorial within the National Capital District to commemorate the dead of World War II had been proposed. A decision was required on the site and nature of a memorial to commemorate members of the Commonwealth Air Forces who had died while serving in units operating from bases in North America but who had no known grave.

In order to give consideration to these and other proposals relating to war memorials, he proposed that a War Memorials Advisory Committee be appointed, to consist of three retired officers of the services, two representatives of organized veterans, a member of the Federal District Commission and an officer of the Department of Veterans Affairs.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 4, 1954-Cab. Doc. 33-54).

13. In the course of discussion the following points emerged:

(a) It was doubtful that war memorials in the form of monuments were most suitable to commemorate those who died in the last war. The late Mr. King had suggested that the National Capital Plan should itself be regarded as a national war memorial. It might be appropriate to commemorate the war dead by designating a building as a memorial and perhaps to house the Book of Remembrance in a special room in the new National Library or in some other suitable building.

(b) A War Memorials Advisory Committee, such as had been proposed, might make suggestions for costly memorials which might be unacceptable and rejection of such proposals could place the government in an embarrassing position.

(c) It would be advisable for a small committee of Ministers to consider the matter further and to discuss it with the Prime Minister on his return.

14. The Cabinet noted the proposals of the Minister of Veterans Affairs on the establishment of a War Memorials Advisory Committee, and agreed that decision be deferred until a meeting at which the Prime Minister was present; meanwhile, a committee consisting of the Ministers of Veterans Affairs, National Defence and Finance consider further the question of National War Memorials and discuss the matter with the Prime Minister on his return.

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Canadian Farm Loan Board; capital budget

15. The Minister of Finance, pursuant to the provisions of the Financial Administration Act, submitted a capital budget of $7,015,000 for the Canadian Farm Loan Board for the fiscal year ending March 31st, 1955, to be financed out of earnings and repayment of loans to the extent of $3,015,000, and for the balance out of advances and loans to the Board from the Treasury.

16. The Cabinet approved the recommendation of the Minister of Finance for a capital budget of $7,015,000 for the Canadian Farm Loan Board for the fiscal year 1954-55; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-211, Feb. 11)

Deep-test well; application for benefits under Income Tax Act

17. The Minister of Finance, referring to discussion at the meeting of February 3rd, said further consideration had been given to recent applications for the extension of special tax benefits under the Income Tax Act for deep-test wells. Officials of the Departments of National Revenue, Finance and Mines and Technical Surveys were satisfied that these requests were in line with other recent applications which had been granted and were in accord with the intention as well as the letter of this section of the Income Tax Act.

18. The Cabinet approved the recommendation of the Minister of Mines and Technical Surveys, and agreed that benefits provided for by sub-section 5 (A) of section 53 of chapter 25 of the Statutes of Canada, 1949 (2nd session) be extended to Imperial Oil Limited, to Triad Oil Company Limited and Anglo-Canadian Oil Company, Limited, and to Western leaseholds Limited in respect of wells to be drilled in Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-215, Feb. 11)

N.A.T.O. Status of Forces Agreement; import of liquor into Canada

19. The Minister of National Defence, as Acting Secretary of State for External Affairs, reported that, under the N.A.T.O. Status of Forces Agreement, the forces of a sending state in another N.A.T.O. country might import, free of duty, reasonable quantities of provisions, supplies and other goods for their exclusive use. Although the United Kingdom had not yet ratified the agreement, it was being

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given administrative effect and Canadian troops in that country were allowed to import liquor and cigarettes duty-free. In France and Belgium, similar privileges had been accorded. Extension of these privileges to N.A.T.O. forces in Canada involved constitutional problems, since, under the federal Importation of Intoxicating Liquor Act, liquor could be imported and distributed only through provincial Liquor Control Boards. Some provinces had raised the question of the validity of the Visting Forces (N.A.T.O.) Act in this respect. In order to ensure that the privileges accorded Canadians abroad should not be prejudiced, it seemed desirable to make some arrangements to ensure that the relatively small number of N.A.T.O. troops in Canada should receive duty-free liquor. He suggested this matter might best be taken up by Ministers directly with the provincial authorities concerned on an oral basis.

20. In the course of discussion the following points emerged:

(a) It was difficult to administer arrangements under which certain military forces would receive duty-free liquor and cigarettes.

(b) The privileges extended to diplomats in the importation of duty-free liquor and cigarettes had been abused and had given rise to serious enforcement problems which would be multiplied if N.A.T.O. forces in many scattered areas were to receive similar privileges.

(c) It might be desirable, in the first instance, to have conversations at the official level with representatives of provincial liquor commissions.

21. The Cabinet noted the report of the Acting Secretary of State for External Affairs and deferred decision on the question of importation of duty-free liquor by N.A.T.O. forces in Canada, pending conversations by the Deputy Minister of National Revenue (Customs & Excise) with representatives of the provincial liquor commissions.

Post Office; introduction of five-day week

22. The Minister of Finance said the Treasury Board wished to have some guidance from the Cabinet as to the policy to be followed in determining the places where the five-day week for Post Office employees should be introduced. The most recent surveys had indicated that, although in many areas the five-day week prevailed for both industrial and office workers, in other localities

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it was the prevailing practice only for office workers while, in some others, it was the prevailing practice for industrial workers but not office workers.

23. In the course of discussion the following points emerged:

(a) Operators and office workers in the postal services should be treated equally in respect of the five-day week, and, consequently, it seemed desirable to extend the five-day week for postal workers to any communities where the five-day week prevailed for other office workers or industrial employees.

(b) The introduction of the five-day week for postal workers would create difficult problems, at first, in the organization of staff for six-day service. The practice of allowing postal employees to work the sixth day for one extra day's pay as casual workers would be open to serious criticism. It should be possible to follow the normal practice of rotating workers so that individuals worked only a five-day week but the organization as a whole operated six days. There were special problems in applying this to the postal service, however, in the solution of which, the experience of the railways might be of help. It would be desirable, therefore, to seek the advice of experts from the Canadian National Railways and the Department of Labour.

24. The Cabinet agreed that the five-day week for postal employees and other operating staff be extended to those communities where it was in general use either for office workers or for industrial workers; the Treasury Board to be informed accordingly.

National Revenue; remission of duties

25. The Minister of National Revenue said his department had received three requests for the remission of duties.

The Interprovincial Pipe Line Company had requested the remission of the $1,819,063 duty which would be paid on 400 miles of large diameter pipe imported from the United States for use in "looping" or duplicating its existing pipeline from Edmonton to Gretna, Manitoba. The Company had earlier received drawbacks on duties paid on similar materials imported since 1950 to the value of $1,649,878, but was now in a strong financial position, and the pipeline had proven to be a profitable one.

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The Dominion Tar and Chemical Company Limited, a manufacturer of ethylene glycol, had spent $12 million on a new plant, of which $4 million was for process equipment. The company sought remission of $91,200 customs duties on the portion of the equipment which had been imported from the United States. It had pointed out that its competitive position was now undermined by imports of cheap ethylene glycol from the United States, and by its failure, owing to high U.S. tariffs, to market its products in New England.

The Aluminum Company of Canada, Limited, had applied for relief from customs duties paid, or to be paid until December 31st, 1954, on equipment for its power and smelter facilities at the Kitimat project in British Columbia. The value of the power equipment was $16.4 million and of materials and equipment for the smelter and ancillary works was $12.8 million. The Company had pointed out that it was pioneering and materially adding to national wealth through the opening of a large new area for economic development.

26. In the course of discussion the following points emerged:

(a) A company devoting substantially all its resources to a pioneer project was in a better position to request remission of duties than a company carrying out an expansion programme.

(b) It was essential for the government to consider every application of this kind for remission of duties on its merits and not to be bound by precedents.

27. The Cabinet noted the report of the Minister of National Revenue and agreed

(a) that customs duties to be paid by the Interprovincial Pipe Line Company on pipe, to be imported for the purpose of increasing the capacity of their pipeline be not remitted;

(b) that customs duties paid on equipment for an ethylene glycol plant of the Dominion Tar and Chemical Company Limited, be not remitted;

(c) that customs duties on materials and equipment imported by the Aluminum Company of Canada Limited for power and smelter projects at the Kitimat development, be not remitted; and,

(d) that the Cabinet consider such cases as these, of proposed remissions of taxes for purposes of industrial or economic development, each on its own merits, and that they be not treated as routine business.

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Appointments

28. The Minister of Finance submitted a recommendation for reappointments of Directors of the Bank of Canada.

29. The Minister of Public Works submitted a recommendation for the appointment of auditors for the Central Mortgage and Housing Corporation.

30. The Secretary of State submitted a recommendation for appointments to the National Library Advisory Council.

31. The Cabinet agreed that appointments be made as follows; Orders in Council to be passed accordingly:

(a) W.A. Johnston, Esq., of Winnipeg,
A.S. McNichols, Esq., of Montreal,
H.A. Russell, Esq., of St. John's,
H.B. Schurman, Esq., of Summerside,

to be Directors of the Bank of Canada for a term of three years commencing March 1st, 1954;

(Order in Council P.C. 1954-213, Feb. 11)

(b) W.H. Campbell, Esq., and Jean Valiquette, Esq., Chartered Accountants, of Montreal, to be Auditors of Central Mortgage and Housing Corporation for a term of two years commencing March 1st, 1954;

(Order in Council P.C. 1954-212, Feb. 11)

and,

(c) Mrs. Elizabeth Hunter, of Innisfree, Alberta, Alfred G. Bailey, Esq., of Fredericton, Paul Houde, Esq., of Montreal,

to be members of the National Library Advisory Council for a period of four years from December 22nd, 1953; and Peter Grossman, Esq., of Halifax, to be a member of the National Library Advisory Council to complete the term of the late Canon Stanley Walker, of Halifax, expiring December 22nd, 1956.

(Order in Council P.C. 1954-214, Feb. 11)

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Prince Rupert; disposal of C.N.R. dry-dock

32. The Minister of Fisheries, referring to discussion at the meeting of November 19th, 1953 said he had again received strong representations against the proposed sale of the Prince Rupert dry-dock by the Canadian National Railways. These representations had been made by the Prince Rupert Trades and Labour Council, the Prince Rupert Fishing Vessel Owners Association, the Native Brotherhood of British Columbia, the Chamber of Commerce and the Junior Chamber of Commerce of Prince Rupert and the Prince Rupert City Council. These organizations had indicated that their representatives would be in Ottawa shortly and suggested that an opportunity be given them to submit the views of their various organizations direct to members of the government.

33. The Minister of Transport reported that the C.N.R. after consulting him, had called tenders for the sale of all the assets comprising the dry-dock. He intended to be in touch with the Railways before they accepted any of the tenders and completed arrangements for the sale.

34. In the course of discussion, the following points emerged:

(a) The floating dry-dock at Prince Rupert was the real problem as a dry-dock of that size was not required either for commercial or for defence purposes at that place. In addition, however, there were at Prince Rupert a good machine shop and slipways some of which should, if at all possible, be maintained at that place, as they were of considerable value to the local owners of fishing vessels.

(b) The proposed sale of the floating dry-dock and its consequential removal could be done with little local unemployment at this time as the Kitimat development and other projects in the area offered ample opportunity for alternative employment.

35. The Cabinet agreed that the Minister of Transport, the Minister of Fisheries and the Associate Minister of National Defence arrange a meeting with the representatives of the Prince Rupert Trades and Labour Council, the Prince Rupert Fishing Vessel Owners Association, the Native Brotherhood of British Columbia and the City Council, the Chamber of Commerce and the Junior Chamber of Commerce of Prince Rupert to discuss the proposed sale by the Canadian National Railways of the dry-dock at Prince Rupert, British Columbia.

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Unemployment; representations by Trades and Labour Congress and Canadian Congress of Labour

36. The Minister of Labour said the Trades and Labour Congress of Canada and the Canadian Congress of Labour had prepared a joint brief on unemployment for submission to the government.

37. In the course of discussion, it was suggested:

(a) that the Trades and Labour Congress and the Canadian Congress of Labour be invited to have someone representing both Unions meet to discuss unemployment matters covered in their brief with the members of the Interdepartmental Committee on Unemployment; and,

(b) that the Interdepartmental Committee should endeavour to find, as quickly as possible, some acceptable solution to the difficult problem of unemployment statistics.

38. The Cabinet agreed,

(a) that the Minister of Labour, together with the Minister of Transport, the Minister of Finance, the Minister of Fisheries and the Minister of Northern Affairs and National Resources, meet at 4:00 p.m., that day, with representatives of the Trades and Labour Congress of Canada and the Canadian Congress of Labour for the purpose of hearing the Unions' representations concerning current unemployment conditions; and,

(b) that the Interdepartmental Committee on Unemployment endeavour to find, as quickly as possible, an acceptable solution to the difficult problem of unemployment statistics.

Abasand Oils Limited; payment to government

39. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of December 17th, 1953, said that, upon further investigation, it was thought that Abasand Oils Limited could successfully conclude its negotiations with a major oil company for the construction of a bitumen extraction plant in Northern Alberta, providing the Federal government were willing to declare a ten-year moratorium on both capital and interest instalments on the debt to the government of $1,913,427.48 which the company had incurred when it took over certain bituminous sands properties in Northern Alberta in 1946.

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40. The Cabinet agreed that the Minister of Mines and Technical Surveys endeavour to negotiate a revised agreement with Abasand Oils, Limited, under which the Federal government would accept a ten-year postponement on both capital and interest instalments due on the debt of $1,913,427.48 owing to the government.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 15th, 1954.

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Items Discussed

Unemployment; statements in Parliament

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, February 15th, 1954 at 2:00 p.m.

Present:

The Minister of T ade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Unemployment; statements in Parliament

1. The Acting Prime Minister said that, during the course of an expected debate in the House of Commons, that day, on the current unemployment situation, both he and the Minister of Labour proposed to make statements designed to place the facts in their true perspective. The Minister of Labour would deal primarily with the numbers of people unemployed at the present time (using both National Employment Service and Bureau of Statistics figures for the week ending January 23rd, 1954) and the major reasons for such unemployment. His own remarks would be related more particularly to the rather favourable economic outlook for 1954.

2. The Cabinet noted with approval the proposed statements on the current unemployment situation to be made in the House of Commons, that day, by the Acting Prime Minister and the Minister of Labour, subject to certain modifications suggested during the course of discussion.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 16th, 1954.

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Items Discussed

Public Service; five-day, forty-hour week; areas of application for operating staffs; methods of application to Post Office 2.

Subvention for western bituminous coals 2.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, February 16th, 1954, at 2:00 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill).

Mr. R.A.J. Phillips, Privy Council Office.

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Public Service; five-day, forty-hour week; areas of application for operating staffs; methods of application to Post Office

1. The Minister of Finance, referring to discussion at the meeting of February 11th, read a statement which he proposed to make in the House of Commons on the introduction of the five-day, forty-hour week for operating employees in postal, customs, immigration and other services. The statement would announce that operating employees would be put on a five-day week in all places where clerical staffs were already on a five-day week, and, in future, the five-day week would be extended to both groups in any area where it was warranted by the prevailing practice.

2. The Postmaster General read a statement which he proposed to make in the House of Commons on methods of securing labour to maintain a six-days a week service when the five-day week came into effect. He intended to announce that the casual help scheme, under which employees would normally work from Monday to Friday and casual help would be employed on Saturdays, had been subject to criticism despite earlier support by the employees. The scheme was being replaced, therefore, by a rotation system, under which employees, although having the five-day week, would not necessarily have the same days free each week.

3. The Cabinet agreed that the Minister of Finance would make a statement that day in the House of Commons concerning the introduction of the five-day, forty-hour week for operating employees and that the Postmaster General would make a statement in the House of Commons on February 18th, on the application of the five-day week in the postal service, subject to minor modifications in the light of the discussion.

Subvention for western bituminous coals

4. The Minister of Mines and Technical Surveys said the Dominion Coal Board had recommended a subvention on the movement of western bituminous coals, east of the Head of the Lakes, in the amount of $3.50 a ton. This was an increase of 65 cents a ton. It was estimated that about 150,000 tons might move annually under the proposed rate and that the annual cost of the subvention would be $525,000. The subvention would help the western coal industry to maintain and develop eastern markets in the face of higher freight rates and stronger U.S. competition.

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5. The Cabinet noted the report of the Minister of Mines and Technical Surveys on a proposed subvention for western bituminous coals and deferred decision until the Department of Finance had had an opportunity to comment on the proposals made by the Dominion Coal Board.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 18th, 1954.

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Items Discussed

Unemployment; television broadcast	2.
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Legislation; Municipal Grants Act amendment	3.
Legislation; Research Council Act amendment	5.
Legislation; National Harbours Board Act amendment	5.
Legislation; Bank of Canada Act amendment	6.
Ottawa traffic survey; Federal participation	6.
Expropriation policy; Gagetown area; claims for disturbance to persons outside the area; reference by Treasury Board	7.
Colombo Plan; further allocation of rupee counterpart funds for an Indian project	8.
Transport; convention on damage caused by foreign aircraft; signing powers	9.
U.N. Agreement on Status of Forces in Japan; Canadian signature	10.
International Labour Conference; 37th Session; Canadian participation	11.
Subvention for Western Bituminous coals	11.
Prince Rupert; disposal of C.N.R. drydock	12.
War claims; British Columbia Japanese evacuees	12.
House of Commons Veterans Affairs Committee; terms of reference	13.
Appointment	14.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, February 18th, 1954, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
Mr. R.A.J. Phillips, Privy Council Office.

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Unemployment; television broadcast

1. The Acting Prime Minister said that the Canadian Broadcasting Corporation had invited several Ministers to participate, along with trade union leaders, in a television debate on unemployment on the evening of Sunday, February 21st. He felt that a broadcast of this nature during a debate on the same general subject in Parliament was unwise and that Ministers should not take part in it. He had informed the Chairman of the Board of Governors of the C.B.C. that it did not seem advisable to arrange such a broadcast.

2. The Cabinet noted with approval the report of the Acting Prime Minister that Ministers had declined to participate in a television debate, on February 21st, on unemployment, and that he had informed the Chairman of the Board of Governors of the Canadian Broadcasting Corporation that this was not a suitable time for such a broadcast.

Members of Parliament Retiring Allowances Act; suggested further amendments

3. The Minister of Citizenship and Immigration, referring to discussion at the meeting of January 29th, 1954, said he had been informed that, in the event the bill to amend the Members of Parliament Retiring Allowances Act was referred to the House Committee on Banking and Commerce, the members of that Committee would likely recommend, unanimously, that the legislation be amended further to enable a Member of Parliament to have his own pension modified to provide for payment of a continuing annuity to his widow. In the circumstances, it was for consideration whether the government, itself, should sponsor a further amendment of this nature.

4. In the course of discussion, the following points emerged:

(a) Before he left, the Prime Minister had indicated that he felt that there should be no change whatever in the Members' pension plan until more experience had been gained to test the soundness of the plan.

(b) Experience gained in the administration of a provision in the Judges Act, first enacted some ten years ago, which enabled judges to elect to have their widows receive one-third of the total amount of the judges' pension, had proven how expensive schemes of this kind could be. Although judges, normally, retired at an advanced age and, although the number of recipients was relatively small, approximately $600,000 had already been paid to judges' widows under this scheme.

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(c) It was suggested that, upon second reading of the bill that day in the House of Commons, the Acting Prime Minister might make a statement which would point out, particularly, that a relatively small number of Members of Parliament would benefit from the scheme and that there were no benefits for widows or other dependents.

5. The Cabinet agreed,

(a) that no steps be taken at this time to amend the Members of Parliament Retiring Allowances Act to provide benefits for the widows of Members of Parliament; and,

(b) that, upon second reading, that day, in the House of Commons, of the bill to amend the Members of Parliament Retiring Allowances Act, the Acting Prime Minister make a statement pointing out that only a few Members of Parliament would benefit from the scheme and that there were no benefits for widows and dependent children.

Legislation; Municipal Grants Act amendment

6. The Minister of Finance submitted proposed amendments to the Municipal Grants Act.

The present legislation, enacted in 1951, provided for annual grants in lieu of taxes to municipalities where the value of Federal property (with certain exceptions) exceeded 4 percent of the combined value of Federal and taxable property in a municipality. The grant was determined as 75 percent of the amount obtained by applying a defined tax rate to the value of Federal property in excess of the 4 percent base. The tax rate applicable was defined as a fraction, of which the numerator was the amount of the real estate tax levy in the municipality and the denominator was the value of taxable property plus Federal property.

It was now proposed to enlarge the base for these main grants under the legislation by reducing the 4 percent minimum to 2 percent, and by removing the restriction of the amount of the grant to 75 percent of the amount determined by the formula.

It was also proposed to correct what appeared to be an anomaly in the formula used to determine the tax rate by dropping the value of Federal property from the denominator, which would have the effect of producing a tax rate equal to the average real estate tax rate in the municipality for the year in question.

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There were other amendments of lesser importance, including the exclusion of property on Indian reserves from the Federal property covered by the grants, and the payment instead of special grants in respect of such properties, based on services received in particular cases.

Generally speaking, the proposed amendments would about double the total amount of the grants now paid to some 40 municipalities and make another 50 odd municipalities eligible for grants. The various changes would increase the total annual payments under the Act from about $2.8 million to over $6 million.

It was proposed that the amendments come into force on January 1st, 1955 and that no retroactive grants be made for periods before it, after that time.

In the case of the City of Ottawa, the new formula would increase the grant from about $1.4 million to about $2,650,000. It was proposed, however, to limit this increase in the grant to Ottawa by excluding the Centre Block of the Parliament Buildings from the property covered by the grant, and including, instead, a separate grant based on the cost to the City of servicing that property.

An explanatory note had been circulated.

(Minister's memorandum, Feb. 2, 1954- Cab. Doc. 32-54).

7. In the course of discussion, it was noted that the large increase in this conditional grant to the City of Ottawa would make necessary a more critical approach to Federal District Commission expenditures for joint projects in the City of Ottawa and for contributions to municipal projects out of the National Capital Fund.

It was also suggested that further consideration might usefully be given to the implications of the proposal that Indian Reserves should be excluded from the property on which municipal grants were based, and the corresponding proposal that the Department of Citizenship and Immigration would, instead, make direct payments to municipalities for services rendered to such reservations.

8. The Cabinet noted the report of the Minister of Finance and deferred decision on proposed amendments to the Municipal Grants Act pending further consideration at the next meeting.

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Legislation; Research Council Act amendment

9. The Minister of Trade and Commerce submitted proposed amendments to the Research Council Act.

An explanatory memorandum had been circulated.

(Memorandum, President, National Research Council, Jan. 20,1954-Cab. Doc. 16-54).

10. The Minister of Finance said that,at a meeting of the Cabinet Committee on Legislation the previous day, the proposed amendments had been discussed with the President of the National Research Council. One of the proposed amendments would involve carrying over,from one fiscal year into another,certain sums appropriated by Parliament and allocated for university grant purposes. This was not in accord with normal practice under which monies appropriated by Parliament lapsed, if not used before the end of the fiscal year. Dr. Steacie had agreed that practical arrangements could be made to safeguard the continuity of university grants without it being necessary to carry over unexpended sums allocated for such grants.

11. The Cabinet approved in principle proposed amendments to the Research Council Act, as submitted by the Minister of Trade and Commerce, except the one relating to the carrying over from one fiscal year into another of monies appropriated by Parliament and allocated for university grant purposes; a draft bill to be prepared accordingly.

Legislation; National Harbours Board Act amendment

12. The Minister of Transport submitted a draft bill to amend the National Harbours Board Act.

Copies of the draft bill had been circulated.

13. The Minister of Finance said that, as it was proposed to amend this legislation in any event, it might be useful, at the same time, to make certain additional amendments in order to make the Act conform more closely with certain provisions of the Financial Administration Act.

14. The Cabinet deferred decision on introduction of the bill to amend the National Harbours Board Act pending further consideration at a subsequent meeting, following review of the proposed measure and certain possible additional amendments by the Department of Finance and the National Harbours Board in consultation.

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Legislation; Bank of Canada Act amendment

15. The Minister of Finance submitted a draft bill to amend the Bank of Canada Act. He outlined some of the more important features of the proposed measure and indicated that he would like to introduce this bill in the House of Commons before the Bank Act Revision.

Copies of the draft bill had been circulated.

16. The Cabinet approved for introduction the bill to amend the Bank of Canada Act, as submitted by the Minister of Finance.

Ottawa traffic survey; Federal participation

17. The Secretary of State said he had received a letter from the Mayor of Ottawa stating that the municipal authorities planned to make an intensive study of the traffic problem in Ottawa and asking Federal participation in the study. Mayor Whitton had pointed out that the project would likely involve fairly substantial costs, but that the city was prepared to bear a portion of such costs in a four-way partnership with the Ottawa Transportation Commission, the Federal authorities and private business.

An explanatory memorandum had been circulated.

(Letter Mayor of Ottawa to Secretary of State, Feb. 11,1954; letter Secretary of State to Mayor of Ottawa, Feb. 12, 1954- Cab. Doc. 35-54).

18. During the course of discussion, it was suggested that the Federal government should not participate, directly, in the proposed survey, but that there could be no objection to the Federal District Commission participating and, if necessary, bearing a fair share of its cost. It should be clearly understood that this would not involve any commitment on the part of the Commission, or of the Federal government, to participate financially in any traffic improvement project which might be undertaken as a result of the survey, except insofar as that was done under existing policies in the application of the National Capital Fund.

19. The Cabinet noted the report of the Secretary of State and agreed that the Secretary to the Cabinet, following discussion with the Chairman of the Federal District Commission, inform the Mayor of Ottawa that the Federal government would be prepared to have the Commission participate with municipal authorities and other interested parties in the proposed survey of the Ottawa traffic problem, on the understanding that such participation did not in any way constitute a commitment, on the part of either the Commission or the government, to provide financial assistance towards the carrying put of any traffic improvement project that might be undertaken as a result of the proposed survey.

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Expropriation policy; Gagetown area; claims for disturbance to persons outside the area; reference by Treasury Board

20. The Minister of Finance said that, following a study of the problem by officials of his department and National Defence, the Minister of National Defence had recommended to the Treasury Board that, in dealing with the expropriation by his department of the Gagetown area in New Brunswick for military purposes, claims be considered outside the area on a purely ex gratia basis if it could be established that the claimant firms or individuals had been forced out of business as a direct result of the expropriation. Compensation, however, would only be recommended where land or fixed assets were actually sold, and a limit of 50 percent of the loss sustained upon sale of such assets would be set in order to ensure a sufficient degree of incentive for the claimant to obtain the highest price possible for his assets. It was felt that by establishing what were, in effect, rather restrictive criteria, there would not likely be any great difficulty in confining the application of such a procedure to the Gagetown area.

It had been recommended, in addition, that the Minister of National Defence be authorized, in certain cases, to make ex gratia payments not exceeding $500 each on compassionate grounds in cases where individuals were forced to move as a result of the expropriation.

The Treasury Board had referred the question to Cabinet because of the important principle involved.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 12, 1954-Cab. Doc. 38-54).

21. In the course of discussion, it was pointed out that the only really difficult case in the Gagetown area and the one which would involve the largest single payment was that of a cooperative dairy which, although located outside the expropriated area, was being deprived of 78 percent of its source of supply through the expropriation of dairy farms. This dairy was disposing of its assets and would probably realize approximately $10,000 from such sale. As the total value of the dairy was estimated to be $50,000 the Federal government stood to make a payment of not more than $20,000 or $25,000.

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22. The Cabinet, noted the report of the Minister of Finance and approved,

(a) the making of payments to persons or businesses which were seriously disturbed by government expropriations even though the persons or firms affected might not necessarily own property within the expropriated area, provided that severe restrictions were imposed upon such payments along the lines suggested by the Minister of National Defence; and,

(b) the making of ex gratia payments on compassionate grounds, not exceeding $500 in each case, and subject to such conditions as the Treasury Board may determine, to persons forced to move by the expropriation of the Gagetown area properties and who are unable, otherwise, to meet the cost of movement and relocation;

Treasury Board to be advised accordingly.

Colombo Plan; further allocation of rupee counterpart funds for an Indian project

23. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs pro tem, said counterpart funds had been established for $5 million worth of Canadian wheat given India under the Colombo Plan during the fiscal year 1952-53. Additional counterpart funds would be available when India received 50 locomotive boilers now being manufactured in Canada. India had proposed that these funds be applied against the local costs of the Mayurakshi irrigation and hydro-electric project. Counterpart funds from the gift of Canadian wheat in 1951-52 had already been allocated to this project. It seemed a worthwhile purpose for the funds since the project, with which Canada was already associated, was one of the most important in India's five-year economic development plan.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs, Feb. 16, 1954- Cab. Doc. 40-54).

24. In the course of discussion, it was pointed out that the cost of these locomotive boilers would be approximately 25 percent more manufactured in Canada than it would if they were purchased in Germany. As a consequence, it was proposed to set up counterpart rupee funds in respect of these boilers by charging the State Railways on the basis of the international price rather than the Canadian cost.

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25. The Cabinet noted the report of the Acting Secretary of State for External Affairs pro tem and agreed that counterpart funds in India, arising from a grant of $5 million worth of wheat and the supply of 50 locomotive boilers from Canada under the Colombo Plan, be allocated to help meet the rupee cost of the Mayurakshi irrigation and hydro-electric project.

Transport; convention on damage caused by foreign aircraft; signing powers

26. The Minister of Transport said the Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface, prepared under the auspices of the International Civil Aviation Organization, was opened for signature on October 7th, 1952, and had been now signed by twenty governments. It established a uniform pattern of liability for aircraft operators to persons on the ground who sustained injury, death, or property damage, as a result of aircraft accidents involving foreign aircraft. The operator generally became absolutely liable for damage, but the liability would be limited to a sum determined by the weight of the aircraft. Claims against an operator would be heard, normally, in the court of the place of the accident. Since assets to satisfy a judgement might not be in that jurisdiction, the Convention also provided that courts of other contracting countries would, subject to certain procedural safeguards, grant execution of such judgements.

The Air Transport Board were satisfied that implementation would be in the best interests of Canadian air carriers and the public, and Trans Canada Air Lines and Canadian Pacific Air Lines had urged Canadian adherence. The Deputy Minister of Justice had given an opinion that legislation required to implement the Convention would be within the exclusive jurisdiction of Parliament. He recommended, therefore, with the concurrence of the Secretary of State for External Affairs, that authority be granted to sign the Convention.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 9, 1954 - Cab. Doc. 36-54)

27. The Cabinet noted the report of the Minister of Transport and agreed that authority be granted to sign the Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface; an Order in Council to be passed accordingly.

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U.N. Agreement on Status of Forces in Japan; Canadian signature

28. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs pro tem referring to the meeting of April 8th, 1952, reported that negotiations with the Japanese government on the status of U.N. forces in Japan had been initiated by the United States, in its capacity as Unified Command, on behalf of all U.N governments participating in the Korean conflict. Subsequently, Commonwealth nations with forces in Japan had joined directly in the negotiations. Draft texts of agreement had now been prepared which the Japanese government had indicated its willingness to accept. These texts included a Formal Agreement, Agreed Official Minutes concerning the interpretation and implementation of the Formal Agreement, and two Protocols, one on claims and one on the provisional implementation of the Agreement.

The four documents were now open for signature by Canada as one of the contracting parties, and would be made public. A fifth document, the Record of the Formal Meeting, containing confidential statements on interpretation and implementation, would be signed only by the United States,on behalf of all U.N. signatories, and by a representative of Japan. This document would be kept confidential at Japanese request. The Formal Agreement would come into force after four signatory governments, to include Japan and the United States, had deposited instruments of acceptance. Thereafter, it would enter into force for each other signatory ten days after the deposit of its instrument of acceptance. Only the Formal Agreement could be signed subject to ratification.

The Formal Agreement and related documents incorporated the provisions of a temporary agreement on criminal jurisdiction which came into force on October 6th, 1953, and which, while not giving Canada and other U.N. members exclusive criminal jurisdiction over their forces in Japan, nevertheless gave them jurisdiction on a basis of equality with the United States. Canadian forces had been put in the same position as forces of a sending state under the N.A.T.O. Status of Forces Agreement. The Agreement and documents also provided for the use of facilities owned by the Japanese government free of rental, and in all other respects provided for substantial equality of treatment between U.N. forces and forces of the United States stationed in Japan.

Officials of the Departments of National Defence, External Affairs, Finance and National Revenue considered the agreement satisfactory and it had been reported that all other Commonwealth governments had found it acceptable. It was therefore recommended that approval be given for the Canadian government to sign the Formal Agreement, subject to ratification, as well as the other documents.

An explanatory memorandum had been circulated.

(Memorandum, Minister of National Defence and Acting Secretary of State for External Affairs, Feb. 17,1954- Cab. Doc. 39-54).

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29. The Cabinet noted the report of the Acting Secretary of State for External Affairs pro tem, and agreed that authority be given for the signature of an agreement to govern the status of U.N. forces in Japan, as set out in a Formal Agreement, Agreed Official Minutes to the Agreement, two Protocols on, respectively, claims arising from joint acts or omissions of the U.S. Armed Forces and the U.N. Forces in Japan, and the provisional implementation of the agreement regarding the status of U.N. forces in Japan, and a confidential record of the Formal Meeting, the Formal Agreement to be signed subject to ratification by Canada; an Order in Council to be passed accordingly.

International Labour Conference; 37th Session; Canadian participation

30. The Minister of Labour submitted recommendations respecting Canadian participation in the 37th Session of the International Labour Conference at Geneva, Switzerland, in June.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 12, 1954- Cab. Doc. 37-54).

31. The Cabinet approved the recommendation of the Minister of Labour, and agreed that Canada participate in the 37th Session of the International Labour Organization to be held at Geneva, Switzerland, from June 2nd, 1954 to June 24th, 1954; the Canadian delegation to be composed of five representatives of the government, five of the workers and five of the employers, plus a secretary.

Subvention for Western bituminous coals

32. The Minister of Finance, referring to discussion at the meeting of February 16th, pointed out that, although the general recommendations for subventions on the movement of Western bituminous coals east of the Head of the Lakes appeared reasonable, the proposals would provide, in some cases, for a higher subvention on industrial coal than on other types. It might be desirable to bring the subvention for industrial coal in line with that on other types.

33. The Cabinet noted the report of the Minister of Finance and approved the recommendation of the Minister of Mines and Technical Surveys that a subvention of $3.50 a ton be paid on the movement of Western bituminous coals to points east of the Head of the Lakes, provided that the subvention on such coal for industrial use be no higher at any point than that on coal used for domestic purposes; an Order in Council to be passed accordingly.

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Prince Rupert; disposal of C.N.R. drydock

34. The Minister of Fisheries, referring to discussion at the meeting of February 11th, said that, with the Minister of Transport and the Associate Minister of National Defence, he had met the delegation from Prince Rupert. It had been proposed at the meeting that the assets comprising the Prince Rupert drydock should not be sold during the next six months, but the possibility be examined of separating the drydock and arranging for its sale independently, while retaining for the use of local fishermen and others at least a part of the machine shop and marine slipway.

35. In the course of discussion, it was pointed out that, although the Canadian National Railways would agree to postponing action on the sale of the drydock for six months, it would be necessary to continue the subsidy on the drydock for that period, at an estimated cost of about $100,000.

36. The Cabinet noted the report of the Minister of Fisheries and agreed that the Canadian National Railways be asked not to sell the assets comprising the Prince Rupert drydock before October, 1954, pending an investigation of the possibility of the sale of the drydock alone, while leaving behind, for sale to some local organization, a portion, at least, of the machine shop and the marine slipway; the subsidy paid to the C.N.R. for the operation of the drydock to be continued for this period.

War claims; British Columbia Japanese evacuees

37. The Secretary of State, recalled that, the Bird Commission had been established, in 1947, to review claims made by Japanese in respect of property disposed of by the Custodian of Enemy Property during the last war. Following receipt of the Commission's report, the Custodian, in 1950, had been directed to carry out the recommendations therein and to make payments to various claimants, including reimbrusement of expenditures, exclusive of legal fees, incurred by them in the presentation of their claims. Mr. Justice Bird had recommended, informally, a payment for expenses incurred, which worked out to about 5 percent of the total of the awards.

All but 13 of the original 1,324 claims had now been settled. Twelve of the remainder involved the total sum of a little less than $2,000. The thirteenth claim was made by E. Kagetsu with respect to the Deep Bay Logging Company Ltd., and the Commission had recommended an award in the amount of $51,750.

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Kagetsu had made representations for reconsideration of the claim of approximately $464,000 which he had presented to the Bird Commission and on which he had obtained an award of only $51,750. He sought, also, an award of $31,000 for expenses allegedly incurred in the presentation of his claim. He had not accepted an offer of $2,587.50 for expenses which had been calculated as 5 percent of his award, being about the average proportion recommended by Commissioner Bird. It might be desirable to renew this offer, with a time limit set upon its acceptance, but to refuse the request for reconsideration of the original claim.

38. The Cabinet noted the report of the Secretary of State, and agreed that the request of E. Kagetsu for the review of a claim of approximately $464,000 presented to the Bird Commission in respect of the Deep Bay Logging Company Ltd., together with a claim for approximately $31,000 for expenses allegedly incurred in presenting his claim, be not allowed; the claimant to be offered an award of $2,587.50, for expenses of presentation, in addition to the amount of the original award of the Commission, in full and final settlement, with a suitable time limit for acceptance.

House of Commons Veterans Affairs Committee; terms of reference

39. The Minister of Veterans Affairs suggested that it would be desirable to consider the terms of reference of the Veterans Affairs Committee, in particular whether they should be limited to consideration of amending bills. There was some question as to whether amendments should be introduced to the War Veterans Allowance Act and if this were not decided and announced before the Committee's terms of reference were approved by the House, a long debate on War Veterans Allowances might ensue.

40. In the course of discussion it was pointed out that it would be preferable to decide what amendments to veterans legislation were actually to be proposed before a decision were taken on the terms of reference of the Veterans Affairs Committee.

41. The Cabinet noted the suggestion of the Minister of Veterans Affairs and deferred consideration of possible terms of reference of the Veterans Affairs Committee of the House of Commons until a decision had been reached as to what further amendments, if any, to veterans legislation might be introduced in the present session, particularly in respect of the War Veterans Allowance Act.

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Appointment

42. The Minister of Transport submitted a recommendation for a re-appointment to the Canadian Overseas Telecommunication Corporation.

43. The Cabinet agreed that Major James Hamilton of Vancouver, B.C., be re-appointed to the Canadian Overseas Telecommunication Corporation for a term of three years from March 15th, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-255, Feb. 18)

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 22nd, 1954.

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Items Discussed

Interprovincial and international road transportation; jurisdiction 2.

House of Commons; statements on "Motions" 3.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, February 22nd, 1954, at 2:00 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe), in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
Mr. R.A.J. Phillips, Privy Council Office.

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Interprovincial and international road transportation; jurisdiction

1. The Minister of Transport, referring to discussion at the meeting of January 20th, 1954, said the Judicial Committee of the Privy Council had, that morning, delivered a judgement to the effect that interprovincial and international road transport fell within Federal jurisdiction. He proposed to make a statement on the matter in the House of Commons which would summarize the legal background, state the government's desire to leave regulation of road transport to provincial authorities, and announce the intention to call a conference with provincial ministers concerned. It appeared advisable, also, to establish an interdepartmental committee consisting of representatives of the Departments of Transport, Justice and Secretary of State to consider methods of enabling the provinces to regulate interprovincial and international motor carriers, including Federal legislation for this purpose, to advise on the economic consequences of provincial control, and to assist in preparing for the conference with appropriate provincial ministers.

An explanatory memorandum was circulated.

(Minister's memorandum, Feb. 19, 1954- Cab. Doc. 41-54)

2. In the course of discussion, the following points emerged:

(a) It might be advisable to make only a brief statement in the House, to be supplemented by additional information through the press. The statement should indicate the government's reluctance to assume responsibility for the regulation of trucking and its desire to make it possible for the provinces to retain the control they had been exercising.

(b) It would be desirable to include representatives from the Departments of Trade and Commerce and Finance in the proposed inter-departmental committee to assist in considering the economic aspects of the problems.

3. The Cabinet noted the report of the Minister of Transport and agreed,

(a) that the Minister make a statement in the House of Commons, Tuesday, concerning the judgement of the Judicial Committee of the Privy Council on interprovincial and international trucking;

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(b) that an interdepartmental committee, with representation from the Departments of Transport, Justice, Secretary of State, Trade and Commerce and Finance, be established to consider problems arising from the decision; and,

(c) that a conference be called of provincial ministers having jurisdiction over highways to examine methods of continuing provincial regulation of interprovincial and international trucking.

House of Commons; statements on "Motions"

4. The Cabinet considered the question arising from discussion of the preceding item as to what type of statements could and should be made in the House of Commons on "Motions", noting that, in recent years, the practice had developed of making fairly lengthy statements at this stage of procedure, sometimes containing arguments in support of the course of action described, and that the Leader of the Opposition and other Members were claiming the right to speak on the occasion of such statements. It was suggested that only short announcements should be made at this point, which would not provide a reason for other Members claiming a right to speak.

5. The Minister of Citizenship and Immigration reported that this subject was under consideration by the Committee studying the rules of the House and it might be desirable to defer decision till further consideration had been given the matter by that Committee. In the meantime, however, it was suggested that a decision should be taken that only Ministers and not Parliamentary Assistants should make statements on "Motions".

6. The Cabinet agreed that only Ministers and not Parliamentary Assistants should make announcements in the House of Commons on "Motions".

R.B.Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

February 25th, 1954.

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Items Discussed

Post Office letter carriers; administrative arrangements for five-day week	2.
Wheat; closing of 1952-53 pool account	2.
Legislation; review of programme for current session	3.
Legislation; Municipal Grants Act amendment	4.
Legislation; War Veterans Allowance Act amendment	4.
Legislation; Pension Act amendment	5.
Vancouver Terminal Railway; proposed immediate pensions for employees transferred from the National Harbours Board to the Canadian National Railways	5.
Newfoundland; proposed establishment of new marketing organization for salt fish	6.
Subsidy increase; freight and passenger water transportation, Saint John, N.B. - Yarmouth, N.S.	8.
Japanese war criminals; clemency recommendations	9.
Proposed establishment by U.S. Air Force of additional temporary radar stations in Canada	9.
British Empire Games 1954; financial assistance to Canadian team; reference from Treasury Board	11.
Distribution of government publications	12.
"Maison des Etudiants Canadiens", Paris; further grant	12.
Canadian National Railways; proposal for lease in Montreal	12.
Labour representation at Geneva meeting; Mr. Harold Banks	13.
St. Lawrence Seaway; Joint Board of Engineers	14.
Geneva Conference; Canadian participation	14.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, February 25th, 1954, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)
Mr. R.A.J. Phillips, Privy Council Office.

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Post Office letter carriers; administrative arrangements for five-day week

1. The Postmaster General, referring to discussion at the meeting of February 16th, submitted and read a draft statement he proposed to make in the House of Commons, the following day, on arrangements being made for the introduction of the five-day week for letter carriers.

Copies of the draft statement were circulated.

2. The Cabinet approved, subject to a minor modification, the statement proposed to be made the following day in the House of Commons by the Postmaster General regarding the manner in which the five-day week would be made to apply to letter carriers.

Wheat; closing of 1952-53 pool account

3. The Minister of Trade and Commerce said he was in receipt of a letter from the Assistant Chief Commissioner of the Wheat Board in which it was stated that the Board had recommended the closing of the 1952-53 wheat pool account as of January 30th, 1954, and the transfer of stocks remaining in the 1952-53 pool on that date to the 1953-54 pool.

Out of total receipts of 638 million bushels during 1952-53, stocks remaining on hand at January 30th, 1954, were 148.6 million bushels against which the Board had open price sales contracts of 21.4 million bushels. The net volume of wheat to be transferred to the 1953-54 pool was therefore 127.2 million bushels. It was suggested that open sales contracts should be transferred to the 1953-54 pool at contract prices and that the remaining stocks of wheat should be transferred on the basis of $1.80 per bushel basis No. 1 Northern wheat in store Fort William, Port Arthur or Vancouver. This price was 8 cents per bushel below the market price at the time and the Wheat Board considered this margin as adequate to cover market risks and a normal allowance for carrying charges.

On such a basis of transfer, the balance of the surplus in the 1952-53 pool was $58.2 million, which would provide a net average final payment to producers of approximately 10.9 cents per bushel. The precise final payment would vary from 9.6 cents for No. 1 Northern to 14.6 cents for feed wheat. The net price realized by producers of No. 1 Northern Wheat on the 1952-53 pool would be $1.819 per bushel as opposed to $1.836 per bushel in 1951-52.

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As a result of limited supplies and strong markets, the final payments on Durum wheat would be high and would vary from 45.7 cents a bushel for No. 1 to 52.1 cents a bushel for No. 4. The net price realized by producers of No. 1 Amber Durum would be $2.23 in 1952-53 as opposed to $1.83 in 1951-52.

If these recommendations were approved, the Board expected to be in a position to commence distribution of final payment cheques on or about March 10th.

4. The Cabinet noted the report of the Minister of Trade and Commerce and agreed that the 1952-53 wheat pool account be closed as of January 30th, 1954, and that stocks remaining in the 1952-53 pool on that date be transferred to the 1953-54 pool on a price basis of $1.80 per bushel; Orders in Council to be passed accordingly.

Legislation; review of programme for current session

5. The Secretary submitted a memorandum setting out the present position with regard to the government's legislative programme for the current session of Parliament.

An explanatory memorandum had been circulated.

(Secretary's memorandum, Feb. 24, 1954-Cab. Doc. 49-54).

6. In the course of discussion, the following points emerged:

(a) The Houses of Parliament were dealing fairly rapidly with the legislative items that had been introduced to date and it would be advisable to expedite as much as possible the preparation of those measures yet to be introduced.

(b) The draftsman of the Department of Justice had had to devote most of their time during the past few weeks to the preparation of the Bank Act revision. The final draft of this measure, however, had been completed and it would now be possible to devote more time to the preparation of other government measures.

(c) Unless special measures were taken to extend the Emergency Powers Act, it would lapse on May 31st, 1954. Consideration had been given to the legislative or other steps that would have to be taken, in the event the Emergency Powers Act were allowed to lapse, to ensure the continuance of various measures which now relied on the powers conferred by that Act It was felt, however, that a final decision in these matters should be deferred until after the Prime Minister's return from abroad.

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7. The Cabinet, -

(a) noted the Secretary's report on the present position of the government's legislative programme for the 1953-54 session of Parliament; and,

(b) agreed that efforts be made to expedite the preparation of government measures remaining to be introduced during the current session.

Legislation; Municipal Grants Act amendment

8. The Minister of Citizenship and Immigration, referring to discussion at the meeting of February 18th, said that, after further considering proposed amendments to the Municipal Grants Act, he felt the suggested new procedures concerning Indian Reservations were satisfactory.

9. The Cabinet approved in principle proposed amendments to the Municipal Grants Act as submitted by the Minister of Finance; a draft measure to be prepared accordingly.

Legislation; War Veterans Allowance Act amendment

10. The Minister of Veterans Affairs submitted proposed amendments to the War Veterans Allowance Act. One of the main amendments suggested would involve increasing the income ceilings from $720 to $840 per annum for single persons and from $1200 to $1440 per annum for married veterans. It had been suggested, at an earlier meeting, that the higher income ceilings should apply in the case of the proposed new disability allowances and it was felt, therefore, that the ceilings in the War Veterans Allowance legislation should be increased to the same higher level. If the income ceilings under the War Veterans Allowance Act were so raised, this would involve a total additional expenditure of approximately $3.9 million per annum.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 23, 1954-Cab. Doc. 46-54)

11. In the course of discussion, the following points emerged:

(a) Although the government had not yet made any firm commitments as to what income ceilings would be set in the proposed new disability legislation, Provincial authorities generally wanted and expected the ceilings to be fixed at $840 and $1440, the levels in the present Ontario law.

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(b) If these income ceilings were fixed, it would be very difficult to resist increasing the ceilings prescribed not only by the War Veterans Allowance Act but also by the Old Age Assistance Act. In the circumstances, serious consideration should be given to the implications of fixing the ceilings at the higher level in the disability legislation.

12. The Cabinet deferred decision on proposed amendments to the War Veterans Allowance Act, as submitted by the Minister of Veterans Affairs, pending further consideration at a subsequent meeting.

Legislation; Pension Act amendment

13.. The Minister of Veterans Affairs submitted a resolution and bill to amend the Pension Act.

14. The Cabinet approved for introduction the resolution and bill to amend the Pension Act as submitted by the Minister of Veterans Affairs.

Vancouver Terminal Railway; proposed immediate pensions for employees transferred from the National Harbours Board to the Canadian National Railways

15. The Minister of Transport, referring to discussion at the meetings of January 28th, 1954, said it was considered that employees of the Vancouver Terminal Railway, whose functions, on January 1st, 1953, were transferred from the National Harbours Board to the Canadian National Railways, should receive benefits no less than those which could be awarded under the National Harbours Board Pension Plan in case of abolition of office, even though the Plan had been superseded by the Public Service Superannuation Act. As the positions of these employees had technically been abolished insofar as the National Harbours Board was concerned, it was recommended that annual allowances, commencing at the date of separation from the Board, be paid to those with service of 10 years or more, and gratuities equal to one month's pay for each year of service be paid to those with shorter service.

(Minister's submission to Council, Feb. 19, 1954)

16. In the course of discussion, the following points emerged:

(a) When this question was discussed previously, it was not suggested that the transferred employees be entitled to draw immediate annuities for their National Harbours Board service, even though they continued to be employed in the same capacity by the Canadian National Railways, but rather, that

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consideration be given to the possibility of enabling such employees to count their N.H.B. service towards an eventual C.N.R. pension covering the whole period of their combined service.

(b) It had now been suggested by the Harbours Board that, because of the manner in which section 35 (8) of the new Public Service Superannuation Act was worded, the transferred employees might have a legal right to the immediate annuities. In this event there would be no alternative but to pay them. It would be worthwhile to obtain an opinion from the Department of Justice as to the precise legal position.

(c) In the event the transferred employees did not have a legal right to immediate annuities, the whole problem might usefully be reconsidered in an effort to find a more acceptable alternative solution.

(d) If further consideration was necessary, it might be desirable to secure the advice of the committee of officials which studied the pension problem of the C.N.R. employees in Newfoundland.

17. The Cabinet,

(a) deferred decision on the recommendation of the Minister of Transport regarding pension provisions for employees of the Vancouver Terminal Railway whose functions had been transferred from the National Harbours Board to the Canadian National Railways; and,

(b) agreed that an opinion be sought from the Department of Justice as to whether the employees in question had a legal right, under the Public Service Superannuation Act, to the benefits that could have been awarded to them, on abolition of office, under the National Harbours Board pension plan.

Newfoundland; proposed establishment of new marketing organization for salt fish

18. The Minister of Fisheries, referring to discussion at the meeting of February 3rd, said the Premier of Newfoundland had written to the Prime Minister, on February 15th, regarding the organization for marketing of salt cod in Newfoundland. Mr. Smallwood had criticized the Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) and suggested that, some time before March 15th, representatives of the Federal government and of the Newfoundland government should meet for the purpose of discussing and, if possible,

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agreeing upon an alternative marketing organization to replace N.A.F.E.L. and that, on or before March 31st,1954, the necessary steps be taken to implement decisions reached during such discussions.

Copies of the Premier's letter had been circulated.

(Letter, Premier of Newfoundland to Prime Minister, Feb. 15,1954- Cab. Doc. 48-54).

19. In the course of discussion, the following points emerged:

(a) It was noted that Premier Smallwood had referred to the efforts being made by Federal authorities to facilitate the sales of salt cod from Newfoundland in export markets. Some progress had already been made in this direction.

(b) It seemed desirable to meet Premier Smallwood's request for a conference between representatives of the two governments and such a meeting might perhaps be held on March 17th.

(c) Certain interests were apparently making every effort to convince the government of Newfoundland that N.A.F.E.L. should be replaced by a Provincial marketing board. It seemed clear that a Provincial marketing agency would be undesirable, not only because the Newfoundland catch was destined to export markets but also because it would result in direct competition between a government agency in Newfoundland and private enterprise in the other Maritime provinces. Similarly, it did not appear advisable to establish a Federal board to handle the marketing of salt cod. Perhaps the solution might be to continue N.A.F.E.L. in existence for a period beyond March 31st, 1954, but on a rather different and more supervised basis than at present. N.A.F.E.L. powers should probably be more limited and provision should be made to give the fishermen, and not only the merchants, a voice in N.A.F.E.L's affairs. If this were done, it might be advisable to establish an interim and final payment scheme, with provision for deficiency payments, if and when necessary, that would ensure more equitable and evenly distributed returns to the fishermen.

(d) It was suggested that the Interdepartmental Committee on the Marketing of Salt Fish be asked to consider and report, before the proposed meeting with Newfoundland representatives on March 17th, as to the best course of action to follow in the marketing of Newfoundland salt fish after March 31st,1954.

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The Committee might also usefully look into and report on the difficult problem of interprovincial salt cod trade, particularly between Newfoundland and Nova Scotia.

(e) Some merchants in Newfoundland and elsewhere were proposing to question the legal powers of N.A.F.E.L. and the government to control interprovincial sales of salt fish. It might be desirable to have a report on this subject from the Department of Justice.

20. The Cabinet agreed,

(a) that the Premier of Newfoundland be informed that the Minister of Trade and Commerce and some of his colleagues would be prepared to meet with representatives of the government of Newfoundland, on March 17th, for the purpose of discussing problems related to the marketing of Newfoundland salt fish; and,

(b) that the Interdepartmental Committee on the Marketing of Salt Fish consider and report, before March 17th, on the best course of action to follow in the marketing of Newfoundland salt fish after March 31st, 1954.

Subsidy increase; freight and passenger water transportation, Saint John, N.B. - Yarmouth, N.S.

21. The Minister of Transport reported that Saint John Marine Transports, Limited had represented that they could no longer continue to operate the water transportation service between Saint John, N.B. and Tiverton, Freeport, Westport and Yarmouth, N.S. without an additional subsidy of $3,375 per annum. The present annual subsidy of $29,625 had remained unchanged for the past four years and the audited financial statements covering the Company's operations for last year showed a deficit of $6,041.

He recommended, on the advice of the Canadian Maritime Commission, that the requested additional subsidy of $3,375 per annum be granted.

An explanatory memorandum had been circulated.

(Minister's memorandum, undated - Cab. Doc. 44-54).

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22. The Cabinet approved the recommendation of the Minister of Transport that provision be made in the Supplementary Estimates for 1954-55 for an additional annual subsidy of $3,375 to Saint John Marine Transports Limited, in respect of the water transportation service operated by that company between Saint John, N.B. and Tiverton, Freeport, Westport and Yarmouth, N.S.; Treasury Board to be advised accordingly.

Japanese war criminals; clemency recommendations

23. The Minister of National Defence, referring to discussion at the meeting of August 5th, 1953, said the Clemency Review Committee had considered appeals by the Japanese government on behalf of Jiro Minami, Shunroko Hata and Sadao Araki Minami was 79 and very ill. He had been released on parole to his home for the duration of his illness. It was recommended that his sentence of life imprisonment be reduced to 21 years and that he be granted such remission of sentence as might be agreed by the eight governments concerned. Consideration of Hata's case was postponed for the present. It was proposed that Araki's sentence of life imprisonment be reduced to 21 years. The eight nations concerned would probably agreee that he be released on parole in November, 1956.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 9, 1954 - Cab. Doc. 45-54).

24. The Cabinet noted the report of the Minister of National Defence on proceedings of the Clemency Review Committee, and agreed that the sentences of life imprisonment on Sadao Araki and Jiro Minami be each reduced to 21 years, and that they be granted such remission of sentence and upon such terms as might be agreed by the eight governments concerned in the trials and punishments of Japanese war criminals.

Proposed establishment by U.S. Air Force of additional temporary radar stations in Canada

25. The Secretary of State for External Affairs, referring to discussion at the meeting of February 26th, 1953, said his Department and the U.S. State Department had been consulting on the terms and conditions to govern Canadian permission to construct and operate the nine additional temporary radar stations which the U.S. Air Force wished to establish in British Columbia, Ontario and Nova Scotia.

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Tenure of the stations was to have been in general line with the conditions included in the Exchange of Notes for the "Pinetree" project, but his Department was reluctant to pertetuate these conditions since, in theory, any stations in that chain could be kept in operation for as long as the United States considered necessary, regardless of Canadian views. The State Department, on the other hand, did not wish to accept a form of tenure which left largely to Canada the decision on how long facilities would be kept operating. A compromise formula had been proposed by the U.S. State Department member of the Permanent Joint Board on Defence at its last meeting. Under this, the United States would have a guaranteed tenure of ten years unless both countries agreed that it be shorter. Thereafter, either country would be free to close the stations after the Permanent Joint Board on Defence had been given an opportunity to present its views.

Whatever compromise formula was accepted, it would be used, undoubtedly, as a precedent in future cases of a similar nature and, for this reason, Cabinet consideration of the matter was desirable.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 5, 1954 - Cab. Doc. 43-54)

26. In the course of discussion the following points emerged:

(a) It might become difficult to explain why Canadians were being sent to Europe while more U.S. troops were entering Canada to man defence installations there.

(b) It would be desirable for Canada to take over the operation of radar stations as soon as possible, even at the cost of withdrawing some men from overseas.

(c) Apart from the cost of operation, it would be difficult for Canada to find the manpower to operate these stations.

(d) It would be difficult to reverse the decision agreeing to the establishment and operation of these stations.

(e) Although ten years guaranteed tenure was not ideal from the Canadian viewpoint, in practice it would be difficult to impose more stringent terms if the United States was to build and man these stations and Canada had the right to take over their operation.

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27. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that the United States be permitted to operate nine additional temporary radar stations in Canada under the following tenure formula:

> "The Canadian and United States Governments agree that all or any of the stations shall be maintained in operation for a period of ten years or such shorter period as shall be agreed by both countries in the light of their mutual defence interests. Thereafter, in the event that either Government concludes that any or all of the stations are no longer required, the question of continuing need will be referred to the Permanent Joint Board on Defence. In considering the question of need, the Permanent Joint Board on Defence will take into account the relationship of the station or stations to other radar installations established in the mutual defence interest of the two countries. Following consideration by the Permanent Joint Board on Defence, as provided above, either Government may terminate the arrangement, in which case the station will be closed, and the following arrangements regarding ownership and disposition of the installations will apply ...".

British Empire Games 1954; financial assistance to Canadian team; reference from Treasury Board

28. The Acting Prime Minister referring to the matter discussed at the meeting of November 19th, 1952, said that although grants amounting to $200,000 had been authorized to assist the British Empire Games Society of Vancouver in the organization and financing of the 1954 Games, they would not be available to finance the Canadian team competing. Approximately $55,000 would be required by the Canadian team, and a Federal grant of $12,500 had been requested.

The British Empire and Commonwealth Games Association of Canada, which organizes and finances the team, had encountered difficulties in raising funds since many expected sources of revenue had already been tapped by the British Empire Games Society that was organizing and financing the Games in Vancouver. The government had assisted Canadian teams in the past and it seemed desirable to do so again on this occasion. The Minister of National Health and Welfare had suggested an amount of $10,000. The Treasury Board had referred the matter to Cabinet for consideration.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, Feb. 23, 1954- Cab.Doc. 47-54).

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29. The Cabinet agreed that a grant of $10,000 be made to the British Empire and Commonwealth Games Association of Canada, to help defray expenses of the Canadian team participating in the British Empire Games to be held in Vancouver in 1954; the Treasury Board to be advised accordingly.

Distribution of government publications

30. The Secretary of State pointed out that, under the present system of distribution of public documents, excessive and duplicate distribution was possible. Although the Printing Bureau had a legal monopoly of the sale of publications and had responsibility for free distribution, many publications were also distributed by the departments which produced them. It seemed desirable to refer this problem to the Interdepartmental Committee on Publications for examination and report to the Cabinet.

An explanatory memorandum had been circulated.

(Minister's memorandum, undated, Cab. Doc. 42-54).

31. The Cabinet noted the report of the Secretary of State and agreed that the Interdepartmental Committee on Publications be asked to give urgent consideration to the codification of rules of procedure regarding the distribution of government publications, with a view to eliminating duplication in distribution and improving coordination in mailing lists; the Committee to report to the Cabinet at an early date.

"Maison des Etudiants Canadiens", Paris; further grant

32. The Minister of Finance, referring to discussion at the meeting of November 19th, 1952, reported that the cost of reconstruction of the Maison des Etudiants Canadiens had exceeded original estimates and a request had been made for a further $50,000 in blocked francs for reconstruction purposes.

33. The Cabinet noted the report of the Minister of Finance and agreed that a further grant of $50,000 in blocked francs be made to the Maison des Etudiants Canadiens in Paris for reconstruction purposes.

Canadian National Railways; proposal for lease in Montreal

34. The Minister of National Defence said the Minister of Transport had submitted to Council a recommendation for approval of the entry by the Canadian National Railways into a lease with the Montreal Fruit and Produce Terminal Company, Limited, a wholly-owned subsidiary of the Railways, for the use of certain trackage and facilities of the Railways in Montreal. Representations had been made that certain actions in connection with this lease were

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not in accord with regulations of the Board of Transport Commissioners. It seemed desirable, therefore, to defer approval until the matter could be re-examined by the Minister of Transport.

35. The Cabinet noted the report of the Minister of National Defence, and agreed that no action be taken on a proposal to approve an existing lease by the Canadian National Railways for certain trackage and facilities to its subsidiary, the Montreal Fruit and Produce Terminal Company, Limited, until the Minister of Transport had had an opportunity to re-examine the matter.

Labour representation at Geneva meeting; Mr. Harold Banks

36. The Minister of Labour said that, in reply to questions in the House of Commons about the position of Harold C. Banks, a Canadian representative at a meeting arranged by the International Labour Organization, he proposed to reply that Banks did not represent the Canadian government but the union of which he was an official and that his expenses were not being borne by the Canadian government.

37. The Minister of Citizenship and Immigration said it was necessary to decide whether Banks, a U.S. citizen with a police record, should be deported from Canada. His record of court convictions was not known in 1952 when permission had been granted to him to land as an immigrant. The possibility of establishing a Board of Inquiry on his case, which might lead to his deportation, had been under consideration some months ago but a decision was reached at that time that such action was not necessary. The public attention which had been drawn to him as a result of his attendance at the Geneva meetings, made it desirable to decide whether his case should now be referred to a Special Inquiry Officer.

38. In the course of discussion the following points emerged:

(a) Although Banks had a police record in the United States and had been convicted of smuggling cigarettes into Canada, during the period of his association with the Seamen's International Union there had been practically no labour difficulties on the Great Lakes.

(b) There had been suggestions that the unfavourable publicity now being accorded Banks had been encouraged by shipowners who were expecting a dispute with him on union proposals for a welfare fund; it would be undesirable for the government to take any action which might lead to Bank's deportation during negotiations with the employers.

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39. The Cabinet noted the reports of the Minister of Labour and the Minister of Citizenship and Immigration, and agreed that it be left to the Minister of Citizenship and Immigration to decide whether or not to take any action which might lead to the deportation of Harold Banks; it being noted, however, that deportation proceedings during negotiations between the Seamen's International Union and the shipowners would be undesirable.

St. Lawrence Seaway; Joint Board of Engineers

40. The Secretary of State for External Affairs, referring to discussion at the meeting of February 3rd, said the Canadian Section of the Joint Board of Engineers had met on February 23rd in preparation for the first meeting of the alternate members of the Joint Board on March 1st. The Canadian Section had agreed to the duties and scope of operations of the Board and these were in line with the views of the U.S. Section. These lists of duties and operations had been examined by the Ministers concerned and found satisfactory.

41. The Cabinet noted the report of the Secretary of State for External Affairs on recent activities of the Joint Board of Engineers for the St. Lawrence Seaway.

Geneva Conference; Canadian participation

42. The Secretary of State for External Affairs reported that an invitation had been received for Canadian participation in the conference in Geneva on April 26th, being arranged by the United States, the United Kingdom, the U.S.S.R. and France, and to include the Chinese People's Republic. It seemed desirable that the smaller powers should not participate in the conference until towards its conclusion, but, if other middle powers were determined, to participate, probably Canada would be obliged to do so.

43. The Cabinet noted the report of the Secretary of State for External Affairs, and agreed that Canadian participation in the Geneva Conference be left to the discretion of the Secretary of State for External Affairs, after consultation with other potential participants apart from the five major powers concerned.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 2nd, 1954.

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Items Discussed

Establishment of Royal Commission on Criminal Law relating to the defence of insanity 2.

Royal Visitors 3.

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No. 19-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, March 2nd, 1954, at 2:00 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe), in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
Mr. R.A.J. Phillips, Privy Council Office.

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Establishment of Royal Commission on Criminal Law relating to the defence of insanity

1. The Minister of Justice said a special committee of the House of Commons had been established in 1953 to consider amendments to the Criminal Code. In its final report, dated May 1st, 1953, the committee did not recommend a change in the existing law respecting the defence of insanity, lotteries, whipping and the death sentence, but proposed the appointment of a Royal Commission or a Joint Parliamentary Committee to consider these matters. At the present session, a joint committee of both Houses of Parliament had been appointed to study possible amendments in the Criminal Code relating to capital punishment, corporal punishment and lotteries. It seemed desirable to appoint a Royal Commission to consider the defence of insanity. He recommended a number of appointments to the Commission.

2. In the course of discussion the following points emerged:

(a) It was anticipated that the work of the Commission could be completed expeditiously, possibly before the end of the present session of Parliament.

(b) It would be desirable, in the establishment of future Royal Commissions, to provide that their budgets and the rates of remuneration to be paid to counsel and staff be submitted in advance for the approval of the Treasury Board.

(c) Although some British Columbia residents had been approached to serve on the present Commission, the representation as it existed included no one who lived west of Winnipeg; it might be desirable to make further efforts to secure the appointment of residents of British Columbia to Royal Commissions.

3. The Cabinet noted the report of the Minister of Justice and agreed that a Royal Commission be established to inquire into and report upon the question whether the criminal law of Canada relating to the defence of insanity should be amended in any respect, and, if so, in what manner and to what extent; the members of the Commission to be the Honourable James Chalmers McRuer, Chief Justice of the High Court of Justice of Ontario; Doctor Gustave Desrochers, Assistant Superintendent of St. Michel Hospital, Quebec; Her Honour Judge Helen Kinnear, County Court Judge for the County of Haldimand, Ontario; Doctor Robert O. Jones, Professor of Psychiatry at Dalhousie University, Halifax; and Joseph Harris, Esquire, of Winnipeg; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-289, Mar. 2)

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Royal Visitors

4. The Acting Prime Minister mentioned that it was likely that a number of members of the Royal Family would be visiting Canada in the course of the year. In addition to the trip of the Duke of Edinburgh in the summer, it now appeared that the Queen Mother would come to Canada after her visit to the United States in the autumn. The Duchess of Kent had been invited to open the Canadian National Exhibition in August and would be in Ontario for at least ten days.

5. In the course of discussion, it was pointed out that it would be desirable to coordinate arrangements for members of the Royal Family to visit Canada since, whatever the auspices of the invitation, the Federal government would probably incur some responsibility. It was understood that the Governor General was planning to take up this matter with Buckingham Palace.

6. The Cabinet noted the report of the Acting Prime Minister on coming visits of members of the Royal Family to Canada, and agreed that a suitable opportunity be used to emphasize the value of coordinating arrangements for members of the Royal Family to participate in functions in Canada.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 4th, 1954.

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Legislation; Diplomatic Immunities (Commonwealth countries) Act	3.
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Subvention on western bituminous coals	6.
Agriculture; amendment to Potato Agreement with New Brunswick	6.
Fisheries Prices Support Board; deficiency payments on pickled mackerel fillets	7.
Canadian National Railways; proposal for lease in Montreal	8.
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Polymer Corporation; capital budget	10.
Export Credit Insurance Corporation; contract for shipments of wheat to Brazil	10.
Income Tax; information pamphlets for taxpayers in agriculture and the fishing industry	11.
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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, March 4th, 1954, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
Mr. R.A.J. Phillips, Privy Council Office.

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Civil Service; holidays

1. The Secretary of State, referring to discussion at the meeting of January 28th, 1954, said he had received a letter from the President of the Civil Service Association of Ottawa pointing out that the majority of civil servants would lose three of their customary statutory holidays this year because the Queen's birthday would be observed on Victoria Day, May 24th, and because Christmas and New Year's fell on Saturdays which were normal non-working days since introduction of the five-day week. The Association had requested that this matter be reconsidered by the government.

He submitted and read a draft reply which stated that the matter of the Queen's birthday could not be reconsidered, but that the appropriate authorities were being asked to give further consideration as to what should be done in the event statutory holidays fell on a Saturday. It was pointed out in this latter connection that the situation was complicated by the fact that the five-day week was not in effect throughout the whole of the Public Service and industry.

2. In the course of discussion, it was suggested that, as the five-day week was not completely in effect either in the Public Service or in the industry, it would be inadvisable at this time to suggest that the government would be prepared to reconsider the decision reached earlier in respect of Christmas and New Year's.

3. The Cabinet noted the request of the Civil Service Association of Ottawa that earlier decisions on the observance of the Queen's birthday and Christmas and New Year's holidays be reconsidered by the government, and agreed that the draft reply, as submitted by the Secretary of State, be revised in accordance with suggestions made during the course of discussion and considered at the following meeting.

Order of the Hospital of St. John of Jerusalem; request for publication of appointments in the Canada Gazette

4. The Secretary of State reported that he had received a request from the Order of the Hospital of St. John of Jerusalem to have appointments to that Order published in the Canada Gazette.

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It was suggested that only official appointments could be published in the Canada Gazette and that the Order's request would therefore not be met.

A draft reply was submitted and read.

5. The Cabinet agreed that the Secretary of State inform the Chief Commissioner of the Priory of the Order of the Hospital of St. John of Jerusalem that appointments to that Order could not be published in the Canada Gazette as had been requested.

Legislation; Bank Act revision

6. The Minister of Finance submitted a bill to revise the Bank Act.

7. The Cabinet approved for introduction the Bank Act revision, as submitted by the Minister of Finance.

Legislation; Diplomatic Immunities (Commonwealth countries) Act

8. The Secretary of State for External Affairs submitted a bill entitled The Diplomatic Immunities (Commonwealth countries) Act.

9. In the course of discussion, it was pointed out that, under section 5(4) of the bill it would be possible for a Canadian citizen who was at the same time a citizen of the country in whose mission he was employed to claim immunities. This privilege would not be extended to a Canadian citizen similarly employed but who did not have dual nationality. It was for consideration whether such special treatment should be accorded to Canadian citizens who happened to have dual nationality.

10. The Cabinet approved for introduction the bill entitled The Diplomatic Immunities (Commonwealth countries) Act, subject to possible amendment of section 5(4), following reconsideration of the dual nationality problem by the Secretary of State for External Affairs, the Minister of Justice and the Minister of Citizenship and Immigration.

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Subvention policy on railway coal

11. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of January 28th, 1954, said that, as directed, the Interdepartmental Committee on Coal Subvention Policies had commenced the consideration of coal subvention policy. First attention had been given to the question of subventions on railway coal for which only an interim solution had been found for the current fiscal year. The Committee had now suggested an interim policy for the coming fiscal year at least.

The policy recommended was that the subvention formula be based on "On Company Service" rates in the eastern area, where the Canadian National Railways bought most of the coal for railway purposes, and that, in the western area, where the Canadian Pacific Railway was the main buyer, the government adopt the 7 mill per ton mile rate used by that Railway for its other requirements, in place of the 5 mill rate in effect for the past 15 years. Although the C.P.R. would probably buy Canadian coal as a matter of policy, even on the old formula of 5 mills, the Committee concluded that, if a change were to be made in the basis of subvention in the Maritimes, it should also be made on a somewhat similar basis in the western areas, where coal operators were likely to experience increasing difficulty owing to the declining use of coal for railway purposes.

A special problem arose in the maximum rates of subvention to be paid on the use of railway coal. The maximum, at present, was $3.00 per ton in Eastern Canada and $2.50 per ton in Western Canada, although special arrangements with the C.N.R. for the current fiscal year included no set maximum. The Committee felt a maximum of $3.00 per ton sufficient in Eastern Canada to cover all-rail movements of coal, but $4.00 a ton necessary to cover a combination of water and rail movements of coal shipped to St. Lawrence ports and "back-hauled" on the railways to their coaling points. In Western Canada, the C.P.R. would probably buy coal whether the maximum was $3.00 or $4.00, and the choice of a maximum might affect substantially the cost of changing from the 5 mill to the 7 mill rate. The Committee believed that, in principle, a uniform maximum of $4.00 a ton would be warranted but an alternative would be a maximum of $3.00 a ton for all-rail movements with an additional $1.00 a ton for combined water and rail movement. Choice between these two would depend on the difference in cost for coal used by the C.P.R. in Northwestern Ontario and Manitoba.

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Adoption of the recommendations, irrespective of the maximum figure used, would very likely not produce subventions large enough to equalize the cost to the C.N.R. of Canadian coal with U.S. coal in Northwestern Ontario and Manitoba. Moreover, the C.N.R. proposed to continue converting from coal to oil-fired steam locomotives on its western lines. It was not recommended that the government interfere with this programme or attempt to set a subvention rate adequate to induce the C.N.R. to purchase Canadian coal for use in Manitoba and Northwestern Ontario. The closing of some collieries in the west was inevitable, but it seemed preferable to face the prospect now, when opportunities for alternative employment in Alberta were reasonably good.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet and Chairman of the Special Committee on Coal Subventions, March 3, 1954,-Cab. Doc. 52-54 and appendix).

12. In the course of discussion the following points emerged:

(a) The effect of changing from the 5 mill to the 7 mill rate would likely mean doubling payments to the C.P.R. but little change in those to the C.N.R.; this appeared undesirable as the C.P.R. intended to continue using Canadian coal with or without a subvention rate change and it was in the east that the most difficult financial and social problems were arising in connection with coal mining.

(b) The high subvention which would be required to maintain all existing Alberta collieries in operation would produce the absurd situation in which it would be cheaper to burn coal at the minehead rather than transport it for use by the railways.

(c) The problem of subventions on railway coal was essentially different in east and west. In the west, Canadian oil and gas were replacing coal, whereas in the east, the competition was from U.S. coal which was dropping in price.

(d) Although, from the social economic standpoint, it would be advantageous to reduce the labour force working in coal mines by transfer to the oil and gas industries, oil provided opportunities for large-scale employment only in the development phase and was not a continuing source of employment.

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13. The Cabinet noted the report of the Minister of Mines and Technical Surveys on suggested policy for subventions on railway coal and,

(a) deferred decision on the recommendation of the Special Committee on Coal Subventions that the present 5 mill subsidy rate be replaced by a 7 mill rate on western coal and by the C.N.R.,O.C.S. rate on eastern coal, subject to a ceiling of $3.00 or possibly $4.00 a ton; and,

(b) agreed that the matter be considered the following week in the light of a more detailed report on the probable cost and results of the proposed new subsidies as compared with the costs and results under existing subsidies.

Subvention on western bituminous coals

14. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of February 18th,1954, pointed out that the basis of calculation for subventions on industrial coal and on coal used for other purposes was quite different. If the subvention on the movement of western bituminous coals to points east of the Head of the Lakes were to be no higher at any point than that on coal for domestic purposes, the rate would have to be considerably lower than $3.50 a ton. This sum, however, was considered the minimum necessary to ensure a market for such coals in Northern Ontario. He therefore recommended that a subvention of $3.50 a ton be paid, regardless of the subvention to be paid on coal used in the area for domestic purposes.

15. The Cabinet noted the report of the Minister of Mines and Technical Surveys, and agreed that a subvention of $3.50 a ton be paid on the movement of western bituminous coals to points east of the Head of the Lakes; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-326,March 4).

Agriculture; amendment to Potato Agreement with New Brunswick

16. The Minister of Agriculture reported that, under an agreement entered into with the New Brunswick Potato Marketing Board on December 21st, 1953, provision had been made only for potatoes sold for table stock and for potatoes sold for seed. This agreement provided for an initial payment of 40 cents for potatoes delivered up to and including December 31st, 1953, for an initial payment of 45 cents on and after January 1st, 1954 to March 31st, 1954, and 55 cents thereafter.

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It had been suggested that, because of the present unfavourable potato market situation, the agreement should be extended to include potatoes sold to starch factories in New Brunswick. This would ensure a greater flow of potatoes into productive uses, even though the monetary returns would be lower than those provided under the original agreement.

It was recommended, therefore, that the 1953 agreement be amended accordingly, on the understanding that no potatoes would be sold to starch factories for less than 50 cents a barrel and that the maximum handling charges on potatoes sold for this purpose would be 5 cents per bushel as compared with a maximum 25 cents handling charges on table stock and seed potatoes. It was suggested, also, that the agreement be amended to reduce the initial payment, effective on April 1st, 1954, from 55 cents to 50 cents a bushel. In addition, provision would be made in the amended agreement to discontinue the initial payment on potatoes destined to starch manufacturers if and when the table stock and seed potato markets improved sufficiently.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 31, 1954-Cab. Doc. 53-54)

17. The Cabinet approved the recommendations of the Minister of Agriculture and agreed that the agreement of December 21st, 1953, with the New Brunswick Potato Marketing Board, be amended to provide initial payments of 45 cents per bushel for Canada No.1 grade potatoes delivered to starch factories for the balance of the season, or until the Minister required that deliveries of potatoes for this purpose be discontinued; it being understood that no potatoes would be sold to starch factories for less than 50 cents a barrel and it being further agreed that the maximum handling charges allowed on potatoes sold for starch would be 5 cents a bushel as compared with 25 cents a bushel on table stock and seed potatoes; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-325, March 4)

Fisheries Prices Support Board; deficiency payments on pickled mackerel fillets

18. The Minister of Fisheries referred to discussion at the meetings of September 9th and November 4th, 1953, when consideration had been given to the position of certain fishermen in the Magdalen Islands and in Nova Scotia who had suffered from a sharp decline in the prices received for their 1952 production of pickled mackerel fillets relative to prices received for 1951. It had been agreed

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that deficiency payments be made of up to 3 cents a pound which would result in these fishermen receiving an average of 70.14 percent of the price they had received in 1951.

After review of a similar situation in Newfoundland, it had now been ascertained that fishermen in that Province had received for their 1952 production of pickled mackerel fillets an average of 68.6 percent of the 1951 prices. The Fisheries Prices Support Board had recommended that a deficiency payment be made to these Newfoundland fishermen in order that they be given the same treatment as fishermen in the Magdalen Islands and in Nova Scotia.

Approximately 1,200 barrels of 225 lbs. each were involved and the amount required to provide the suggested deficiency payments would be approximately $625.00. He recommended that these payments be made.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 25, 1954-Cab. Doc. 51-54).

19. The Cabinet approved the recommendation of the Minister of Fisheries that the portion of the 1952 Newfoundland production of pickled mackerel fillets of good average quality sold by fishermen on consignment, and for which the final settlement was less than 70.14 percent of the average price received by all Newfoundland fishermen for the 1951 production, be designated as a "fisheries product" within the meaning of the Fisheries Prices Support Act, and that a price of $23.09 per barrel of 225 lbs be established for this product for the purpose of paying to the producers thereof the difference between the prescribed price and the average price at which such product,was sold during the 1952-53 season, if the average price was below the prescribed price; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-324, March 4)

Canadian National Railways; proposal for lease in Montreal

20. The Minister of Transport, referring to discussion at the meeting of February 25th, 1954, said he had re-examined the terms of a lease between the Canadian National Railways and its subsidiary, the Montreal Fruit and Produce Terminal Company Ltd., for certain trackage and facilities in Montreal. There were a number of agreements of a routine nature for which the approval of the Governor in Council was required and these agreements were found to be in order.

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21. The Cabinet noted the report of the Minister of Transport and approved a series of agreements for the lease by the Canadian National Railways of certain trackage and facilities to the Montreal Fruit and Produce Terminal Company Ltd. in Montreal; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-328, March 4)

Assistance to Palestine refugees

22. The Secretary of State for External Affairs said it was necessary to decide the Canadian contribution to the United Nations Relief and Works Agency for Palestine Refugees during the financial year ending June 30th, 1954. Most of the 850,000 refugees cared for by the Agency were made homeless in 1948 during the hostilities between Israel and the Arab States. Since Israel considered it impossible to re-admit these refugees, it had been necessary to continue a programme which combined direct relief with a "reintegration programme" to help the refugees become permanently self-supporting. The re-integration programme had been slow, and it might be desirable to indicate Canadian dissatisfaction with a continuing relief programme which was not approaching final solution by reducing the Canadian contribution to the Agency. It seemed desirable, however, that Canada should continue to give substantial support to the project, on both humanitarian and political grounds. The United States would contribute $15 million of the $24.8 million programme, and the United Kingdom would contribute $5 million. The Canadian contribution had been $600,000 a year. Since the last Canadian contribution, the Agency had purchased, in Canada, relief supplies costing approximately $2.2 million. He recommended that the United Nations be informed that Canada would make a $500,000 contribution to the Agency during the current fiscal year, but could not hold out hope that this could be equalled in future years unless substantial progress were made in the final solution of the Palestine refugee problem.

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 4, 1954-Cab. Doc. 50-54).

23. The Cabinet noted the report of the Secretary of State for External Affairs, and agreed that the United Nations be informed that Canada would make a contribution of $500,000 to the United Nations Relief and Works Agency for Palestine Refugees for the financial year 1953-54, subject to Parliamentary approval, but that future Canadian contributions would depend upon the progress

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made towards the final solution of the Palestine refugee problem; provision for the Canadian contribution to be made in the Supplementary Estimates of the Department of External Affairs for the fiscal year 1953-54.

Polymer Corporation; capital budget

24. The Minister of Defence Production recommended that the capital budget of Polymer Corporation Ltd. for 1954 be approved.

25. The Cabinet approved the recommendation of the Minister of Defence Production, concurred in by the Minister of Finance, and agreed that the capital budget of Polymer Corporation Ltd., ending December 31st, 1954, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-323, March 4)

Export Credit Insurance Corporation; contract for shipments of wheat to Brazil

26. The Minister of Trade and Commerce submitted a recommendation to enable the Export Credits Insurance Corporation to enter into an insurance contract covering shipments of wheat to Brazil.

27. The Cabinet approved the recommendation of the Minister of Trade and Commerce and agreed that authority be granted to the Export Credits Insurance Corporation to enter into a contract of insurance to cover shipments of 200,000 tons of wheat, valued at approximately U S. $17 million, to Brazil, from March 1st, 1954 to June 30th, 1954, at a premium of 1 percent of 85 percent of the gross invoice value of each shipment, the maximum liability of the Corporation not to exceed 85 percent of the gross invoice value of each shipment nor a total of U.S. $14,450,000 in all; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-327, March 4).

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Income Tax; information pamphlets for taxpayers in agriculture and the fishing industry

28. The Minister of National Revenue submitted for information copies of pamphlets entitled "Farmer's and Fisherman's Guide for the preparation of T1 General Income Tax Return". He felt these explanatory booklets would facilitate preparation of returns by taxpayers in agriculture and the fishing industry.

It was not proposed to make a general distribution but the booklets would be available upon request at convenient points, such as Post Offices.

29. The Cabinet noted the report by the Minister of National Revenue on the booklets entitled "Farmer's and Fisherman's Guide for the preparation of T1 General Income Tax Return" which were designed to facilitate the preparation of returns by taxpayers in agriculture and the fishing industry.

Unemployment Insurance; workers in agriculture and the fishing industry

30. The Minister of Public Works said he had received complaints on behalf of fishermen regarding present coverage of the Unemployment Insurance legislation and the manner in which it was administered in certain individual cases.

Fishermen, whether they were self-employed or salaried workers, were not now covered by the Act and discontent on this score had been aggravated by allegations that there had been unlawful payment of benefits, in some cases, among workers in eligible classes.

31. In the course of discussion it was pointed out that the situation was particularly difficult in Newfoundland, where fish canners and fishermen lived side by side and the former were covered by the legislation and the latter were not. This gave rise to understandable dissatisfaction on the part of the fishermen. It might be useful if the Unemployment Insurance Commission were asked, again, to review the position of workers in agriculture and in the fishing industry and discuss the problem with officials of the departments most concerned.

32. The Cabinet,

(a) noted the report by the Minister of Public Works on representations regarding alleged abuse in the administration of the Unemployment Insurance Act; and,

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(b) agreed that the Minister of Labour convene an ad hoc Interdepartmental Committee comprising officials of the Unemployment Insurance Commission, the Department of Labour, the Department of Fisheries, the Department of Finance, the Department of Agriculture and the Privy Council Office, for the purpose of reviewing, again, the position of workers in agriculture and in the fishing industry and of considering the possibility and desirability of extending the coverage of the Unemployment Insurance Act to include some or all of these workers.

International Union of Mine, Mill and Smelter Workers; meeting with members of government

33. The Acting Prime Minister said the International Union of Mine, Mill and Smelter Workers had requested an opportunity to meet with the Cabinet at an early date. He did not think that the Cabinet as a whole should meet with the Union since the government granted yearly interviews to the four major trade unions in Canada. It might be desirable, however, for the Minister of Labour, and perhaps one or two other Ministers, to hear the representatives of this particular Union.

34. The Minister of Labour reported that he and the Minister of Mines and Technical Surveys would meet representatives of the International Union of Mine, Mill and Smelter Workers the following Friday, March 5th.

35. The Cabinet noted that the Minister of Labour and the Minister of Mines and Technical Surveys proposed to receive representatives of the International Union of Mine, Mill and Smelter Workers the following Friday, March 5th.

Legislation; proposed amendment to Citizenship Act; deletion of provision requiring Declaration of Intention

36. The Minister of Citizenship and Immigration explained that, prior to an amendment of the Canadian Citizenship Act in 1952, the purpose of filing the Declaration of Intention had been to provide a point of departure for a waiting period prior to applying for a Certificate of Citizenship, and that, during the period an investigation was carried out to determine whether the applicant should be granted a certificate. This investigation was now being carried out upon the filing of the application and the waiting period was now five years from the date that a person was landed in Canada. It appeared therefore, that the Declaration of Intention no longer served a useful purpose, and he

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recommended that it be abolished as an economy measure. For this purpose he proposed that a bill be introduced in the present session of Parliament to amend section 10 (1)(a) of the Canadian Citizenship Act.

An explanatory memorandum was circulated.

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

37. In the course of discussion it was pointed out that, at times, the Declaration of Intention had been useful to the Civil Service Commission when it was considering employment of persons not having Canadian citizenship; it might be desirable to inform the Commission of the intention to discontinue the Declaration and to ascertain whether the Commission would require other means to indicate the intentions of Canadian residents not yet qualified for citizenship.

38. The Cabinet approved, in principle, an amendment to the Canadian Citizenship Act, as submitted by the Minister of Citizenship and Immigration, to delete the provision requiring a Declaration of Intention; a draft measure to be prepared accordingly.

Citizenship; observance of Citizenship Day

39. The Minister of Citizenship and Immigration reported that it was planned to observe Citizenship Day on May 21st, during the current year.

40. The Cabinet noted the report of the Minister of Citizenship and Immigration that, in 1954, Citizenship Day would be observed on May 21st.

Citizenship cards

41. The Minister of Citizenship and Immigration said there was a considerable demand for a form of citizenship certificate which was small enough, and of such material, that it could be carried readily, in the pocket. His officials had designed such a card which would be made available to the public for a fee of $2.00.

42. The Cabinet noted the report of the Minister of Citizenship and Immigration on the provision of pocket-sized citizenship certificate cards.

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TOP SECRET

Canadian forces in Korea

43. The Minister of National Defence referring to discussion at the meeting of September 24th, 1953, reported that the United States had withdrawn two divisions from Korea, approximately 25 percent of its army strength there, by unilateral action. The United States was probably planning further reductions, and it would soon be necessary to make a decision on the withdrawal of some Canadian forces. The problem assumed some urgency because March and April were normally the months for replacement of forces in Korea. It would be desirable to know how many Canadian forces were to remain before replacements for present troops were to leave Canada. Senior Canadian and U.S. officials, meeting in Washington, were now discussing common defence problems, and it was hoped that they would provide some indication of U.S. plans.

44. In the course of discussion, the following points emerged:

(a) It would be undesirable to postpone the repatriation of Canadian forces in Korea who expected to return home in April.

(b) It would be better to send replacements to Korea on schedule, even though some of the replacements might be recalled before their normal term of duty expired.

(c) The situation would probably be clarified within two or three weeks of the opening of the Korean Political Conference in Geneva on April 26th; misunderstandings might arise if substantial changes in the strength of the Canadian forces were made at the time of the Conference.

(d) Military observers agreed that a resumption of Korean hostilities was unlikely; the possibility that U.N. forces might be needed to keep the peace in South Korea had also diminished within recent months.

(e) It would be difficult to maintain Canadian forces in Korea at their present strength if the United States made further withdrawals.

(f) About 25 percent of the Canadian Armed Forces had now seen service in Korea.

45. The Cabinet noted the report of the Minister of National Defence on the possible withdrawal of some Canadian forces from Korea.

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National Gallery, selection of site

46. The Minister of Citizenship and Immigration, referring to discussion at the meeting of May 18th, 1953, said the winner had now been announced in the competition for the design of a new National Gallery. In the final stage of the competition, designs had been based on the assumption that the building would be erected on the Sussex Street site, although the winning design would be suitable for other sites. It would be necessary, however, to make an early decision on the location of the new National Gallery and when construction would be started, in order that a suitable announcement might be made during the present session of Parliament.

47. The Cabinet noted the report of the Minister of Citizenship and Immigration on the desirability of considering, at an early date, the time and place for the building of the new National Gallery.

Shipbuilding; enquiry from Soviet Union

48. The Minister of Transport said an official Soviet agency had asked a number of Canadian shipyards to submit quotations for the building of ships, including 10,000-ton cargo vessels, 3,500-ton cargo vessels, sea tugs and fishing trawlers. The Canadian Shipbuilding and Ship Repairing Association had also been approached by a Soviet official and the Association now sought the advice of the government on what reply should be made.

49. In the course of discussion the following points emerged:

(a) Although the Soviet enquiry was based on political rather than economic considerations, there would be no objection to the construction of ships, not on the strategic list, for sale to the Soviet Union; the completion of work for the Royal Canadian Navy would probably lead to some unemployment in Canadian shipyards in the next six months if other orders were not received.

(b) It appeared likely that the strategic list would soon be revised to shorten the list of items which could not be traded with "Iron Curtain" countries; even if the ships about which Soviet officials were enquiring were now on the strategic list, it was possible that they might be removed from it in the near future.

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(c) It would be desirable to have the Interdepartmental Committee on External Trade Policy examine the Soviet request; meanwhile, however, Canadian shipbuilders could be told that there would be no objection to making quotations.

50. The Cabinet noted the report of the Minister of Transport on Soviet enquiries about the purchase of Canadian ships, and agreed that the matter be referred to the Interdepartmental Committee on External Trade Policy for consideration, but that, meanwhile, the Canadian Shipbuilding and Ship Repair Association be notified that there would be no objection to supplying quotations to Soviet representatives. C.M.C.

Highway traffic accidents; proposal for Committee of Inquiry

51. The Minister of Justice said that, in the debate on amendments to the Criminal Code in the House of Commons, suggestions had been made that a federal-provincial conference, a Royal commission, or a Parliamentary committee, be established to consider highway safety. It had also been suggested that a Committee of the Senate might examine this problem.

Although it was generally agreed that the Federal government might cooperate in any study of highway safety measures, it would not be desirable for the government to undertake an examination of the problem without full provincial participation, since measures to enforce traffic regulations were within provincial jurisdiction. He suggested that further consideration should be given to this question as it might be taken up during the federal-provincial conference on inter-provincial and international trucking.

52. The Cabinet noted the report of the Minister of Justice on proposals regarding highway safety measures and agreed that the Federal government should not take part in any review or study of this problem without full provincial participation.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 10th, 1954.

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Legislation; Diplomatic Immunities (Commonwealth countries) Act	5.
Subvention policy on railway coal	6.
Fisheries; marketing of Newfoundland salt fish; deficiency payments on 1953-54 salt cod production	8.
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Civil air terminal building, Stephenville, Newfoundland	14.
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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, March 10th, 1954, at 10:30 a.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
and Acting Minister of Northern Affairs
and National Resources
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
Mr. R.A.J. Phillips, Privy Council Office.

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China; recognition by Canada

1. The Secretary of State for External Affairs referred to questions that had been asked recently in the House of Commons concerning alleged statements by the Prime Minister in Korea on the eventual recognition by Canada of the communist government of China. Some news despatches had reported the Prime Minister as stating that Canada would soon have to recognize the government that the Chinese people wanted.

2. Mr. Pearson said he had communicated by telephone with the Prime Minister in Tokyo that morning. Mr. St-Laurent had indicated that the news stories referred to answers he had given to reporters during the course of an interview, but that no text of his answers was available. However, he recalled very clearly what he had said in Korea which was substantially that -

> ".....it was necessary to be realistic in regard to this matter, and that, without doubt, some day we will have to recognize that government of China which the Chinese people themselves recognize as their government, regardless of whether we like that government or not. It was obvious that we would sooner or later have to deal with that Chinese Government which had authority in China if there was to be any solution to problems in which China was directly involved, and which could not be settled without co-operation from the Chinese Government in control of that country. This was merely common sense and did not mean in any way the acceptance of responsibility for the actions or views of any particular government."

3. The Cabinet noted the report by the Secretary of State for External Affairs on answers given by the Prime Minister to newspapermen in Korea regarding Canadian recognition of the Chinese communist government.

Parliament; government business for remainder of session

4. The Minister of Citizenship and Immigration submitted a memorandum setting out a detailed programme of government business for the House of Commons up to the Easter adjournment, which would likely take place on April 14th, and the general outline of the business remaining to be dealt with when the House reconvened after the Easter recess.

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He noted that, even if the pre-Easter programme were adhered to closely, there would remain perhaps as many as 25 or 26 government bills (exclusive of budget legislation) to be dealt with by Parliament after Easter. It would be useful to consider whether some of the measures, which were now intended for introduction during the current session, could be postponed until the next session and what priority should be given by the Department of Justice in the drafting of the remaining measures.

Even if one assumed that only 10 government measures (other than budget bills) remained to be dealt with after Easter, he did not think that prorogation could take place much before June 11th.

An explanatory memorandum had been circulated.

(Memorandum, Privy Council Office March 9,1954, and attached document - Cab. Doc. 60-54.)

5. The Minister of Labour said it might be advisable to drop proposed amendments to the Industrial Relations and Disputes Investigation Act from the programme for the current session,and the proposed measure to amend the Government Employees Compensation Act could also be postponed until the next session if necessary. However, a fundamental review of the Unemployment Insurance Legislation was now being undertaken and he thought it would be useful, in the event amending or revising legislation was completed in time, to have such legislation introduced and passed during the current session in order that any new features inserted in the legislation might have application during the winter months of 1954-55.

6. The Cabinet,

(a) noted the report by the Minister of Citizenship and Immigration on government business for the remainder of the 1953-54 session;

(b) agreed that consideration be given to the possibility of reducing the number of bills remaining to be dealt with by Parliament following the Easter adjournment;

(c) agreed that proposed amendments to the Industrial Relations and Disputes Investigation Act be dropped from the programme for the current session and that the proposed bill to amend the Government Employees Compensation Act might also be postponed if the programme appeared to be too heavy towards the end of the session; and,

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(d) Noted the suggestion by the Minister of Labour that consideration be given later to the possibility of introducing, during the current session, possible amendments to the Unemployment Insurance Act if decisions on and drafting of the required bill could be completed in time.

Parliament; Easter adjournment

7. The Acting Prime Minister, said the Leader of the Opposition and other members had inquired as as to the government's intentions regarding the Easter adjournment of Parliament.

8. During the course of discussion it was pointed out that, as a considerable amount of Parliamentary business would likely remain to be dealt with following the Easter recess, most Members of Parliament, particularly those whose homes were a considerable distance from Ottawa, would prefer a 10 or 12 day adjournment rather than simply an extended week-end.

9. The Cabinet agreed that the Acting Prime Minister inform the House, that day, that it was the government's intention, shortly, to place a motion on the Order Paper proposing that Parliament adjourn for the Easter recess from 6 p.m. Wednesday, April 14th, to 2:30 p.m. Monday, April 26th.

Legislation; Fire Losses Replacement Account Act

10. The Minister of Finance submitted a resolution and bill entitled "Fire Losses Replacement Account Act".

He referred to a discussion at the meeting of December 17th, 1953, when it was suggested that further consideration be given to the desirability of having all departments and crown corporations concerned contribute an annual premium to the account. From the practical standpoint, the principal objection to an annual premium assessment calculated on a basis somewhat similar to an ordinary fire insurance premium, was the very real difficulty of determining what the premium should be. If the scheme was to be operated equitably, departments and corporations would be required to contribute in proportion to the value of the assets under their administration or control. In few cases were valuation figures for departmental buildings,

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equipment and supplies available and it was felt that the difficulty and cost of determining these values, of assessing, collecting and accounting for premiums or contributions levied on the basis of such values and of administering such a scheme would outweigh any possible advantages to be derived from it.

An explanatory memorandum was circulated.

(Minister's memorandum March 9, 1954- Cab. Doc. 62-54).

11. In the course of discussion, it was pointed out:

(a) that it was proposed by regulation to exclude the Department of National Defence from the operation of the Act for the time being; and,

(b) that the proposed fire replacement scheme would not only enable departments to replace their fire losses quickly, but might also result in more effective fire prevention measures being adopted by the government departments and agencies concerned.

12. The Cabinet approved for introduction the resolution and bill entitled "Fire Losses Replacement Account Act" as submitted by the Minister of Finance.

Legislation; Diplomatic Immunities (Commonwealth countries) Act

13. The Secretary of State for External Affairs, referring to discussion at the meeting of March 4th, said he had reconsidered the problem involved in section 5(4) of the bill entitled "Diplomatic Immunities (Commonwealth countries) Act" and thought that, although it was now common practice in Commonwealth countries, it would be best not to extend immunity under the section to Canadian citizens who were employed in Commonwealth missions in Canada and who happened to have dual nationality.

14. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that a reference to dual nationality be deleted from section 5(4) of the bill entitled "Diplomatic Immunities (Commonwealth countries) Act" before introduction.

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Subvention policy on railway coal

15. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of March 4th, submitted a revised proposal on subvention policy for purchases of Canadian coal by the Canadian National and Canadian Pacific Railways during the year 1954-55. The essential features were that the subvention on coal purchased by the Canadian National Railways in both Eastern and Western Canada be calculated on the basis of the C.N.R. "On Company Service" rates; that the subvention to the Canadian Pacific Railway in Western Canada continue to be calculated on the basis of the present 5 mill rate; and that a new maximum of $4.00 a ton be set on the amount of assistance payable on railway coal in all areas replacing the present maxima of $3.00 in the East and $2.50 in the West. It was estimated that, on this basis in 1954-55, the Canadian National Railways would buy 484,000 tons of coal on which total subventions of about $1,524,000 would be payable and that the Canadian Pacific Railway would buy 654,000 tons on which subventions of $1,154,000 would be payable in addition to estimated tonnages of 940,000 for the C.P.R. and 364,000 for the C.N.R. on which no subventions would be payable.

An explanatory memorandum was circulated.

(Memorandum, Dominion Coal Board, undated, - Cab. Doc. 63-54).

16. In the course of discussion, the following points emerged:

(a) Although a decision was required, urgently, in order to enable the railways to place their Canadian coal orders for the coming year, it was difficult to reach a considered decision in this matter on such short notice.

(b) Some serious doubt was expressed as to the advisability of authorizing a substantial increase in the maximum rate of subsidy paid on railway purchases of Western coal when many coal mines in this area would have to close down in any event and when the opportunities for the re-establishment of displaced coal miners were good.

(c) The social and economic problem was different in the Maritimes and it seemed likely that the coal industry there would have to be supported, at least for a period, if serious dislocation was to be prevented in certain areas where the population depended almost entirely on the coal industry for their livelihood and where there were little, if any, opportunities of alternative employment.

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(d) In view of the different circumstances prevailing in the East and the West, it was suggested that the subvention on railway purchases of Canadian coal might be adjusted upwards in the Maritimes but left unchanged in the West.

(e) It was pointed out that any substantial increase in the subsidy at this time might have repercussions in other fields where the Federal government was,now paying subsidies,and would also likely create demands for subsidies in certain industries, such as the textile industry, where there was at the moment, considerable unemployment but where the government did not presently pay any direct subsidy.

(f) As it was recognized that Western coal was to a large extent being displaced by oil and gas, some conscious effort should be made to divert young people from the coal mines into some other more viable form of employment. Full advantage should be taken of the opportunities offered by the Vocational Training scheme to make these young people proficient in other skills and trades.

(g) It was argued, on the other hand, that there were some communities in Western Canada entirely dependent on the coal industry. The suggested increased ceiling on the amount of assistance payable would permit a more gradual liquidation of certain mines in the West and would thus reduce the impact of such liquidation on communities of coal miners who would have to seek alternative employment. It was pointed out, in this connection, that in the province of Alberta alone, there were at present approximately 6,500 people employed in the coal industry with an annual payroll of about $13 million.

(h) It was further argued that, from the point of view of industrial expansion in the West, currently available supplies of coal were important, and that, in the event of another major war, real difficulties would be encountered if too many coal mines had been allowed to close down in the meantime.

(i) Comparisons were made between the situation in the coal mining and gold mining industries, both of which were now being heavily subsidized.

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17. The Cabinet noted the report of the Minister of Mines and Technical Surveys and agreed that, for the the year 1954-55, the subvention on railway purchases of Canadian coal be calculated on the basis of O.C.S. rates for Canadian National Railways purchases in both Eastern and Western Canada, and on the basis of the present 5 mill rate for Canadian Pacific Railway purchases in Western Canada with a maximum of $4.00 per net ton on the amount of assistance payable in all areas including any amount paid in respect of the movement of such coal by water; it being understood that this was an interim measure only, pending completion of the study now being made of coal subvention policy by the Inter-departmental Committee appointed for that purpose; an Order in Council to be passed accordingly.

Fisheries; marketing of Newfoundland salt fish; deficiency payments on 1953-54 salt cod production

18. The Minister of Fisheries, referring to discussion at the meeting of February 25th, 1954, submitted a report of the Special Interdepartmental Committee on the marketing of salted fish in Newfoundland, after March 31st, 1954. The Terms of Union of Newfoundland with Canada provided that fisheries laws then in existence in Newfoundland could not be changed, except with the consent of the Newfoundland government, for a period of five years ending March 31st, 1954. After that date, the laws would continue in force until such time as the Parliament of Canada otherwise decided.

The desirability of changing the present marketing organization in Newfoundland had been under consideration for some time and it would be recalled that, recently, the Premier of Newfoundland had written to suggest a meeting on this subject which had now been arranged to take place on March 18th. Premier Smallwood had not been specific about the type of organization he favoured, but the objectives which he proposed strongly suggested a Provincial Marketing Board to replace the Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) which, for the past seven years, had enjoyed a monopoly of the marketing of all salted fish produced in Newfoundland, whether dried, partially dried or in salt bulk.

The Committee's report outlined a number of strong arguments against the establishment of a Provincial Marketing Board to replace N.A.F.E.L. and set forth a series of possible alternative courses of action.

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After examining all the arguments involved, the Committee had recommended an interim modification of the present marketing organization in Newfoundland. The proposal was that N.A.F.E.L. should continue to have a monopoly on the export sale of salted cod and related species direct to foreign countries, but that permits be issued for the movement of salted cod and related species from Newfoundland to the Canadian mainland upon evidence of a firm contract with Newfoundland fishermen, groups of fishermen or merchants to buy at least prescribed amounts of salted fish.

It seemed to the Committee that such an interim arrangement would have several advantages. It would likely meet the most serious objections raised by the Nova Scotia merchants to existing marketing practices in Newfoundland and might encourage these merchants to extend their processing operations to Newfoundland. This would be beneficial to the fishermen because of the increase in competition for fish as a raw product. Furthermore, under such a scheme, there would be nothing to prevent the continuation of the sort of profit-sharing agreement worked out in Newfoundland for the 1953 catch, which was the only method presently available to ensure that part of the profits from ultimate sales were returned to the producers.

An explanatory memorandum had been circulated.

(Memorandum, Interdepartmental Committee on the Marketing of Salted Fish, March 8,1954-Cab. Doc. 59-54).

19. Mr. Sinclair, referring to discussion at the meeting of February 3rd, 1954, recommended that approval in principle be now given to the making of a deficiency payment on the 1953 production of salted cod in the Province of Newfoundland and in the county of Saguenay, Quebec. The amount of the payment would be recommended by the Fisheries Prices Support Board and submitted for approval by the Governor in Council not later than April 10th, 1954. It would not exceed 1 cent per pound dried basis and would not raise the average price to fishermen for 1953 production to a figure closer than 25 cents per 100 pounds dried basis below the average price received in 1952.

If this recommendation were approved, it was intended to inform fishermen in the Saguenay area that deficiency payments would not be made again in that area because of the low quality of the salt cod produced there. It would be recalled that a similar statement had been made in respect of the Labrador catch when support was given to this type of fish in 1950.

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For 1954, the Newfoundland Fishermen's Federation was seeking the establishment of a floor price to be announced before the catching season began. As an alternative, it was suggested that an effort be made to induce the fish merchants and fishermen's representatives to agree at an early date to an initial payment (80 percent of the previous year's average price) coupled with a profit-sharing proposal similar to that entered into in the fall of 1953. This proposal would be confined to fish caught, salted and cured by the fishermen. The Federal government would accept its responsibility under the Fisheries Prices Support Act to stand behind the agreement to the extent that the ultimate prices received by fishermen for this type of fish fell below the level established by the Board as being a reasonable minimum in relation to costs.

An explanatory memorandum was circulated.

(Minister's memorandum, March 9, 1954-Cab. Doc. 61-54).

20. During the course of discussion, the following points emerged:

(a) As the Nova Scotia fishing industry could not, by an stretch of the imagination, be described as buoyant, great care should be exercised so that no steps were taken in Newfoundland which might appear to be preferential and which would likely cause dissatisfaction amongst fishermen in the other Maritime provinces.

(b) As practically the whole of the Newfoundland salt cod catch was destined to export markets and as the Parliament of Canada had exclusive jurisdiction over sea-coast and inland fisheries, the establishment of a Provincial Marketing Board to handle the buying and selling of Newfoundland salt fish was completely unacceptable.

(c) It was suggested that mainland merchants should be permitted to buy green fish at the dock in Newfoundland without being bound to a firm price in advance for the whole of the fishing year.

21. The Cabinet, noted the reports of the Minister of Fisheries and,

(a) accepted the suggestion of the Interdepartmental Committee on the Marketing of Salted Fish that it be proposed to the government of Newfoundland that, after March 31st, 1954, and as an interim measure, the marketing organization in Newfoundland be modified to provide,

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(i) that the Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) continue to have the exclusive right to export salted cod and related species from Newfoundland to foreign countries; and,

(ii) that,henceforth,permits be issued for the purchase by mainland merchants of salted cod and related species from Newfoundland fishermen, groups of fishermen or merchants on a firm price basis, it being understood that, if this appeared desirable during the coming discussions with Newfoundland representatives, it might be agreed that such permits would be restricted to purchases of salt bulk fish;

(b) agreed that deficiency payments be made on the 1953 production of salted cod in the province of Newfoundland and in the county of Saguenay, Quebec; the amount of the deficiency to be recommended by the Fisheries Prices Support Board and submitted for approval by the Governor in Council not later than April 10th, 1954; provided that the amount of such payments did not exceed 1 cent per pound dried basis and did not in any case raise the average price to fishermen for 1953 production to a figure closer than 25 cents per 100 pounds dried basis below the average price received in 1952; and,

(c) agreed that the Minister endeavour to have the Newfoundland fish merchants and fishermen's representatives agree to an initial payment equal to 80 percent of the previous year's average price coupled with a profit-sharing proposal similar to that entered into in the fall of 1953, (such proposal to be confined to fish caught, salted and cured by the fishermen), on the understanding that the Federal government would accept its responsibility under the Fisheries Prices Support Act to stand behind the agreement to the extent that the ultimate prices received by fishermen for this type of fish fell below the level established by the Board as being a reasonable minimum in relation to costs.

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International Sugar Agreement

22. The Secretary of State for External Affairs, referring to discussion at the meeting of July 6th, 1953, said an International Sugar Agreement was drawn up at the United Nations Conference on Sugar held in London in July and August, 1953. The Canadian representative had not signed the Agreement, but only the Final Act authenticating its text. In accorance with the Agreement, however, Canada could accede to it by depositing an "instrument of accession".

The Agreement, would come into force on January 1st, 1954, and continue for five year. It provided for an International Sugar Council on which Canada would be represented and, in order to eliminate the large fluctations in sugar prices of the past, a "stabilization zone" for prices would be established with an upper limit of U.S. 4.35 cents per lb. f.a.s. Cuban port, and a lower limit of 3.25 cents. Apart from a membership fee, the only obligation which Canada would undertake on accession to the Agreement would be to limit sugar imports from countries outside the Agreement to quantities not larger than were imported in any of the three years immediately preceding the coming into effect of the agreement. With the concurrence of the Minister of Trade and Commerce, he recommended that Canada accede to the Agreement and execute and deposit "an instrument of accession".

An explanatory memorandum had been circulated.

(Minister's memorandum, Feb. 24, 1954, Cab. Doc. 56-54).

23. In the course of discussion the following points emerged:

(a) The "stabilization zone" for prices would be of considerable value to Canada as a large importer and would have a beneficial effect on the Canadian sugar industry.

(b) It would be desirable to table the Agreement in Parliament some time before Canada executed and deposited the "instrument of accession" in order to provide an opportunity for questions or discussion during the debate on the Trade and Commerce estimates.

24. The Cabinet noted the report of the Secretary of State for External Affairs, and agreed that Canada accede to the International Sugar Agreement of August 24th, 1953, and that an "instrument of accession" be executed and deposited in accordance with Article 41 (3) of the Agreement, following an opportunity for discussion of this Agreement, if any member cared to raise it, during discussion of the estimates of the Department of Trade and Commerce, after the Agreement had been tabled.

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Control over the export of military equipment

25. The Minister of Trade and Commerce said The Export and Import Permits Act, 1947, conferred on him authority to issue export permits. It had been the practice, in consideration of proposed exports of military equipment, to consult the Secretary of State for External Affairs, and, in some cases, the Minister of National Defence. The procedures for consultation, interdepartmentally, had led to some routine delays, at times with undesirable results. With changing conditions since the end of the war, it no longer appeared necessary for the Department of External Affairs to be consulted about the political implications of proposed shipments of military equipment to the governments of Commonwealth countries (except India, Pakistan and Ceylon) or, with certain exceptions to other N.A.T.O. countries and their dependent territories, if the Departments of Trade and Commerce and National Defence were satisfied about considerations of supply and security and about safeguards against unauthorized diversions. A new codification of arrangements for consultation had been prepared with the concurrence of the Secretary of State for External Affairs and the Minister of National Defence. In general, this code recognized three broad categories of exports:

(a) to Communist countries, excepting Yugoslvaia, to which no military equipment would be exported;

(b) to most Commonwealth countries and to N.A.T.O. countries, to which exports would be authorized by the Minister of Trade and Commerce; and,

(c) to other countries, to which exports of military equipment would not normally be made without reference to the Cabinet.

The arrangements for export of military equipment were outlined in detail.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 21,1954-Cab. Doc. 55-54.)

26. The Cabinet noted the report of the Minister of Trade and Commerce, and approved the procedures for the consideration of exports of military equipment in accordance with the terms of the proposals as recommended by the Minister and concurred in by the Secretary of State for External Affairs and the Minister of National Defence.

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Civil air terminal building, Stephenville, Newfoundland

27. The Acting Prime Minister said the Minister of Transport had been considering the construction of a civil air terminal building at Stephenville, Newfoundland. The airfield served passengers in the Cornerbrook area and was used as an alternate to Gander. Present passenger facilities in the U.S. military base at Stephenville were inadequate and were a source of difficulty for the military authorities. The right of Canadian civil aircraft to use Harmon Field, which was a part of the base leased to the United States for 99years, was established by an exchange of notes with the United States, but these rights might be terminated by the U.S. Air Force at any time. The State Department had indicated that it was unlikely the rights would be terminated by the U.S. Air Force but, also, that it would be difficult for the United States to enter a formal agreement either to provide a form of tenure, or to undertake to consult Canada before withdrawing permission for the operation of the Canadian terminal.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Transport, March 8, 1954-Cab. Doc. 58-54).

28. In the course of discussion it was pointed out that the pressing need for passenger facilities at Stephenville made desirable the construction of an air terminal building even though Canada had no guarantee of tenure from the U.S. authorities. There appeared to be little risk that the U.S. Air Force would have occasion to interfere with the operation of a civil air terminal building.

29. The Cabinet noted the report of the Acting Prime Minister and agreed that a civil air terminal building be built at Stephenville, Newfoundland as proposed by the Minister of Transport.

National Battlefields Commission; capital budget

30. The Minister of National Revenue, as Acting Minister of Northern Affairs and National Resources, submitted the capital budget of the National Battlefields Commission for 1954-55 for approval.

31. The Cabinet approved the capital budget of the National Battlefields Commission for 1954-55 as recommended by the Minister of Northern Affairs and National Resources and the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-357, March 10).

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Civil Service; holidays

32. The Secretary of State, referring to discussion at the meeting of March 4th, submitted a draft reply to the letter of the President of the Civil Service Association of Ottawa on Civil Service holidays.

Copies of the draft letter had been circulated.

(Minister's draft reply to President, Civil Service Association of Ottawa, undated, Cab. Doc. 57-54).

33. The Cabinet noted with approval the reply, as submitted by the Secretary of State, to the President of the Civil Service Association of Ottawa rejecting a request that civil servants be granted an additional holiday in June in celebration of the Queen's Birthday and additional holidays on either the Friday before or the Monday following both Christmas and New Year's Day.

Security; questions in the House of Commons

34. The Acting Prime Minister referred to questions on the Order Paper in the House of Commons as to whether the government had worked out any appeal procedure, public or private, for government employees who had been released or transferred on security grounds and, also, as to whether the Secretary of State, when a civil servant, had been associated with the operation of the Interdepartmental Security Panel, and, if so, whether he was now at liberty to answer questions relevant to the work of the Panel.

35. In the course of discussion the following points emerged:

(a) It had been the policy of the government not to make public the identity of members of departmental and interdepartmental committees; if, however, any public reference had ever been made to the identity of the Chairman of the Security Panel, it would be difficult to avoid stating that the Secretary of State, while a civil servant, had been chairman of the Panel.

(b) Whether or not it were announced that the Secretary of State, had been Chairman of the Panel, it would be improper for a Minister to answer questions on any phase of his responsibilities during his employment as a civil servant.

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36. The Cabinet, after discussion, agreed that:

(a) a negative reply would be made to a question in the House of Commons on whether the government had worked out appeal procedures for civil servants released or transferred on security grounds;

(b) no information on membership of the Security Panel be given, unless it had already been officially stated that the Secretary of the Cabinet was Chairman.

Department of Veterans Affairs; use of facilities in University of Saskatchewan hospital

37. The Minister of Veterans Affairs submitted a recommendation in respect of an agreement with the University of Saskatchewan for the use of facilities in its new hospital. In 1947, the Minister of Veterans Affairs had been authorized to grant $450,000 to the University of Saskatchewan on condition that the University would make available to his department 150 beds in the new hospital, at a daily rate comparable to that paid by the department for similar accommodation in other hospitals. The University had now submitted an agreement for signature which varied somewhat from the original understanding. The department would receive 100 active treatment beds in a designated "Veterans Section" and would be entitled to use up to 50 additional beds, when necessary, in other parts of the hospital. The daily rate for payment would be based on rates established under the Saskatchewan Hospitalization Act, 1948.

He pointed out that, although the agreement only provided for 100 beds in the veterans wing, it now appeared unlikely that the department would require any more. The original grant had been based on $3,000 per bed, a sum which was considerably lower than the current cost of beds in this type of hospital. Daily rates as established under the Saskatchewan Hospitalization Act were generally lower than rates for comparable accommodation elsewhere. He recommended that an agreement to last for thirty years be signed with the University of Saskatchewan, along the lines of their proposals, with the added condition that in case of mobilization or emergency, a new agreement would be negotiated.

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38. The Cabinet noted the report of the Minister of Veterans Affairs and approved the signing of an agreement with the University of Saskatchewan for the use of 100 active treatment beds in a designated "Veterans Section" of the University of Saskatchewan hospital, with access to 50 additional beds when necessary, at daily rates in accordance with the terms of the Saskatchewan Hospitalization Act 1948; the agreement to remain in force for thirty years with the understanding that it would be replaced in case of mobilization or an emergency; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-358, March 10).

Military badges

39. The Minister of National Defence said a question had been asked in the House of Commons on a change in the badge used on the R.C.A.F. field service cap, the effect of which was to eliminate the Crown. He read a statement which he proposed to make in the House of Commons outlining the history and types of badges now in use in the R.C.A.F. He noted that the new badge had been approved by the Chief of the Air Staff on July 7th, 1952, and had been in use for over a year; he had received only nine letters in criticism and two in support of the change.

40. The Cabinet noted the report of the Minister of National Defence on the statement which he proposed to make in the House of Commons on changes in the badge used on the R.C.A.F. field service cap.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 12th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, March 12th, 1954, at 2:00 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Legislation; Research Council Act amendment

1. The Minister of Trade and Commerce submitted a bill to amend the Research Council Act.

2. In the course of discussion, it was noted that, under section 13 (f) of the Act the fixing of the salaries of officers of the Research Council was subject to the approval of the Governor in Council. In view of the practice developed in recent years, it was suggested that it might be preferable to have the establishment of salaries subject to the approval of the Treasury Board, although this was perhaps not sufficiently important to warrant making a change in the bill at this stage.

3. The Cabinet approved for introduction a bill to amend the Research Council Act as submitted by the Minister of Trade and Commerce.

Legislation; Export and Import Permits Act

4. The Minister of Trade and Commerce submitted a bill to revise the Export and Import Permits Act.

He recalled that the original purpose of the legislation had been to enable control to be exercised over the movement of scarce supplies. However, in view of developments during the past few years, the control over the movement of strategically important materials had become even more important than control over commodities in scarce supply. Both types of control would be possible under the revised Act.

5. The Cabinet approved for introduction a bill entitled the "Export and Import Permits Act", as submitted by the Minister of Trade and Commerce.

Legislation; National Harbours Board Act amendment

6. The Minister of Transport reported that, following discussion at the meeting of February 18th, 1954, the bill to amend the National Harbours Board Act had been revised to make the provisions of that legislation more consistent with the terms of the Financial Administration Act and regulations made thereunder.

7. In the course of discussion, it was noted that, under one of the proposed amendments, special constables of the National Harbours Board would possess jurisdiction, as peace officers, upon property under the administration of the Board "and in any place not more than 50 miles distance from property under the administration of the Board". It was noted that the same principle was in the

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Railway Act, which gave railway constables jurisdiction within a distance of a quarter of a mile from railway property. Doubt was expressed as to the advisability of extending the jurisdiction of N.H.B. constables such a distance from Board property.

8. The Cabinet deferred decision on introduction of a bill to amend the National Harbours Board Act pending further consideration, at a subsequent meeting, of the proposed amendment regarding the territorial delimitation of the jurisdiction of N.H.B. constables.

Parliament; establishment of Sessional Committee on Railways and Shipping

9. The Minister of Transport reported that he proposed to place on Votes and Proceedings, that day, a motion for the establishment of the Sessional Committee on railways and shipping.

10. The Cabinet noted with approval the report by the Minister of Transport that he proposed to give notice, that day, of his intention to introduce a motion for the establishment of a Sessional Committee on Railways and Shipping owned, operated and controlled by the government.

R.B. Bryce,
Secretary to the Cabinet.

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CANADA

CABINET CONCLUSIONS

VOL. XXXVIII

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CABINET CONCLUSIONS

Meeting

March 18th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, March 18th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
Mr. R.A.J. Phillips, Privy Council Office.

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St. Lawrence Seaway; notice of motion for production of papers

1. The Secretary of State for External Affairs said a notice of motion for production of papers had been given in the House of Commons for correspondence between departments of the Canadian and U.S. governments and for agreements between the two governments entered into since January 1st, 1952, relating to the St. Lawrence Seaway and Power Project.

2. In the course of discussion it was pointed out that it would be undesirable to table papers which were exchanged in the course of diplomatic negotiations. Papers forming the conclusions of such negotiations, however, could be made public with the concurrence of the U.S. government.

3. The Cabinet noted the report of the Secretary of State for External Affairs on a notice of motion in the House of Commons for production of papers relating to the St. Lawrence Seaway and Power Project, and agreed that no correspondence exchanged by departments of the Canadian and United States governments in the course of diplomatic negotiations be made public, but that, if the U.S. government concurred, agreements concluded by the two governments since January 1st, 1952, be produced.

Soviet artists; request for visas

4. The Secretary of State for External Affairs said a question would probably be asked in the House of Commons regarding a press report that visas had been requested for artists in the Soviet Union to enter Canada for a concert tour. He proposed to answer the question by saying that applications had been received on behalf of Soviet artists, but, as the supporting information had been incomplete, the applications had been referred back to the Soviet authorities.

5. The Cabinet noted the report of the Secretary of State for External Affairs on the reply he proposed to make in the House of Commons to a question about applications for visas for the entry of Soviet artists into Canada.

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European Defence Community; proposed statement by U.K. and U.S.

6. The Secretary of State for External Affairs reported that the United Kingdom and the United States, at the request of France, had been engaged in discussions on proposed declarations to be issued by the two governments on their intentions with respect to the stationing of forces in Europe and the relation of this to the European Defence Community. The United Kingdom would probably announce that it would allocate one division to the E.D.C., maintain its present forces in Europe for the next few years and, also, that it would be ready to join in extending the Treaty beyond twenty years. The United States would probably declare that it intended to keep a fair share of forces in Europe, and that secession from N.A.T.O. would be contrary to U.S. strategic interests when the European Defence Community had been established. The Permanent Canadian Representative to the North Atlantic Council had enquired whether the Canadian government would wish to make a statement regarding its intentions on this matter.

7. In the course of discussion the following points emerged:

(a) As no questions had arisen on Canadian intentions for the stationing of troops in Europe, it was doubtful that a Canadian statement was necessary or desirable from the point of view of other N.A.T.O. countries; at home it might be misinterpreted as a further Canadian commitment.

(b) The position of Canadian forces in Europe on the one hand, and of U.K. and U.S. forces on the other, was not analogous; Canadian forces had been sent to Europe specifically to meet a N.A.T.O. commitment, whereas the United Kingdom and the United States already had troops in Europe as occupation forces when N.A.T.O. came into existence. The purpose for which Canadian troops were stationed in Europe and Canadian intentions with regard to their maintenance there did not require clarification.

(c) If questions about Canadian intentions were raised when the U.K. and U.S. declarations were published, it might be pointed out that Canada's determination to continue the fulfilment of its N.A.T.O. commitments remained unchanged.

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8. The Cabinet noted the report of the Secretary of State for External Affairs on the declarations proposed by the United Kingdom and the United States relating to their plans for the continued stationing of forces in Europe, and agreed that Canada make no similar declaration for the present.

Allocation of Public Works contracts; Canadian firms

9. The Minister of Public Works said a question of principle had arisen in connection with tenders for shelving in the Parliamentary Library, now being reconstructed on a cost-plus contract. The two lowest tenders had been submitted by U.K. and U.S. firms and the third lowest by a Canadian company. The architects had recommended acceptance of the lowest tender, submitted by Luxfer Limited, a U.K. firm. The Cabinet, in 1950, had approved a standard clause for inclusion in government contracts concerning the use of Canadian labour and materials. In interpreting the clause for the present, the Cabinet had agreed that no more than 10 percent premium should be allowed firms supplying material produced in Canada, as against those using similar material imported from the U.S. or other hard currency country, but that no premium should be allowed against firms using material produced in the United Kingdom or other soft currency country. It was necessary to decide whether to give the contract, amounting to about $39,000, to the U.K. firm, with the lowest bid, or to the Canadian firm with the third lowest bid.

10. In the course of discussion the following points emerged:

(a) The lowest Canadian bid came from an area experiencing difficulties owing to lay-offs in the textile industry. The contract for steel shelving would provide some assistance in this area.

(b) A 10 percent margin for Canadians bidding against U.K. firms on government contracts could probably be justified.

(c) Even if a margin for Canadians bidding against U.K. firms were justified, it would be unfair to establish a margin after U.K. firms had submitted tenders without any warning of a local preference.

(d) Although there were grounds for giving Canadian firms preference against all outside companies in bidding on government contracts, the present favourable balance of trade with the United Kingdom, and Canadian efforts to assist in finding further U.K. markets, made it desirable to help U.K. companies to earn Canadian dollars.

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(e) The granting of a local preference after a call for competitive tenders, without qualification, might be embarrassing when Canada was making representations to the United States for the lifting of restrictions on trade.

(f) The awarding of contracts to Canadian shipyards, when ships could be produced more cheaply elsewhere, was not an analogous situation, since the policy of assisting Canadian shipyards for defence reasons was long established and well known.

11. The Cabinet noted the report of the Minister of Public Works on government contracts.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

March 19th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, March 19th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
Mr. R.A.J. Phillips, Privy Council Office.

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Newfoundland; fish marketing procedures

1. The Minister of Fisheries, referring to discussion at the meeting of March 10th, said that he and certain of his colleagues had met with the Premier of Newfoundland the previous day, to discuss future procedures for the marketing of Newfoundland salt cod.

During the course of these discussions agreement had been reached as to the marketing procedures that should apply as of April 1st, 1954. It was planned to issue a statement to the press which would indicate that, although the Federal government would have exclusive jurisdiction over the Newfoundland fisheries, in view of the paramount importance of fisheries in Newfoundland, it would always wish to consult the Provincial government with respect to important departures in policy, but would have to take the final responsibility itself, for all decisions.

It had been agreed that responsibility for marketing of fish would be exercised by the Minister of Trade and Commerce while other governmental responsibilities in fishery matters would be exercised by the Minister of Fisheries. It had further been agreed that the Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) would no longer be the exclusive marketing agency for Newfoundland salt fish, but that recognized mainland fish merchants would be licensed to buy fish in Newfoundland for processing. N.A.F.E.L. in a reorganized form, under more direct government supervision and with primary producers represented in its direction, would continue to be the exclusive agency for the direct export to other countries of salt fish from Newfoundland, on the understanding that the merchants selling through N.A.F.E.L. would undertake, at the beginning of each season, to pay minimum prices to the fishermen, and would also commit themselves to a system of profit sharing similar to that agreed on in September, 1953. For its part, the Federal government would undertake to have the Fisheries Prices Support Board review the operations of N.A.F.E.L. in the spring of 1955, with a view to determining whether the prices actually realized were adequate or whether action was required to supplement them with deficiency payments.

A draft press release was submitted and read.

2. In the course of discussion, the following points emerged:

(a) Premier Smallwood favoured placing the export marketing of Newfoundland salt fish completely under the direction of the Minister of Trade and Commerce. This would have the advantage of ensuring greater co-ordination in the marketing of Canadian food stuffs in foreign markets.

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(b) It was suggested that, inasmuch as the Federal government did not intend, at this time, to make deficiency payments on the fish production of Nova Scotia and New Brunswick, it might be preferable to delete from this proposed press release any reference to the deficiency payments to be recommended by the Fisheries Prices Support Board on the Newfoundland 1953 catch. This particular aspect of the agreement, reached the previous day with Premier Smallwood, might be covered in a letter from the Minister of Fisheries to the Premier rather than in the proposed press announcement to be issued here.

3. The Cabinet noted with approval the report by the Minister of Fisheries on the agreement which had been reached, the previous day, with the Premier of Newfoundland, regarding the marketing arrangements to be adopted in respect of Newfoundland fish on and after April 1st, 1954, and agreed that,as of that date,-

(a) governmental responsibility for marketing of Newfoundland salt cod would be exercised by the Minister of Trade and Commerce while other governmental responsibilities in fishery matters would be exercised by the Minister of Fisheries;

(b) the Newfoundland Associated Fish Exporters Limited, (N.A.F.E.L.), in a reorganized form under more direct government supervision and with primary producer representation in its direction, would continue to be the exclusive agency for the direct export of salt fish;

(c) recognized mainland fish merchants would be licensed to buy fish for processing from Newfoundland fishermen, groups of fishermen or merchants;

(d) merchants selling through N A.F.E.L. would undertake, at the beginning of the season, to pay minimum prices to the fishermen and to enter into profit-sharing agreements similar to that of September 1953; and,

(e) the Fisheries Prices Support Board would review N A.F.E.L. operations, early in 1955, to determine whether the prices actually realized were adequate or whether action was required to supplement them with deficiency payments;

it being understood that no reference would be made in the press statement to be issued by the Minister of Fisheries to deficiency payments to be made on the 1953 catch, and that this aspect of the agreement would be covered in a letter from the Minister of Fisheries to the Premier of Newfoundland.

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Fisheries; disposal of surplus bloaters in Magdalen Islands and New Brunswick

4. The Minister of Fisheries reported that, since early in 1953, the Fisheries Prices Support Board had received representations from producers, cooperatives and private exporters of bloaters seeking government assistance to dispose of a carry-over from the 1952 production. The Prices Support Board was not favourably disposed towards these representations because the production, while of considerable significance in the economy of the Magdalen Islands, P.Q., and Westmorland County, N.B., could not be classed as a major fishery product. Furthermore, the Board had consistently avoided recommending relief to exporters or dealers holding surplus stocks arising out of normal business risks.

Total annual production amounted to about 450,000 boxes. At the present time, approximately one-third of the carry-over of 150,000 boxes was in the hands of fishermen-cooperatives.

The Magdalen Islands and Westmorland County were clearly problem areas. If nothing were done to dispose of the 1953 carry-over, it was likely that the merchants would accept very little of the 1954 catch, except on consignment, thus placing the fishermen in a very difficult position. While the Board did not wish to establish a precedent for buying surplus fish in dealers' hands, it did, however, recognize a responsibility to fishermen for their 1954 production. The ultimate cost to the Board arising out of this responsibility might well be minimized if action were taken to remove the carry-over before the new season's pack came on the market.

It was recommended, therefore, that the Fisheries Prices Support Board be authorized to offer to purchase up to 150,000 boxes of choice quality bloaters of 1952 production or standard quality bloaters of either 1952 or 1953 production, at 80 cents per box for choice and 55 cents per box for standard, on or after June 30th, 1954. The product was to be inspected at the time a firm elected to come into the scheme and before April 15th, 1954. No bloaters then below standard quality would be acceptable under the scheme. The plan would be offered to all holders of "distress" stocks and would not be operative unless at least two-thirds of the "distress" stocks were included in total offers.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 12th, 1954-Cab. Doc. 65-54).

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5. In the course of discussion, the following points emerged:

(a) Some concern was expressed at the suggestion that fishermen should be helped indirectly by giving direct assistance to merchants holding surplus stocks. This was an entirely new basis of price support which, in principle at least, seemed clearly undesirable.

(b) On the other hand, it was pointed out that fishermen in the Magdalen Islands and Westmorland County, would likely be faced with serious difficulties during the coming fishing season unless some positive action were taken to dispose of the bulk of current surpluses. It was suggested that thecourse of action recommended by the Minister of Fisheries might be followed, on the understanding that the fishermen in both areas concerned would be advised, as had been done in the case of the 1951 Labrador cod catch, that this was the last time the Federal government proposed to support this inferior product.

(c) Proposals were being made that the Federal as well as the Provincial government should make a grant to assist in the re-building of a fish meal plant in the Magdalen Islands that had burned down recently, but it seemed quite undesirable that the government should do this.

6. The Cabinet approved the recommendation of the Minister of Fisheries that the Fisheries Prices Support Board be authorized to offer to purchase up to 150,000 boxes of choice quality bloaters of 1952 production or standard quality bloaters of either 1952 or 1953 production, at 80 cents per box for choice and 55 cents per box for standard, on or after June 30th, 1954, under the terms and conditions as recommended by the Minister, and on the understanding that the fishermen in these areas would be advised that the government would not be prepared to support the market for this type of product in future.

Legislation; bill respecting the Superannuation of Government Employees transferred to Crown Corporations

7. The Minister of Finance submitted a resolution and bill entitled "An Act to amend certain Acts respecting the Superannuation of Government Employees transferred to Crown Corporations".

8. The Cabinet approved for introduction the resolution and bill entitled "An Act to amend certain Acts respecting the Superannuation of Government Employees transferred to Crown Corporations".

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Legislation; Municipal Grants Act amendment

9. The Minister of Finance submitted a resolution and bill to amend the Municipal Grants Act.

10. During the course of discussion, it was pointed out,-

(a) that the Houses of Parliament, including the Parliamentary Library and the Peace Tower and the land appurtenant thereto, would not be included in the value of Federal property used in computing the annual grant to Ottawa, but that a special amount would be included in the payment to the city equal to the estimated cost of services provided by the city to this property;

(b) that the City of Ottawa would receive a substantially larger grant under the amended legislation which should result in some decrease in the presently very high residential property taxes in that city;

(c) that this larger grant to Ottawa would mean that, in future, a more critical attitude would have to be taken by the government on proposals for expenditures from the National Capital Fund on projects in Ottawa; and,

(d) that the proposed amendments would likely result in increasing the number of eligible municipalities from the present total of 45 to approximately 90.

11. The Cabinet approved for introduction the resolution and bill to amend the Municipal Grants Act as submitted by the Minister of Finance.

Legislation; Opium and Narcotic Drug Act amendment

12. The Minister of National Health and Welfare submitted a bill to amend the Opium and Narcotic Drug Act.

The main purpose of the amendment was to provide for the offence of trafficking in narcotic drugs and the offence of being "in possession" for the purpose of trafficking and also to authorize oral prescriptions for certain medicinal preparations containing narcotics.

13. The Cabinet approved for introduction in the Senate in the first instance the bill to amend the Opium and Narcotic Drug Act as submitted by the Minister of National Health and Welfare.

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Legislation; Atomic Energy Control Act amendment

14. The Minister of Trade and Commerce, referring to discussion at the meeting of November 19th, 1953, submitted a revised print of the bill to amend the Atomic Energy Control Act.

This latest print differed from the earlier one in two main respects. It had originally been intended to amend section 4 of the Act to enlarge the membership of the Atomic Energy Control Board. This was no longer considered necessary in view of plans now being made regarding the co-ordination of government activities in the field of atomic energy. The proposed amendment had consequently been dropped. The second change of substance was related to the incorporation of holding companies as set out in section 4 of the bill. It was intended, under this provision, to establish a holding company to control and co-ordinate the activities of Eldorado Mining and Refining Limited in the raw materials field and Atomic Energy of Canada Limited in the research field. The holding company would be known as Atomic Energy of Canada, Limited, and the name of the Chalk River organization would be changed to Nuclear Research, Limited.

15. The Cabinet approved for introduction the revised bill to amend the Atomic Energy Control Act as submitted by the Minister of Trade and Commerce.

Legislation; National Harbours Board Act amendment

16. The Minister of Transport referred to discussion at the meeting of March 12th, when some doubt had been expressed as to the advisability of extending the jurisdiction of special constables of the National Harbours Board to any place not more than 50 miles distant from Board property. He pointed out that, in some cases, National Harbours Board property touched on 5 different municipalities. Unless the jurisdiction of the special constables extended a considerable distance beyond Board property, it would be difficult to ensure effective and rapid enforcement of the law.

17. In the course of discussion it was suggested that, even though there might be some doubt as to the advisability of extending the jurisdiction of special constables of the National Harbours Board to the extent envisaged in the bill, there might be some merit in introducing the measure as it was, on the understanding that, if serious exception were taken to this feature in Parliament, the government would agree to reduce the 50 miles to 5 or even 1 mile.

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18. The Cabinet approved for introduction a bill to amend the National Harbours Board Act as submitted by the Minister of Transport; it being understood that, if there were serious objections to the proposed extension of the jurisdiction of special constables to any point within a distance of 50 miles from Board property, the government would be prepared to reduce this distance to 5 miles or even 1 mile.

Legislation; Canada Shipping Act amendment re coastal shipping

19. The Minister of Transport explained that Part XIII of the Canada Shipping Act provided that only British ships were entitled to engage in the coasting trade. Foreign built British ships could be licensed by the Minister of National Revenue on payment of a duty of 25 percent.

It had been urged, on behalf of certain Canadian shipowners and shipbuilders, that the coasting trade of Canada be closed to all but Canadian ships. In particular, the building of the St. Lawrence Seaway would permit larger numbers of United Kingdom ships to trade into the Great Lakes during the summer season and to follow other trades in the winter. Canadian ports on the Great Lakes and St. Lawrence River would then be open to large seagoing ships which could compete in a domestic trade which was vital to the Canadian economy and was now being carried on by Canadian ships.

Three alternative courses of action had been put forward to afford greater protection to Canadian ships. He recommended that the less restrictive of these three courses be approved. This would involve an amendment to the Canada Shipping Act requiring British ships, registered in any part of the Commonwealth, to be licensed to engage in the coasting trade of Canada. Requirements for such a license would be compliance with the wage and manning standards of Canadian ships, Canadian Steamship Inspection and Regulations, payment of duty on ship repairs made outside of Canada and such other conditions as might be in the public interest. In the case of foreign-built British ships, the duty of 25 percent would be payable as heretofore. It was considered that this proposal would not conflict with the British Commonwealth Merchant Shipping Agreement of 1931. It was further recommended that the licensing requirements would apply only to the inland waters of Canada, including the St. Lawrence River as far east as a line through Cap de Rosiers and the western tip of Anticosti Island.

An explanatory memorandum had been circulated.

(Minister's memorandum, undated - Cab. Doc. 73-54).

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20. In the course of discussion, the following points emerged:

(a) It was thought that, unless some restrictive action were taken with regard to Canadian coasting trade, U.K. ships might provide crippling competition to ships on Canadian registry, particularly in the movement of bulk goods on the St. Lawrence River and in the iron ore traffic after the St. Lawrence Seaway had been completed.

(b) In 1952, 57 percent of the coal shipped from the Maritimes to St. Lawrence ports had been moved on U.K. ships. This percentage had been 80 percent in 1953. The suggestion now put forward would not have any affect on these movements.

(c) As the proposed restriction might well have serious trade implications, it was suggested that the matter be referred to the Interdepartmental Committee on External Trade Policy for consideration and report before a final decision was reached.

21. The Cabinet deferred decision, pending consideration and report by the Interdepartmental Committee on External Trade Policy, on a recommendation by the Minister of Transport that the Canada Shipping Act be amended to make restrictive licensing requirements applicable to British ships trading in the inland waters of Canada.

Legislation; Veterans' Land Act amendment

22. The Minister of Veterans Affairs, submitted for consideration certain proposed amendments to the Veterans' Land Act in addition to those on housing which had been before the Cabinet at the meeting of January 28th, 1954.

At the present time, $6,000 was the maximum loan that could be made under the Veterans' Land Act. It was recommended that a new Part III be added to the Act to make financial assistance available, by way of a loan over and above the present limit of the Veterans' Land Act, to veterans now settled or who may hereafter become settled under that Act to the extent of $3,000 in the case of a full time farmer and $1,400 in the case of part time farmers (including commercial fishermen) subject to certain conditions, one of the more important being that such assistance would be given only in cases where the veteran concerned contributed $1.00 for each $2.00 required as a loan.

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It was also proposed to make certain amendments of an administrative nature. One of these amendments (Section 9) was designed to remove any doubt that the Director, Veterans' Land Act, in calculating the cost of land acquired by him, was not required to include expenditures made by other agencies of the Crown before the Director took title. As a matter of practice , such expenditures were not included in the term "cost to the Director" and the proposed amendment would ensure that this practice was in fact fully covered by the legislation.

With regard to financial and technical assistance for the construction of homes for veterans previously considered by Cabinet, it was now recommended that such assistance be made available, also, to eligible veterans who conducted their building operations under the auspices or through the agency of duly incorporated co-operative housing associations.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 12,1954-Cab. Doc. 66-54),

23. In the course of discussion the following points emerged:

(a) There did not seem to be any objection to increasing from $6,000 to $7,400 the total amount of loan that could be made under the proposed amendments to small holders who would become settled after the amendments came into effect. However, it appeared undesirable to make the additional assistance available to small holders who were already established since this, in effect,would constitute a duplication of the facilities now made available to all home-owners under the home improvement sections of the National Housing Act.*

(b) The proposed amendment to section 9, to exclude from the "cost to the Director" expenditures made by other Crown agencies before the Director took title,would give statutory sanction to a current administrative practice which, in effect, contained an element of subsidy. Some doubt was expressed as to whether this should be done.

* After the meeting, the Secretariat was informed by the Minister of Veterans Affairs that additional assistance to part time farmers, under the proposed new Part III of the Act, would be made available only to those veterans who become settled after Part III came into force. Small holders who were settled prior to that time could always avail themselves of the home improvement provisions of the National Housing Act.

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(c) The recommendation that the proposed new housing amendments to the Veterans' Land Act should be made available to veterans taking advantage of co-operative home building ventures should be re-examined to ensure that there was no conflict with the requirements of Central Mortgage and Housing Corporation.

24. The Cabinet approved in principle certain additional proposed amendments to the Veterans' Land Act as submitted by the Minister of Veterans Affairs, and agreed that they be incorporated in the draft measure now being prepared, on the understanding that further consideration would be given to the various points raised during the course of discussion when the bill was re-submitted to Cabinet in printed form.

Legislation; review of programme for current session

25. The Prime Minister reviewed the legislative programme for the remainder of the current session of Parliament.

26. The Cabinet noted the report by the Prime Minister on the government legislative programme for the balance of the current session of Parliament and agreed,-

(a) that decision on introduction of proposed amendments to the Canadian National Railways Act, approved for drafting without commitment on November 26th, 1953, be deferred until the next ensuing session of Parliament;

(b) that proposed amendments to the Government Employees Compensation Act, now in course of drafting, might be deferred for introduction during the next session of Parliament; and,

(c) that introduction of proposed amendments to the Royal Canadian Mounted Police Act be deferred until towards the end of the current session.

National Housing Act; proclamation; establishment of regulations interest rates and approved lenders

27. The Minister of Public Works recommended that certain portions of the National Housing Act, 1954, be proclaimed in force on March 22nd, 1954. He also submitted recommendations for the establishment of regulations, interest rates and approved lenders in accordance with the provisionsof that Act.

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28. The Cabinet approved the recommendations of the Minister of Public Works in respect of the National Housing Act, 1954, for:-

(a) the issue of a proclamation bringing certain portions of the National Housing Act, 1954, in force on March 22nd, 1954;

(b) the establishment of regulations respecting Parts I, II and IV of the Act;

(c) the establishment of maximum rates of interest payable by borrowers in respect of loans made under the Act; and,

(d) the approval of chartered banks and other lenders as approved lenders under the Act;

Orders in Council to be passed accordingly

(Orders in Council P.C. 1954-408,-409,-410,-411, March 19).

National Defence; low rental housing for members of the Forces

29. The Associate Minister of National Defence reported that housing continued to be a difficult problem for members of the Forces, particularly N.C.O.'s and men, in that, because of the relatively short period of posting, it was almost impossible to make as satisfactory arrangements as could permanent residents of similar income levels. The Department of National Defence had, for some time, been exploring means of obtaining housing for rental to members of the Forces, at rents within their ability to pay and as an alternative to the provision of government owned housing in urban centres. To meet the income brackets of the majority of N.C.O.'s and men it was desirable that rents for unheated accommodation should not exceed $60 a month.

Last year, a project covering 125 houses in Cobourg had been approved, and was now under way. This would provide rental housing for members of the Forces at monthly rents of $54 for two bedroom units, $57 for three bedroom units and $60 for four bedroom units. The project was financed under the limited-dividend corporation provisions of the National Housing Act, and the Department of National Defence had guaranteed 95 percent of rents on these houses for a period of 40 years, during which the loan from Central Mortgage and Housing Corporation would be amortized. If an amount equal to six months' rental was paid under the guarantee, the Department might offer to purchase at the lending value established by Central Mortgage and Housing Corporation less the amount of principal repayments, and if the offer was not accepted the guarantee would become inoperative.

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An extension of this type of programme seemed desirable and two alternative plans to meet the housing requirements of the Forces were submitted for consideration.

It was recommended that provision of family units be authorized at certain prescribed locations to the extent that Central Mortgage and Housing Corporation could make satisfactory arrangements under either of the suggested alternatives, the details of the agreements on each project to be submitted to Treasury Board for approval.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 15, 1954- Cab. Doc. 68-54).

30. The Cabinet agreed that family housing units for members of the Armed Forces be provided at the locations recommended by the Associate Minister of National Defence, to the extent that Central Mortgage and Housing Corporation could make satisfactory arrangements under the limited-dividend corporation provisions of the Housing Act and using either of the alternative arrangements set out hereunder, and subject to the details of the agreements on each project being submitted to Treasury Board for approval:

(a) At larger centres where demand for housing on the part of members of the Forces was a comparatively minor element in the total demand for housing in the area, but where land costs and tax levels were likely to preclude achievement of the desired rent levels without some form of assistance:-

(i) rental guarantee of 95 percent of rents, during the period that houses were reserved for D.N.D. personnel; it being hoped that the period could, in most instances, be made subject to termination with the appropriate notice to the owner, subject to a minimum guarantee of ten years; and,

(ii) assistance to achieve the desired rent levels by providing land or services as needed; any services so provided to be deeded over to the municipality and any land so provided to be deeded to the limited dividend company.

(b) At smaller centres, a plan similar to that used for the Cobourg development in 1953.

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Public Works; proposed interdepartmental committee on new government buildings in Ottawa

31. The Minister of Public Works said that a number of departments had requested the Department of Public Works to erect new separate buildings for their headquarters operations in Ottawa.

There was a pressing need for some 125,000 square feet of additional accommodation. However, if space were the only consideration, it would not be necessary to erect new buildings for all the departments that had requested them. Many departments had their activities widely scattered in a number of buildings. The Department of Public Works proposed to undertake an active study of existing accommodation to determine to what extent re-arrangements could be effected which would achieve greater over-all efficiency and, at the same time, conserve space.

In order that this programme might be carried out as effectively as possible, it was recommended that a special interdepartmental committee be established to consider and report to him on the various requests for additional government buildings in Ottawa.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 17, 1954- Cab. Doc. 75-54).

32. The Cabinet agreed that an interdepartmental committee comprising the Deputy Minister of Public Works, as Chairman, the Secretary to the Treasury Board, the Clerk of the Privy Council, the President of Central Mortgage and Housing Corporation and the Director of the National Capital Planning Service, be established to consider proposals for the erection of new government buildings in the Ottawa area and to report thereon to the Minister of Public Works.

Federal-provincial conference on interprovincial and international road transport

33. The Minister of Transport, referring to discussion at the meeting of February 22nd,1954, said he had consulted each provincial premier on the proposal for calling a federal-provincial conference to consider interprovincial and international road transport. All premiers had agreed, by telephone, to send representatives. Formal invitations were now being issued for a conference on April 26th. The Department of Justice had been asked to consider what Federal legislation might be necessary. It was hoped that it would be found feasible to prepare legislation either to delegate jurisdiction over

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interprovincial and international road transport to Provincial authorities or to appoint, as regulating bodies under the Federal law, those that bore responsibility for the regulation of road transport under Provincial law.

34. The Cabinet noted with approval the report of the Minister of Transport on plans for a meeting of Federal and Provincial representatives, on April 26th, to consider interprovincial and international road transport.

C.N.R. branch lines construction

35. The Minister of Transport reported that the President of the Canadian National Railways had requested authorization for the construction of three branch lines, one of 27 miles from Hillsport to Lake Manitouwadge in Ontario, one of 155 miles from Beattyville to Chibougamau in Quebec, and one of 139 miles from St. Felicien to a point near Chibougamau. The line to Lake Manitouwadge would serve an area where major deposits of copper, zinc and silver had been found recently. The C.N.R. considered this would be a very profitable line on which no subsidy would be required, but only a temporary loan of $3,750,000. The line from Beattyville to Chibougamau would serve an area having considerable mineral and forest resources. It would cost $18 million, and was estimated as likely to show an annual profit of $23,000 after five years of operation. The line from St. Felicien to Chibougamau would serve an area of extensive forest resources which, with the development of hydro-electric power, would probably be the site of future industries. This line would require a subsidy to the extent of half its cost, or $8.5 million and an annual system loss of $1.1 million was expected. The Province of Quebec might be invited to participate in the cost of financing.

Explanatory memoranda had been circulated.

(Minister's memoranda, March 17, 1954-Cab. Docs. 70, 71 and 72-54).

36. In the course of discussion it was pointed out that, although there appeared to be every reason to authorize the construction of the branch line from Hillsport to Lake Manitouwadge, it might be preferable to have the proposals for all three lines examined by a committee of officials.

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37. The Cabinet noted the report of the Minister of Transport and agreed that the proposals of the President of the Canadian National Railways for the construction of branch lines from Hillsport to Lake Manitouwadge, Ontario, from St. Felicien to a point near Chibougamau, Quebec, and from Beattyville to Chibougamau, Quebec, be examined by an interdepartmental committee to consist of representatives of the Departments of Transport, Finance, Mines and Technical Surveys, Trade and Commerce, Northern Affairs and National Resources and the Privy Council Office; the committee to make its report to the Cabinet.

Federal participation in construction of a new Burlington Canal Bridge, Hamilton, Ont.

38. The Minister of Public Works, said a new bridge over the Burlington Canal at Hamilton, Ontario had been required since an existing span was destroyed in an accident in April, 1952. The replacement of this span would cost about $500,000. There was, however, an urgent need for a high level bridge capable of carrying heavy road traffic without interruption when shipping had to pass through the canal. This requirement would not be met either by the replacement of the present span or by a dual railway and motor traffic bridge. To build a four-lane bridge at the height of 120 feet necessary to clear navigation would cost $13.3 million, which might be shared equally by the Federal and Provincial governments. There was a responsibility for contributing to the cost of a new bridge since the Burlington Canal was a Federal project. Marine interests in the area had also suggested that the present railway bridge be replaced with a new span which would permit the ramoval of the centre pier, now considered a hazard to navigation; this project could, however, be considered quite separately from the bridge for road traffic.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 17, 1954-Cab. Doc. 74-54).

39. In the course of discussion the following points emerged:

(a) The Federal government might be under pressure to assist in further bridge building projects; with the purchase of Vancouver airport, representations for Federal assistance in the replacement of the Marpole bridge at Sea Island would no doubt be renewed.

(b) It might be desirable to discuss the problem of bridges over the Burlington Canal with officials of the C.N.R. before negotiating with the Ontario government.

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40. The Cabinet noted the report of the Minister of Public Works and agreed that further consideration of Federal participation in the building of a new Burlington Canal Bridge be deferred to a later meeting.

Fisheries; provision of deep-sea research vessel for Fisheries Research Board

41. The Minister of Fisheries explained that the Fisheries Research Board had extensive responsibilities for research in connection with the International Commission for the Northwest Atlantic Fisheries. Its present vessel, which had been gathering data off the Newfoundland, Labrador and mainland coasts, was inadequate for deep-sea research and a special vessel was required.

It was recommended that plans and specifications of a suitable vessel be prepared during 1954-55. These could be secured most economically from U.K. architects who had had experience in designing this type of vessel. Before plans and specifications were prepared, however, it was necessary to consider whether the contract for construction would be let in the United Kingdom or in Canada. There was little doubt that the vessel could be built more cheaply in the United Kingdom, but it might be considered desirable to let the contract in Canada as part of the programme for support of Canadian shipyards. If the vessel were to be built in Canadian yards, it might be preferable to retain Canadian architects.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 15, 1954- Cab. Doc. 67-54).

42. In the course of discussion, the following points emerged:

(a) Although Canadian shipyards were running somewhat short of orders, the level of employment remained at a considerably higher level than the minimum considered necessary for defence purposes.

(b) It was generally desirable to help increase U.K. dollar earnings, both to enable more purchases of Canadian goods and to assist in the programme for the convertability of sterling.

(c) The desirability of following commercial principles by using U.K. architects and shipyards with this type of specialist vessel which they could produce more cheaply than our own should be given considerable weight, as the deep-sea fisheries research programme was of great importance to a large Canadian export industry.

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(d) Many Canadian orders for ships had recently been given to U.K. yards. Since Canadian shipyards could not secure commercial contracts, it was thought desirable to place a large proportion of government contracts in Canadian yards; the government had, however, already bought a trawler from the United Kingdom for use by Ceylon under the Colombo Plan.

43. The Cabinet approved the recommendation of the Minister of Fisheries that plans and specifications be prepared for a new deep-sea research vessel for the Fisheries Research Board, and agreed that the firm of Graham and Woolnough, Marine Architects, of Liverpool, England, the lowest bidders, be retained for this purpose at an estimated cost of $7,000; decision as to a subsequent contract for construction of the ship to be deferred for consideration in the light of tenders submitted and the situation in Canadian shipyards at the time.

Appointments

44. The Minister of Public Works recommended the reappointment of directors of the Central Mortgage and Housing Corporation.

45. The Cabinet approved the recommendation of the Minister of Public Works, and agreed that George A. Smith, Esquire, of Halifax, and Mrs. Monica McQueen of Kingston, be reappointed directors of the Central Mortgage and Housing Corporation for a period expiring March 31st, 1956, and that J.Y. McCarter, Esquire, of Vancouver, and J.J. Perrault, Esquire, of Montreal, be reappointed directors for a period expiring March 31st, 1957; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-412, March 19)

Radio broadcasting station; application for licence

46. The Minister of Transport, referring to discussion at the meeting of August 13th, 1953, recommended that approval be given for the granting of a private commercial broadcasting station licence to Daniel Chantal, for the establishment of a radio broadcasting station at or near Drummondville, P.Q.

47. The Cabinet approved the recommendation of the Minister of Transport, and agreed that a private commercial broadcasting station licence be issued to Daniel Chantal for the establishment and operation of a radio broadcasting station at or near Drummondville, P.Q.; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-413, March 19)

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Reported speaking engagement of Senator McCarthy in Toronto

48. The Prime Minister said that, in reply to a question in the House of Commons, he intended to state that, except for press reports, the government had no knowledge of the plans of Senator Joseph McCarthy to visit Toronto. The government did not propose to make representations to the U.S. government, since U.S. citizens, unless barred by provisions of the Immigration Act, were free, at any time, to accept invitations to speak in Canada.

49. In the course of discussion it was suggested that the Canadian Broadcasting Corporation be advised that it would be unwise to provide broadcasting facilities for the meeting at which Senator McCarthy was to speak.

50. The Cabinet noted with approval the report of the Prime Minister on the reply he proposed to make in the House of Commons to a question relating to reports of a speaking engagement for Senator McCarthy in Toronto.

Ottawa city hall; proposed site

51. The Minister of Agriculture said he had been advised that the City of Ottawa might request the use of a part of the Central Experimental Farm as a site for a new Ottawa city hall.

52. In the course of discussion the following points emerged:

(a) If it were necessary to answer any proposal for granting a site on the Central Experimental Farm for an Ottawa city hall, it should be made clear that no land would be given for this purpose.

(b) The Central Experimental Farm should remain an open area in perpetuity; if it were ever desirable to move all or part of the Farm, the land should not be used for building projects but for a park or other open area.

53. The Cabinet noted the report of the Minister of Agriculture on the possibility of requests for the use of part of the Central Experimental Farm for a new Ottawa city hall, and agreed that, should any such request be made, the Minister might state that the government would not favour the use of any part of the Farm for that purpose.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

March 25th, 1954.

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No. 25-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, March 25th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Legislation; Criminal Code amendment re race meetings

1. The Minister of Agriculture said he proposed to introduce, in the course of the current session, an amendment to the Criminal Code, the effect of which would be to restrict the operation of Racing Associations to the province in which they were originally incorporated. It had been found, in administering section 235 of the Criminal Code, that Racing Associations incorporated by the legislature of a particular province, in some cases, could barter or sell their charters to interests in another province.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 23,1954-Cab. Doc. 77-54)

2. The Cabinet approved in principle the proposed amendment to the Criminal Code regarding horse racing meetings, subject to further consideration after the proposed amendment had been drafted by the Department of Justice.

Japan; signing of Agreement on Commerce

3. The Secretary of State for External Affairs, referring to discussion at the meeting of February 3rd, 1954, recommended, with the concurrence of the Minister of Trade and Commerce, that he be authorized to sign the Agreement on Commerce with Japan.

4. The Cabinet agreed that the Secretary of State for External Affairs be authorized to sign, on behalf of Canada, the Agreement on Commerce between Canada and Japan, at Ottawa, on or about March 31st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-444, March 25).

Emergency Powers Act; disposition of Orders in Council

5. The Prime Minister reported that, of the various Orders in Council passed under the Emergency Powers Act, eleven remained in force at this time. These, however, related to only nine separate subject matters because, in some cases, two Orders (one for regulations and another for appointments) had been passed concerning the same subject. Certain suggestions had been put forward as to the disposition that might be made of these various Orders in the event the Emergency Powers Act were allowed to lapse on May 31st,1954.

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The only Order in Council which presented any real difficulty was the special Order passed on July 4th, 1951 (P.C. 3486). All other Orders could either be allowed to lapse on May 31st, or could be continued by suitable alternative statutory provisions or by some other means. It seemed to him inadvisable, however, to suggest that the Emergency Powers Act should be continued in existence after May 31st for the sole purpose of providing statutory authority for the special Order. Officials concerned with security matters and the law officers of the Crown had explored what means, other than the Emergency Powers Act, might be found to secure continuing authority for the action covered by this Order. It had been ascertained that it could be done by appropriate amendments to the Official Secrets Act, but this would perhaps give rise to serious parliamentary and other difficulties which should be considered very carefully before a final decision was reached.

An explanatory memorandum had been circulated.

(Secretary's memorandum, March 24, 1954-Cab. Doc. 84-54).

6. In the course of discussion it was suggested that, before a decision were reached as to whether or not the special Order of 1951 should be continued in existence and, if so, as to how this should be done, the question should be reviewed in detail by a special committee of Ministers to be convened by the Prime Minister.

7. The Cabinet agreed,-

(a) that the Emergency Powers Act be allowed to lapse on May 31st, 1954;

(b) that the Secretary consult the Ministers immediately concerned as to the appropriateness of the suggestions made in his memorandum of March 24th, 1954, for the disposition of Orders in Council made under the Emergency Powers Act; and,

(c) that the Prime Minister convene a special committee of Ministers to consider and report on what action, if any, should be taken to secure continuing authority for the action authorized by Order in Council P.C. 3486 of July 4th, 1951, after the Emergency Powers Act had ceased to have effect.

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Japanese war criminals; clemency proposals

8. The Minister of National Defence referred to the meeting of February 25th, 1954, when it had been agreed that life sentences imposed on the major Japanese war criminals, Sadao Araki and Jiro Minami be commuted to 21 years with such further remission of sentence and upon such terms as the eight governments concerned might agree.

At the time these recommendations were made, it seemed that, although the United States, France, The Netherlands and Pakistan favoured immediate release and the United Kingdom, Australia, New Zealand and Canada had expressed a preference for release in 1959 (by reducing the 21 year term by one-third for good behaviour), agreement could be reached on a compromise which would permit release on parole in November,1956. This would mean that Araki would be retained in custody until November, 1956, Minami having already been provisionally released on medical parole last December.

Information received recently from Commonwealth sources indicated that the U.S.A. was unlikely to wish to be associated with any decision to retain Japanese war criminals in custody and would, therefore, probably revert to their original stand for Araki's immediate release. In this, they would likely be supported by The Netherlands, Pakistan and France who were also originally in favour of immediate release.

Commonwealth representatives in Washington had been discussing a New Zealand compromise suggestion that Araki be released after he had served ten years of his life sentence, that is in November, 1955.

The Canadian Clemency Review Committee had recommended that the Canadian Ambassador in Washington be instructed to indicate, at the forthcoming discussions in Washington, that the Canadian government would favour Araki's release on parole in November, 1956, only if the eight governments concerned unanimously agreed to his release on that date, but otherwise would not favour his release until November, 1959.

An explanatory memorandum was circulated.

(Minister's memorandum, March 23, 1954-Cab. Doc. 76-54).

9. In the course of discussion, it was pointed out,-

(a) that there would have to be unanimous agreement before the sentences of the Japanese war criminals could be altered;

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(b) that, in Japanese issues such as this, it was generally in Canada's interest to take a position similar to that of the United States;

(c) that, having regard to all the circumstances, immediate or at least early release of the Japanese war criminals seemed to be desirable; and,

(d) that, although Canada should avoid taking sides on this issue, it should be indicated that Canada hoped that it would be possible to reach unanimous agreement on release at a relatively early date, possibly in November, 1955, as had been suggested by New Zealand.

10. The Cabinet noted the report of the Minister of National Defence and agreed that the Canadian Ambassador at Washington be instructed to refrain from taking a firm stand on the issue of early release of Japanese war criminals, but to indicate that Canada hoped it would be possible to reach unanimous agreement on some formula, perhaps on the compromise suggestion made by New Zealand for release after serving ten years of their sentence, that is in November, 1955.

North Atlantic Treaty Organization; proposed visit by Canadian members of Parliament

11. The Minister of National Defence referred to a Norwegian proposal that arrangements be made by the various member countries of the North Atlantic Treaty Organization to have groups of parliamentarians from each country visit N.A.T.O. headquarters and installations with a view to gaining, if possible, a greater measure of public support for the Organization.

It had been suggested that the Royal Canadian Air Force could provide transportation for a group of, say, twenty Canadian Members of Parliament, who would spend ten days or so visiting N.A.T.O. headquarters and installations in western Europe.

12. In the course of discussion, it was suggested that public opinion in Canada was strongly favourable to N.A.T.O. and that there was no real need, for the time being at least, to attempt to engender more public enthusiasm for this Organization than already existed. Furthermore, a visit of this kind might increase the pressure for active parliamentary participation in various international organizations. It was thought that the general public would likely react unfavourably to a trip of this kind at public expense at this time. In any event, it would be difficult to limit the group to a total of twenty members of Parliament.

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13. The Cabinet noted the report of the Minister of National Defence and agreed that arrangements should not be made, now, to have a group of Canadian Members of Parliament visit North Atlantic Treaty Organization headquarters and installations in western Europe.

Canadian Army; request for redress of grievance by former officer of Royal Canadian Army Medical Corps

Information is severed consistent with the provisions of the Access to Information Act s.19(1) and the Privacy Act s.3(b)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s.19(1) et la Loi sur la protection des renseignements personnels s.3(b)

15. The Cabinet agreed that the request for redress of grievance submitted by Major J.A.W. Raymond, formerly R.C.A.M.C., be denied; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-451, March 25)

Japan; Agreement on Status of U.N. Forces; ratification

16. The Secretary of State for External Affairs, referring to discussion at the meeting of February 10th, 1954, suggested that there was no need to seek parliamentary approval for the Agreement with Japan on the status of U.N. Forces as no implementing legislation was required and the agreement was similar to that for the N.A.T.O. Forces which had already been considered by Parliament in connection with the visiting Forces (N.A.T.) Act. Ratification could legally be effected by Order in Council. However, it might be advisable to table the Agreement in the House of Commons some time before ratification in order to give Members of Parliament an opportunity to comment on it if they so wished.

17. The Cabinet approved the recommendation of the Secretary of State for External Affairs

(a) that the Agreement with Japan on the status of U.N. Forces be ratified by Order in Council; and,

(b) that, some time before such ratification, the Agreement be tabled in the House of Commons in order that Members of Parliament might be made aware of the terms of the Agreement before it was actually ratified.

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Colombo Plan; proposed arrangements for 1954 Consultative Committee meeting in Canada

18. The Secretary of State for External Affairs, referring to discussion at the meeting of September 9th, 1953, said the Consultative Committee for Economic Development in South and South-east Asia had accepted Canada's invitation to hold its 1954 meeting in Canada. The present understanding was that the meeting would be held some time the following autumn.

Some thought had already been given to arrangements for this meeting and it was suggested that a special interdepartmental committee be established to consider and report on the matter.

It had been suggested that, following the ministerial meeting, arrangements be made to provide a five-day conducted tour of development projects and points of interest in eastern Canada. It was for consideration whether provision should also be made for visits to points in western Canada, either for all visiting delegations or for those planning to return to south and south-east Asia by the Pacific route.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 10, 1954- Cab. Doc. 69-54).

19. In the course of discussion, it was suggested that it would be sufficient, for the time being, to approve in principle the plans now being made for the meeting on the understanding that the proposed interdepartmental committee would, at a later date, submit for consideration firm recommendations and estimates as to the expenditures involved.

20. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that an interdepartmental committee be established for the purpose of making recommendations and cost estimates regarding the meeting of the Consultative Committee for Economic Development in South and South-east Asia, to be held in Canada in 1954; the committee to be composed of officials of the Department of External Affairs (Chairman), the Department of Finance, the Department of Trade and Commerce (including the Colombo Plan Administrator - Mr. Cavell), the Secretary of State Department, the House of Commons, the Senate and other departments as required.

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International Telecommunication Convention 1952; ratification

21. The Minister of Transport reported that the International Telecommunication Convention, which had been signed by Canada and seventy-seven other countries on December 22nd, 1952, at Buenos Aires, had come into force on January 1st, 1954.

It was recommended that authority be granted for the ratification of this convention and related documents and that the instrument of ratification be deposited with the Secretary General of the International Telecommunication Union, as required by Article 15 of the Convention. He also recommended that Canada contribute to the expenses of the Union on the basis of 20 units which would involve an estimated annual expenditure of $43,000 for the next five years.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 22, 1954- Cab. Doc. 81-54).

22, The Cabinet agreed that the Secretary of State for External Affairs be authorized to execute an instrument of ratification of the International Telecommunication Convention, Buenos Aires, 1952, the General Regulations annexed thereto, the Final Protocol and Additional Protocols, and to deposit the said instrument of ratification with the Secretary General of the International Telecommunication Union, and that Canada contribute to the expenses of the Union on the basis of 20 units involving an estimated expenditure of $43,000 per annum for the next five years; Orders in Council to be passed accordingly.

Northwest Highway System; transfer of responsibility

23. The Minister of Northern Affairs and National Resources, said that, since April 1st, 1946, the Canadian Army had operated and maintained the Northwest Highway System from Dawson Creek, B.C. through Whitehorse to the Yukon-Alaska boundary near Snag Creek, Y.T.

The Army was experiencing increasing difficulty in maintaining the Highway in the absence of a long-term mandate. Many of the original temporary bridges required replacement, accommodation had deteriorated, and, in certain places, relocation of the highway seemed advisable to prevent recurring heavy maintenance costs. In the circumstances, and as the proportion of civilian to military traffic was increasing, it seemed desirable that the long-term policy governing responsibility for the Highway System be defined.

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The Advisory Committee on Northern Development, after detailed examination, had agreed that the training value to the Army of operating the Highway was limited and that maintenance by a civilian agency would lead to a reduction in cost as certain facilities provided by the Army would no longer be required. An accurate estimate of the cost would, however, require approximately a year to prepare. Because of responsibility of the Department of Public Works for the Trans-Canada Highway and also because of the general character of the work and personnel, the Committee considered that Department the most appropriate Federal authority to assume responsibility for the System. It would be possible for the Department to provide an organization which would be able to take over full responsibility within about two years, but this would establish the precedent of highway maintenance as a direct Federal activity. An alternative course would be to arrange for maintenance by the Provincial and territorial governments concerned, with the Federal government contributing all or part of the cost and with inspection by the Department of Public Works.

It was recommended that the Army be relieved of responsibility for the Highway System and that the Department of Public Works be requested to submit recommendations, after a detailed examination of the System, as to the authority that should ultimately be made responsible for operating and maintaining the System.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 15, 1954- Cab. Doc. 79-54).

24. In the course of discussion, the opinion was expressed that it would be quite undesirable to have Provincial authorities carrying out highway maintenance at the cost of the Federal government.

25. The Cabinet noted the report of the Minister of Northern Affairs and National Resources regarding operation and maintenance of the Northwest Highway System and agreed,-

(a) in principle, that the Army be relieved of responsibility for the System;

(b) that, until an alternate agency was designated, the Army maintain the Highway and participate in the provision of medical facilities and educational services as if its responsibility were to continue; and,

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(c) that the Department of Public Works, after a detailed examination of the System, prepare estimates of the cost of maintenance by a civilian agency, and recommend the authority that should ultimately be responsible, the way in which responsibility should be transferred, and when the transfer should be made.

Wood Islands, P.E.I. and Caribou, N.S., ferry service; report by Minister of Transport

26. The Minister of Transport, referring to discussion at the meeting of January 14th, 1953, recalled that he had been authorized to begin arrangements to construct a new vessel for the Wood Islands - Caribou ferry service at an estimated cost of $1,086,000, and which was to be available for operation by May 1st, 1955. At the time, it had been understood that further consideration would be given to the basis on and the agency by which the vessel would be operated. An amount of money was now available in the estimates for the construction of the vessel, but, meanwhile, traffic had grown considerably and Northumberland Ferries Limited wished to acquire an additional vessel for the service this year. It had been ascertained that the Lady Alexandra, operated by the Union Steamships Co. Ltd., on the west coast, could be bought and refitted for $270,000 and made available by the beginning of the tourist season in the present year. Northumberland Ferries Limited had requested a capital subsidy to purchase and reconvert the vessel. The company had been told that this would not be considered. It had then requested an operational subsidy on a basis adequate to amortize the cost of the ship.

Because of the increased traffic, it seemed likely that another vessel would be required in addition to the new ship being constructed. However, before consideration was given to the proposal to acquire an additional vessel, it would be desirable to settle how the new ship would be operated. If, for example, it was decided that this would be done by the Canadian National Steamships on behalf of the government, on completion in 1955, it might be desirable to purchase the Lady Alexandra now and also operate it by the C.N. Steamships. The Prince Edward Island government would, it was believed, not object to this, although they were apprehensive as to what might happen if a strike occurred. There was a certain measure of resentment in the province towards the Canadian National and it might be desirable to buy the ship and have it operated by the Northumberland Ferries Limited on a management-fee basis. If, however, one or more ships on the service were operated by the C.N. Steamships, all other ships on the service should, in due course, come under the same management.

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27. In the course of discussion, the following points emerged:

(a) Some provision would have to be made to take care of the genuine increase in traffic.

(b) The Northumberland Ferries Limited had not been able to borrow money to buy the Lady Alexandra and the operating subsidy seemed to be high. It might be preferable for the government to buy the vessel, have it operated on a management-fee basis by the Northumberland Ferries and have the Canadian National take over the operation later.

(c) Unless it was definitely established that there was a real increase in traffic, it would be preferable to buy the Lady Alexandra and discontinue construction of the new vessel.

(d) The operation of the new vessel, or of the Lady Alexandra, on a management-fee basis by the Northumberland Ferries was merely postponing the issue as to how the service would be managed.

(e) Canadian National operation of the service would be as expensive as any other form of management. It would be worth asking operators in the area if they had any reasonable proposals to make for operation other than by the C.N.R.

(f) It was not clear what would be involved in the operation of the new vessel under construction and the possible acquisition of the Lady Alexandra. In any event the service as presently operated was a costly one. It would be desirable to have a thorough investigation of the whole subject made by competent officials.

28. The Cabinet, noted the report of the Minister of Transport and deferred consideration of the future operation of the Wood Islands, P.E.I. - Caribou, N.S., ferry service to a later meeting, pending examination by the Maritime Commission and the Canadian National Railways of the proposed operation, the various problems involved in it and the costs, revenues and deficits that might be expected; it being understood that early consideration would be given to the provision of adequate service for the forthcoming season.

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Royal Commission on criminal law relating to sexual psychopaths; establishment

29. The Minister of Justice, referring to discussion at the meeting of March 2nd, concerning the establishment of the Royal Commission on criminal law relating to the defence of insanity, said it had been suggested that the members of the Commission might also consider whether the law relating to criminal sexual psychopaths should be amended in any respect. He submitted a recommendation for the appointment of a Royal Commission to be composed of some of the members of the Commission already established to consider the defence of insanity.

30. The Cabinet noted the report of the Minister of Justice and agreed that a Royal Commission be established to enquire into and report on the question whether the criminal law of Canada relating to sexual psychopaths should be amended in any respect, and, if so, in what manner and to what extent; the members of the Commission to be: the Hon. James Chalmers McRuer, Chief Justice of the High Court for Ontario; Dr. Gustave Desrochers, Assistant Superintendent of St. Michel Hospital in the City of Quebec;and Her Hon. Judge Helen Kinnear, County Court Judge for Haldimand, Ont; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-445, March 25).

Advances to the Atomic Energy Control Board

31. The Minister of Trade and Commerce submitted a recommendation for the release of advances from time to time, from vote 545 of the main estimates 1953-54, to the Atomic Energy Control Board.

32. The Cabinet approved the recommendation of the Minister of Trade and Commerce, as concurred in by the Minister of Finance, and authorized the release of advances, from time to time, from vote 545 of the main estimates 1953-54, upon requisition of the Atomic Energy Control Board, such advances to be covered by the issue of shares of Atomic Energy of Canada Limited; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-446, March 25).

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Unemployment Insurance Commission; National Employment Service Regulations; amendment re fee-charging employment agencies

33. The Minister of Labour submitted an amendment to the National Employment Service Regulations made by the Unemployment Insurance Commission under authority of section 108 (T) of the Unemployment Insurance Act, concerning fee-charging employment agencies. The regulation would prevent private fee-charging employment agencies, with certain exceptions, from collecting a fee from workers for placing them in employment. It would allow, however, the collection of fees by agencies such as those connected with the booking of entertainers and the provision of nurses. The amendment provided for the inspection of agencies and the imposition of a fine or imprisonment if its provisions were not complied with. While most provinces had legislation on this subject, no enforcement had been carried out, and it was proposed that the new regulation be enforced by the Unemployment Insurance Commission.

34. Mr. Gregg added that the matter had been first raised approximately one year ago and that, as it had seemed a contentious measure, it had been referred back to the Unemployment Insurance Commission and to Regional Employment Committees. It was hoped that this regulation would eliminate small agencies who were taking advantage of workers. On the other hand, the approach to the problem appeared to be rather drastic, and it might be preferable to deal with the matter by licensing individual agencies rather than putting them all out of business arbitrarily. It would also seem desirable to approach the matter slowly and on a regional basis. In any event, it was not necessary to arrive at a decision immediately.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Labour, undated - Cab. Doc. 78-54).

35. In the course of discussion, it was pointed out that some industries operated their own employment agencies, and these were a valuable asset to the communities they served. The regulation as drafted would force such operations to close down. It would also be difficult to define the offences for which the regulation would be applicable. It might be found that they would cover all legitimate agencies or be so loosely drawn that they would not be enforceable. In any event, agencies which were now taking advantage of workers could probably be prosecuted for taking money under false pretenses.

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36. The Cabinet noted the report of the Minister of Labour and deferred consideration of regulations made by the Unemployment Insurance Commission on September 25th, 1953, in respect of fee-charging employment agencies, pending a further examination of its implications by officials of the Departments of Labour and Justice.

Capital budgets; Canadian National Railways and Canadian National (West Indies) Steamships, Ltd. 1954; Trans-Canada Air Lines, 1954 and revised 1953; Federal District Commission, 1954-55

37. The Minister of Transport recommended that the capital budgets of the Canadian National Railways and the Canadian National (West Indies) Steamships Ltd., for 1954 be approved.

38. The Minister of Trade and Commerce recommended that the capital budget of the Trans-Canada Air Lines for the financial year ended December 31st, 1954, and the revised capital budget for the Trans-Canada Air Lines for the financial year ended December 31st, 1953, be approved.

39. The Prime Minister, as President of the Privy Council, recommended that the capital and operating budgets for the Federal District Commission for the year ended March 31st, 1955, be approved.

40. The Cabinet:

(a) approved the recommendation of the Minister of Transport, concurred in by the Minister of Finance, and agreed that the capital budgets of the Canadian National Railway Company and the Canadian National (West Indies) Steamship Limited for the calendar year 1954 be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-448, March 25)

(b) approved the recommendations of the Minister of Trade and Commerce, concurred in by the Minister of Finance, and agreed that the revised capital budget of Trans-Canada Air Lines for the financial year ended December 31st, 1953, and the capital budget of Trans-Canada Air Lines for the financial year ended December 31st, 1954, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-450, March 25)

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(c) approved the recommendation of the President of the Privy Council, concurred in by the Minister of Finance, and agreed that the capital and operating budgets of the Federal District Commission for the fiscal year ended March 31st, 1955, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-449, March 25)

Distribution of government publications in Canada; report of Standing Committee on Publications

41. The Secretary of State, referring to discussion at the meeting of February 25th,1954, said the Standing Committee on Publications had now submitted recommendations for rules of procedure to govern the distribution of government publications with a view to eliminating duplication in distribution and improving coordination in mailing lists. The Committee recommended that instructions be given to all departments to remove certain names from their free mailing lists, that the Queen's Printer send his daily check-list to departmental libraries and that a small committee be appointed to discuss with individual departments the extent to which free mailing lists might be curtailed. The Committee felt that, if its recommendations were implemented, much unnecessary free distribution of government publications would be eliminated and it would be less likely that more than one unsolicited free copy of a publication would be received by any one person or institution. He concurred in the recommendations of the Committee.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Standing Committee on Publications, March 22,1954-Cab. Doc. 80-54).

42. In the course of discussion, it was suggested that, if any complaints arose consequent upon the adoption of the recommendations of the Committee, the matter could be re-examined .

43. The Cabinet approved the recommendations of the Standing Interdepartmental Committee on Publications concerning the distribution of government publications in Canada and agreed:

(a) that a directive be issued instructing all departments to remove from their free mailing lists the names of all Senators, Members of the House of Commons, libraries and diplomatic missions in Canada. Persons and institutions

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in these categories entitled to receive publications free to do so through the Queen's Printer but with two exceptions being made to this rule -- the distribution of annual reports to be left to the discretion of individual departments, and no interference to be made with exchange arrangements entered into between departmental libraries;

(b) that an Order be passed or a directive issued authorizing the Queen's Printer to send his daily check-list to all departmental libraries and, upon request, to furnish such libraries with one copy of any publication (not of a confidential nature) free of charge; and,

(c) that a committee of two, one member representing the Treasury Board and the other the Queen's Printer, be appointed to discuss with individual departments the extent to which free mailing lists might be curtailed, and the desirability of transferring such lists, and the physical arrangements for mailing free publications, to the Queen's Printer when adequate facilities become available in the new building of the Printing Bureau;

it being understood that, if any modifications to the terms of the directives referred to above were required, the subject would be re-examined.

Public Printing and Stationery; ownership and disposal of office machines

44. The Secretary of State reported that the Queen's Printer had represented that the present procedure for dealing with surplus office machines was neither economical nor efficient.

To assist the Queen's Printer in the re-organization of the Purchasing and Procurement Branch of his Department, the services of the President of the Canadian Commercial Corporation, Mr. W.D. Low, had been made available on an advisory basis and advantage had been taken of this fact to ask Mr. Low to look into the surplus office machinery situation. He had recommended that all office machines be handled in the same manner as the Department of Public Works dealt with office furniture. All furniture required by departments was now purchased and paid for by Public Works and supplied free of charge. When surplus to departmental needs it was reported to and recovered by Public Works and, when no longer serviceable, that department reported it as surplus to Crown Assets Corporation.

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Mr. Low felt that, if the procedure he suggested were established, a considerable saving in expenditure of public monies would be effected.

It was recommended, with the concurrence of the Minister of Defence Production, that the procedure suggested be approved in principle and that Treasury Board be directed to work out the necessary mechanical arrangements for its implementation.

An explanatory memorandum was circulated.

(Minister's memorandum, March 24, 1954- Cab. Doc. 83-54).

45. The Cabinet noted the report of the Secretary of State and deferred consideration to a later meeting of proposed revised procedures for dealing with procurement and disposal of office machines, pending an examination of the implications by the Department of Finance.

Booklets on the National Capital

46. The Secretary of State reported that the Queen's Printer, some years ago, had produced, as an experiment, a booklet entitled, "The Parliament of Canada". This had found a ready sale which would probably cover its cost. The booklet was intended as part of a broad scheme to include additional booklets on the Supreme Court and other features of the National Capital, for sale only. The Queen's Printer had been informed that some department other than the Printing Bureau would have to sponsor such a publication before approval could be given to its production. The matter had been discussed with the Minister of Citizenship and Immigration, who had indicated that he would be willing to have his department sponsor the booklets if the government approved of their being produced by the Queen's Printer out of the Revolving Fund, without any necessity for a specific departmental appropriation. There was some doubt as to the legality of the procedure but, before making any enquiries, an opinion was sought as to whether such a series of publications, in itself, was worth producing.

47. In the course of discussion, it was pointed out:

(a) The original publications had not been authorized. At the same time, however, it appeared to be a useful booklet and the series might be worth continuing.

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(b) The Queen's Printer should not decide what should be published and, if any department wished to make available, free or for sale, any booklet or document, a recommendation should be made in the usual way, the cost of such publication being covered by a departmental vote if necessary.

48. The Cabinet noted the report of the Secretary of State and agreed that, if the Minister of Citizenship and Immigration thought the continuance of the publication of a series of booklets on the National Capital was valuable, an appropriate recommendation for each such publication should be made in the usual way.

Memorial to Miss Agnes MacPhail

49. The Minister of Citizenship and Immigration said the Speaker of the House of Commons had received a letter from Senators Wilson and Fergusson and Mayor Whitton, requesting that a memorial bust of Miss Agnes MacPhail, the first woman Member of the House of Commons, be placed in a suitable location in the Parliament Building . He thought it would be useful to examine what precedents there were dealing with a matter of this kind, and make a report in due course.

50. In the course of discussion, it was pointed out that the matter had been brought to the attention of the Commissioners of Internal Economy of the House of Commons for consideration.

51. The Cabinet noted the report of the Minister of Citizenship and Immigration concerning the suggestion that a memorial statue to Miss Agnes MacPhail be erected in the Parliament Building .

War Claims Commission; extension of deadline for asserting prisoner of war claims

52. The Secretary of State submitted a recommendation to amend the War Claims Regulations to extend the time from March 31st, 1954 to June 30th, 1954, for members of the armed forces and the merchant marine to file claims for compensation for maltreatment suffered while held as prisoners of war in Europe.

53. The Cabinet agreed that the War Claims Commission Regulations, made and established by Order in Council P.C. 4267 of October 9th, 1952, be amended to provide for the receipt by the War Claims Commission up to June 30th, 1954, of claims of former members of the armed forces and of the merchant marine for compensation for maltreatment suffered as prisoners of war in the European theatre; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-447, March 25).

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Employment situation

54. The Minister of Labour reported that a news release had been issued jointly by the Department of Labour and the Dominion Bureau of Statistics on the previous day, giving the February figures on unemployment. Employment had declined slightly more than was usual in Canada for that month. The figures of persons without jobs and seeking work shown by the Dominion Bureau of Statistics Survey had increased from 280,000 in January to 312,000, and applications for employment on file at offices of the National Employment Service had increased from 524,000 in January to 559,000. In western regions, employment seemed to be holding its own in comparison with the year before, central Canada was falling behind slightly and,in eastern Canada the applications were still increasing. It was hoped that the figures would level off by Easter.

55. The Cabinet noted the report of the Minister of Labour with respect to the employment situation for the month of February.

Appointments

56. The Prime Minister submitted a recommendation for appointments to the Federal District Commission.

57. The Cabinet approved the re-appointment of Dr. R.E. Valin, of Ottawa, and the appointments of Walter Austin Cooch, Esquire, of Hamilton and J. Alexander Walker, Esquire,of Vancouver, as members of the Federal District Commission for the period ending December 31st, 1958; an Order in Council to be passed accordingly.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 1st, 1954.

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Items Discussed

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Legislation; Quebec Savings Banks Act revision	2.
Veterans Treatment Regulations; entitlement to treatment for non-pensionable disability	2.
General Agreement on Tariffs and Trade; Declaration respecting application of Agreement to commercial relations with Japan; Canadian acceptance	3.
Trade Agreement with Japan; parliamentary approval	4.
Korea; United Nations airlift; Canadian contribution	4.
Canadian National Railways; proposed new branch lines into Chibougamau area of Quebec and Lake Manitouwadge area of Ontario	5.
Visit of Soviet musicians and dancers; request for visas	9.
Burlington Canal Bridge, Hamilton, Ont.; Federal participation in new construction	10.
Secretary of State; Queen's Printer; ownership and disposal of office machines	11.
R.C.M. Police Band; invitation to visit South Africa	11.
Repair of naval vessels	12.
Thermo-nuclear tests	13.
Prohibition of fishing from ships in St. Margaret's Bay, N.S.	13.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 1st, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Legislation; Canadian Citizenship Act amendment

1. The Minister of Citizenship and Immigration submitted a bill to amend the Citizenship Act.

Copies of the bill had been circulated.

2. The Cabinet approved the bill to amend the Citizenship Act, as submitted by the Minister of Citizenship and Immigration, and agreed that actual introduction of the measure might be postponed until the next session of Parliament if it appeared to the Minister, at a later date, that too many other government measures remained to be dealt with during the current session.

Legislation; Quebec Savings Banks Act revision

3. The Minister of Finance submitted a resolution and bill to revise the Quebec Savings Banks Act. The main purposes of the bill, which applied only to the Montreal City and District Savings Banks and to La Banque d'Economie de Quebec, were to extend the charters of these banks for another ten years and make this legislation conform with the recently introduced Bank Act revision, and the National Housing Act, 1954.

Copies of the bill had been circulated.

4. The Cabinet approved for introduction the resolution and bill to revise the Quebec Savings Banks Act, as submitted by the Minister of Finance.

Veterans Treatment Regulations; entitlement to treatment for non-pensionable disability

5. The Minister of Veterans Affairs reported that, in accordance with the decision of the meeting of January 28th, 1954, a committee of senior officials of the departments most concerned had considered proposed amendments to the Veterans Treatment Regulations designed to make fuller use of D.V.A. hospital facilities. The committee had agreed, generally, that it was advisable for the Federal government to retain complete control over available beds in D.V.A. hospitals in order that these facilities would be available to the armed forces, immediately, in an emergency. The Committee also agreed that it would be desirable to have as high a level of occupancy as possible in these hospitals. Several alternative courses of actions had been advanced during the course of the committee's discussion as to how best to achieve full or nearly full use of existing facilities.

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Some of the suggestions put forward were not acceptable to the Department of Veterans Affairs. The Minister recommended that favourable consideration be now given to the revised proposal that the Veterans Treatment Regulations be amended to permit veterans who qualified on service grounds to obtain treatment for non-pensionable disabilities in D.V.A. hospitals, and to pay for such treatment according to a sliding scale based on ability to pay.

An explanatory memorandum had been circulated.

(Memorandum, Department of Veterans Affairs, March 23, 1954- Cab. Doc. 82-54).

6. The Cabinet agreed that the Veterans Treatment Regulations be amended to permit veterans who qualified on service grounds to obtain treatment for non-pensionable disabilities in D.V.A. hospitals, and to pay for such treatment according to a sliding scale based on ability to pay, as recommended by the Minister of Veterans Affairs.

General Agreement on Tariffs and Trade; Declaration respecting application of Agreement to commercial relations with Japan; Canadian acceptance

7. The Secretary of State for External Affairs said that the contracting parties to the General Agreement on Tariffs and Trade at the Eighth Session, held in Geneva in 1953, had adopted and opened for acceptance a Declaration whereby, pending tariff negotiations with Japan for her accession, the commercial relations between any contracting party in a position to accept the Declaration, and Japan would be governed by the provisions of the G.A.T.T. The Cabinet had decided, at its meeting on October 21st, 1953, that the Canadian delegation to the G.A.T.T. should indicate that Canada would be prepared to consider the application of the General Agreement between Canada and Japan as soon as a bilateral agreement was ratified and on the understanding that the bilateral agreement would prevail in any respect in which it was not specifically provided for in the G.A.T.T. This was done.

The Minister recommended that Canada accept the Declaration and that he be authorized to execute an instrument of acceptance and to deposit such instrument after the Trade Agreement with Japan, signed at Ottawa the previous day, had been ratified.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 1, 1954-Cab. Doc. 86-54).

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8. The Cabinet approved acceptance of the Declaration of the General Agreement on Tariffs and Trade concerning the application of the G.A.T.T. to commercial relations between the contracting parties and Japan, and agreed that the Secretary of State for External Affairs be authorized to execute an instrument of acceptance of this Declaration, and to deposit such instrument after the Canada-Japan Trade Agreement of March 31st, 1954, had been ratified; an Order in Council to be passed accordingly.

Trade Agreement with Japan; parliamentary approval

9. The Minister of Trade and Commerce submitted draft resolutions for introduction in the Senate and the House of Commons seeking parliamentary approval of the ratification by Canada of the Agreement on Commerce with Japan which had been signed at Ottawa the previous day.

10. The Cabinet approved for introduction in the Senate and the House of Commons resolutions seeking parliamentary approval of the ratification by Canada of the Agreement on Commerce between Canada and Japan which had been signed at Ottawa on March 31st, 1954.

Korea; United Nations airlift; Canadian contribution

11. The Minister of National Defence said Canada was now contributing to the United Nations airlift, each month, eight R.C.A.F. North Star trips carrying approximately 30 tons in all from Tacoma to Tokyo and return, twelve Canadian Pacific Airlines DC6-B trips with an aggregate capacity of 600 passengers from Vancouver to Tokyo, and eight Canadian Pacific Airlines DC6-B trips with an aggregate capacity of 400 passengers from Tokyo to Vancouver.

Although requirement for some airlift in the Pacific would probably continue until a definite settlement was reached in Korea, it would be uneconomical for the North Star aircraft of the R.C.A.F. to continue operating if Shemya airport in the Aleutians was closed to civilian and R.C.A.F. operations, as now seemed likely in the near future.

As the larger, longer range DC6 aircraft of Canadian Pacific Airlines could continue on the Northern route without the use of Shemya airport, it was recommended that, in the event a reduction of Canadian airlift to Korea became possible, the R.C.A.F. component be withdrawn and the contract with C.P.A. be renewed, if possible, at lower rates than the present ones and subject to termination on short notice.

An explanatory memorandum was circulated.

(Minister's memorandum, undated - Cab. Doc. 87-54).

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12. The Cabinet approved the recommendations of the Minister of National Defence and agreed that, in the event a reduction of the Canadian airlift to Korea became possible, the R.C.A.F. component be withdrawn from this operation and that the contract with Canadian Pacific Airlines, which expired on March 31st, 1954, be renewed for three months at a time at rates lower than at present, if possible, and subject to termination on short notice.

Canadian National Railways; proposed new branch lines into Chibougamau area of Quebec and Lake Manitouwadge area of Ontario

13. The Prime Minister, referring to discussion at the meeting of March 19th,1954, said the special Committee of officials appointed at that time had now submitted a report outlining several courses of action with regard to proposals of the Canadian National Railways for the construction of new railway branch lines into the Chibougamau area of Quebec and the Lake Manitouwadge area of Ontario.

The Committee had come to the conclusion that the Manitouwadge line and the Beattyville-Chibougamau line would,in all likelihood,be immediately profitable whereas the proposed line between St. Felicien and Chibougamau would likely show substantial deficits for some time to come. The Committee had considered whether it should recommend that approval of the probably highly profitable lines be contingent on the C.N.R. undertaking, without subsidy, the presently uneconomic St. Felicien-Chibougamau line. After considering all the factors involved, however, the Committee had come to the conclusion that this would be undesirable and that the Manitouwadge line and the whole of the Chibougamau line between Beattyville and St. Felicien should be considered separately on their own merits.

The Committee had recommended that unqualified approval be given to the proposal of the Canadian National Railways to build a 27 mile railway line into the Lake Manitouwadge area from Hillsport.

Four alternative courses of action were submitted for consideration with regard to the proposed Chibougamau line.

The first course would be to proceed,at this time,only with the western portion of the line between Beattyville and Chibougamau and make no commitment as to when the eastern portion would be constructed, with an indication, however, that, if and when the eastern portion

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were constructed, the government would be prepared to regard the project as a single whole and of a nature to warrant a subsidy on the same general scale as that provided on the Ontario Northland and the Pacific Great Eastern. Action along these lines would be economically sound from a short-term point of view, but might result in establishing patterns of traffic and trade that would be hard to alter when the eastern section was built. Moreover, it would probably come as a serious disappointment to those who saw in the eastern portion of the line the key to the destiny of the Saguenay-Lake St. John region.

A second possible course of action would be to say that building of the whole line at the present time could not be justified from a traffic point of view, unless a subsidy were paid to make it possible for the C.N.R. to await the long-term developments that would ultimately follow. The Federal government might offer a subsidy of $20,000 a mile on the whole line and let the C.N.R. then approach the government of Quebec to provide the additional amount of subsidy necessary to carry through the project as a whole at this time, which would be half that provided by the Federal government. In doing so, the Company could point out that both Ontario and British Columbia had assisted in the development of their northern regions by helping to finance the extension of railways into areas of potential development. The Committee appreciated, however, that the government might regard such an approach to Quebec as likely to be unfruitful and to lead simply to undesirable controversy. The Committee, therefore, simply pointed out that the Ontario and B.C. precedents would offer some basis for such an approach.

A third alternative would be to announce that the western portion of the line would be constructed forthwith and that the eastern portion would be constructed later when developments in the Saguenay-Lake St. John area made it possible to proceed, given a subsidy on the whole line on a scale comparable with that granted the P.G.E. and Ontario Northland in the past, or some guarantee of revenue on the branch line in lieu of an equivalent to such a subsidy. Undoubtedly the C.N.R. expected such development from the terms which they had suggested. There might be genuine value in the precedent created of making the extension and the paying of the subsidy contingent on further economic development of a character that appeared to be sensible in the area. With this in mind, specific reference might be made to the development of metallurgical, chemical or pulp and cellulose industries.

The fourth alternative course of action would be to take the risks involved in making a commitment to proceed with the eastern portion of the line once the western part had been completed. This would involve a subsidy to the

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line as a whole or some equivalent guarantee for net revenue to the system that would be on a scale 50 percent greater than that provided in the past to the P.G.E. and Ontario Northland. Such a higher rate of subsidy or guarantee would not need to be settled immediately but perhaps in two years' time when the western part was completed. The legislation passed now would presumably authorize the construction of the whole line from Beattyville to St. Felicien and subsequent legislation would be needed to provide a subsidy or guarantee. The Committee suggested that, if such a decision were taken, the subsidy or guarantee might reasonably apply to the Chibougamau line as a whole, thereby keeping down the rate per mile which would be applicable on other cases in future.

An explanatory memorandum had been circulated.

(Secretary's memorandum, March 30, 1954-Cab. Doc. 85-54).

14. In the course of discussion, the following points emerged:

(a) It seemed likely that the Canadian Pacific Railway would, in the near future, seek a charter to construct a branch line of its own into Lake Manitouwadge. There was every indication that the mineral potential of the areas was of such magnitude as to allow both railways to compete successfully for the available traffic. In any event, it would appear undesirable for the government to discriminate in favour of the C.N.R. against the C.P.R. unless it could be established, beyond doubt, that duplication of rail facilities in this area would make them unprofitable for both railways.

(b) The Ontario Northland and the P.G.E. Railways were owned respectively by the governments of Ontario and British Columbia, whereas, in the case of Chibougamau, the proposed development was to be undertaken by the federally-owned Canadian National Railways. This made it much less likely that the Provincial government would find it desirable to contribute to the cost of the line.

(c) It was understood that the Canadian National Railways would soon submit proposals for three other new railway projects in other provinces. At least two of these projects would likely require substantial subsidies. In the circumstances, it might perhaps be best to defer decision on the extent of subsidy in the case of the Chibougamau project until proposals had been received from the Railways in respect of the other three projects.

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(d) If only the western portion of the Chibougamau project were to be constructed, the public of the Province of Quebec might feel that the province's raw materials were being diverted to the industrial centers of Ontario at the expense of the potential industrial capacity of the Lake St. John and Saguenay area.

(e) Perhaps the most satisfactory course of action would be to seek enactment of enabling legislation under which the Canadian National Railways would be authorized to construct the whole of the Chibougamau project without, however, formally committing the government at this time to any form of subsidy. If this were done, the railway might be informed that, eventually, the government would likely be prepared to consider paying a subsidy not in excess of $20,000 a mile for the whole project between Beattyville and St. Felicien. The railway management might also be well advised to explore the possibility of obtaining the active co-operation of the government of Quebec in encouraging the establishment of revenue-producing metallurgical or other industries in the St. John and Saguenay district.

(f) The Lake St. John-Saguenay area was one of the regions in Canada where unemployment was highest at the moment and anything that could be done to stimulate industrial activity and consequential employment opportunities would be useful.

15. The Cabinet agreed:

(a) that a bill be prepared, to be introduced at this session of Parliament, to authorize construction by the Canadian National Railways of a 27 mile branch line from Hillsport into the Lake Manitouwadge area in Ontario, and of a 294 mile line from Beattyville to Chibougamau and thence to St. Felicien in the Province of Quebec;

(b) that no commitment be made at this time to pay a Federal subsidy on the construction of the Chibougamau project; and,

(c) that the Minister of Transport advise the President of the Canadian National Railways that the government was not prepared to undertake, at this time, the payment of a subsidy on the scale proposed by the Railways, as that exceeded the scale that had been paid in recent years, for example on the Pacific Great Eastern line, even when adjustment was made for increases in the levels of costs and prices, but noting that the government would be prepared to consider the payment of a subsidy in respect of the whole line after construction had been completed as far as Chibougamau, and in the light of traffic prospects, for the whole line if it were to be completed at that time.

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Visit of Soviet musicians and dancers; request for visas

16. The Secretary of State for External Affairs, referring to discussion at the meeting of March 18th, 1954, said the necessary information had now been received from the Canadian Ambassador in Moscow to allow the granting of visas to Soviet musicians and dancers to enter Canada under the sponsorship of the Canadian-Soviet Friendship Society. There appeared to be three possible courses of action,-

(a) the visas might not be given on the grounds that the government did not approve of the sponsoring organization;

(b) administrative delays could take place and the matter be allowed to drop; or, finally,

(c) it could be stated that there would be no political objection to the granting of visas, but, at the same time, a warning be issued that those persons were coming to Canada only for artistic purposes and for no other reason.

The Minister recommended that the latter course be adopted.

17. In the course of discussion, the following points emerged:

(a) There had almost always been difficulty for sponsors of musical entertainment where this was provided by musicians who did not belong to a union or who came from abroad, unless appropriate arrangements had been made with the American Federation of Musicians. Before granting visas to the Soviet artists, it might be advisable to have this aspect of the matter explored informally. If visas were granted and the union then objected to the concert taking place there might be unwarranted criticism from the Soviet Union.

(b) While it might be desirable for the sponsors to clear with the Union certain labour aspects involved in the concerts of the Russian artists in Canada, the government itself should not become involved in any such discussions.

(c) It might be desirable to issue the visas and warn the sponsors at the same time of the type of problem that might arise in relation to unionized musicians in Canada.

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(d) In any event, it should not be stated that there was any political objection to the granting of the visas. The matter should be dealt with quickly as the concerts were to be held soon and the government might be accused of unnecessary delay.

18. The Cabinet noted the report of the Secretary of State for External Affairs, and agreed that visas be granted to certain Soviet musicians and dancers who wished to enter Canada for the purpose of giving concerts under the sponsorship of the Canadian-Soviet Friendship Society, on the understanding that the question of relations with labour unions on this matter be first explored informally by the Department of Labour.

Burlington Canal Bridge, Hamilton, Ont.; Federal participation in new construction

19. The Minister of Public Works, referring to discussion at the meeting of March 19th, 1954, suggested that further consideration be given to proposals for Federal assistance in a new bridge over the Burlington Canal near Hamilton, Ontario.

20. In the course of discussion, the following points emerged:

(a) The present railway bridge was quite satisfactory and in good repair. The Canadian National Railways saw no reason for building a new structure and would not contribute to the cost of any new bridge in the area. If a high-level bridge were to be constructed, the Department of Transport, likewise, would have no interest in it, except possibly in access roads leading to departmental buildings near the canal.

(b) The requirements for a bridge arose from the existence of a Federal work. It had been the practice of the Federal government to build bridges over canals in the past and there seemed to be a clear obligation to replace the bridge which had been destroyed. The question was whether an ordinary low-level bridge should be constructed or whether the government should join with the provincial government in the construction of a high-level structure required to meet the traffic requirements of this main highway.

(c) It would be difficult to avoid criticism if only a low-level bridge were provided and traffic were frequently interrupted by navigation through the canal. One of the arguments likely to be made in support of a Federal contribution towards a high-level structure would be that encouragement should be given to tourist traffic over one of the main routes into Canada from the United States.

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21. The Cabinet agreed that the Minister of Public Works be authorized to enter into discussions with the Ontario provincial government regarding the construction of a high-level bridge over the Burlington Canal at Hamilton, with a view to the Federal government contributing not more than one-third of the cost of a project estimated to cost about $13.3 million.

Secretary of State; Queen's Printer; ownership and disposal of office machines

22. The Secretary of State, referring to discussion at the meeting of March 25th, 1954, said it was now proposed to ask the Secretary of the Treasury Board, the Queen's Printer and the President and General Manager of Crown Assets Disposal Corporation, with the assistance of the President of the Canadian Commercial Corporation, to submit a joint recommendation on the ownership and disposal of typewriters and other office machinery.

23. The Cabinet noted the report of the Secretary of State that the Secretary of the Treasury Board, the Queen's Printer and the President and General Manager of Crown Assets Disposal Corporation, with the assistance of the President of the Canadian Commercial Corporation, had been requested to submit, in due course, a joint recommendation on the ownership and disposal of typewriters and other office machinery.

R.C.M.Police Band; invitation to visit South Africa

24. The Minister of Justice said an invitation had been received from a business firm wishing to arrange for the R.C.M. Police Band to give concerts in South Africa from November 1st, 1954 to the end of February 1955. Forty-eight bandsmen would be involved but there would be no cost to the Canadian government apart from the pay and allowances of the personnel. The Departments of External Affairs and Trade and Commerce thought that, from the point of view of fostering good relations abroad, there might be some advantage in the invitation being accepted.

25. In the course of discussion it was pointed out there would likely be considerable criticism because of the Band being abroad for so long and that it could be more usefully employed in Canada or in visiting Canadian troops overseas.

26. The Cabinet noted the report of the Minister of Justice and agreed that the invitation for the R.C.M. Police Band to participate in concerts in South Africa from November, 1954 to February, 1955, be not accepted.

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Repair of naval vessels

27. The Minister of Defence Production said the Maritime Commission had recommended that the frigate "La Hulloise", about which some Ministers had enquired, should be converted at the Davie Shipbuilding and Repairing Company Limited, at Lauzon, and, after consulting the other Ministers interested, he was now proposing to carry out this recommendation. The main reason for doing so was that there was other construction work which could shortly be allocated to Maritime yards, and work was needed immediately in the Lauzon area. It was proposed that the ferry for the service between Wood Islands, P.E.I. and Caribou, N.S., be built in the Pictou yards, a lighthouse supply and buoy vessel for use at Quebec, at Saint John, and a lighthouse supply and pilotage tender at Lunenburg. In addition, the fisheries research vessel, to be constructed at a cost of $2.5 million, might go to the Halifax yards once its plans and specifications had been completed in England.

28. In the course of discussion, the following points emerged:

(a) The Saint John yard had enough work for two years and, rather than allocate another ship there, it would be preferable to have work done in one of the St. Lawrence yards where many employees might soon be laid off.

(b) There was a real need for a lighthouse supply and buoy vessel for Newfoundland and, if the specifications and plans could be put in hand, this would provide additional work for the Maritime yards, perhaps at Halifax.

(c) From the point of view of the Department of Fisheries, it did not much matter where the new fishing vessel was constructed once the plans were completed, and it might be well to ask for tenders, particularly because of the desirability of giving the British the opportunity of earning dollars.

(d) There was some doubt as to whether the Lunenburg yards could construct a steel hull for a pilotage vessel.

29. The Cabinet noted the report of the Minister of Defence Production and agreed:

(a) that the conversion of the frigate "La Hulloise" be carried out at the Davie Shipbuilding and Repairing Company, Limited, at Lauzon;

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(b) that the new ferry vessel for the Northumberland Straits be constructed at Pictou;

(c) that the lighthouse supply and pilotage tender be constructed at Lunenburg; and,

(d) that a new lighthouse supply and buoy vessel for use in Newfoundland be constructed at the Halifax shipyards;(provision for this purpose would be required in the supplementary estimates).

Thermo-nuclaar tests

30. The Minister of National Defence reported on the result of enquiries which had been made in Washington by the Chairman of the Defence Research Board with respect to the recent thermo-nuclear tests conducted by the U.S. Atomic Energy Commission in the Pacific Ocean.

31. The Cabinet noted the report of the Minister of National Defence and agreed that the Ministers of Defence Production, National Defence, Health and Welfare and External Affairs, together, decide on a statement which might be given and on answers to be made to questions which had or might be asked in the House of Commons regarding thermo-nuclear tests held by the U.S. Atomic Energy Commission, and that, in future, the Minister of National Defence would normally be expected to answer questions on this subject where they clearly did not fall within the scope of another department.

Prohibition of fishing from ships in St. Margaret's Bay, N.S.

32. The Minister of Public Works said that, in St. Margaret's Bay, Nova Scotia, the livelihood of the local fishermen who lived along the shores and who used fixed gear in their work was being threatened by fishermen working in the area from vessels employing trawls. A recommendation was submitted for the prohibition of fishing by vessels coming from outside the Bay.

33. The Cabinet agreed that, under the authority of section 34 of the Fisheries Act, no person during the year 1954 would be allowed to fish by means of a vessel using an otter trawl in that part of St. Margaret's Bay, in the Province of Nova Scotia, which lies north of an imaginary line drawn from the lighthouse at Peggy's Point, Halifax County, to the most southerly point of Southwest Island, Lunenburg County; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-498, April 1).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 5th, 1954.

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Items Discussed

Budget	2.
Income Tax Regulations; amendment	2.
Criminal Code revision; further amendments	2.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Monday, April 5th, 1954, at 11:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Budget

1. The Minister of Finance outlined the more important budgetary measures for 1954-55 which he proposed to announce in the House of Commons the following day at 8:00 p.m.

2. In the course of discussion certain changes were suggested in the statements to be made with regard to the relationship of Federal income tax to the new income tax in Quebec, and with regard to the future intentions in the field of succession duties.

3. The Cabinet noted with approval the report by the Minister of Finance on the budget proposals for 1954-55, as modified in the light of the discussion.

Income Tax Regulations; amendment

4. The Minister of National Revenue recommended that the Income Tax Regulations be amended to repeal the provisions requiring that capital cost allowance deductions be reflected in the financial statements of corporations.

5. The Cabinet agreed that the Income Tax Regulations, established by Order in Council P.C. 6471 of December 22nd, 1949, be amended by the deletion therefrom of subsection 4 of section 1100 and of subsection 5 of section 1700; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-499, April 5).

Criminal Code revision; further amendments

6. The Minister of Justice reported on certain possible changes in the Criminal Code revision as a result of representations that had been made, or were likely to be made, during the course of discussion of the various sections of that legislation in the House of Commons.

The suggested changes related particularly to sabotage (section 52), unlawful and riotous assemblies (section 68) and breaches of trade union contracts (section 365).

7. The Cabinet noted with approval, subject to certain modifications suggested during the course of discussion, the report by the Minister of Justice on additional changes that could be made in certain sections of the Criminal Code revision during the course of current discussions in the House of Commons.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 8th, 1954.

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Items Discussed

Post Office Savings Bank; future policy	2.
National Parks; motor vehicle entrance fees	3.
Mines and Technical Surveys; hydrographic survey vessel for eastern Arctic	5.
Newfoundland; Labrador Indians and Eskimos	7.
International Conference on Pollution of the Sea by Oil; Canadian delegation; signing powers	9.
Public Archives; accommodation	11.
Federal District Commission; improvements to the Chaudiere Bridge and Wellington Street	12.
Atomic Energy of Canada Limited; capital budget	13.
Canadian National (West Indies) Steamships Limited; House of Commons Sessional Committee of Railways and Shipping	14.
Highway Accidents	15.
Senate recess and the employment situation	16.
Royal Commission on Textiles	17.
Transportation for Members of Parliament	19.
Continental defence; joint announcement by Canada and the United States	19.
United States proposal for security arrangement in South-east Asia	20.
Appointments; National Research Council	21.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 8th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent)in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Post Office Savings Bank; future policy

1. The Postmaster General reported that the Post Office Savings Bank, patterned largely after the British system, had been in continuous operation since Confederation. Approximately 1,500 post offices now gave savings bank service. At the present time, there was a total of 291,000 accounts with an aggregate of $37 million on deposit. Administration costs for the fiscal year 1952-53 (including apportioned overhead and other costs) were estimated to be $387,566. The present rate of interest was 2 percent, but it had been suggested that this rate should be increased to 2½ percent so as to be more nearly in line with rates paid by institutions giving similar service.

Following a recent survey of the organization and administration of the Post Office, J.D. Woods & Gordon Limited had recommended that the Savings Bank be discontinued entirely or, if this were not acceptable, that its operations be restricted to those communities where no alternative banking facilities were available. Arguments for and against this recommendation were submitted.

A decision was required as to whether the Post Office Savings Bank should be continued and, if so, whether the interest rate should be increased from 2 to 2½ percent and a more aggressive publicity policy followed.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 30, 1954- Cab. Doc. 88-54).

2. In the course of discussion, the following points emerged:

(a) Deposits in the Post Office Savings Bank represented only 0.5 percent of all banking deposits in Canada at the present time.

(b) Although a decision in this matter would be based on political rather than financial considerations, it was perhaps worth noting that the government could obtain short-term financing at a more favourable interest rate than was possible through the Post Office Savings Bank, taking the administrative costs into account.

(c) Although it might be possible to effect some savings by discontinuing the banking operations of the Post Office, such discontinuance would likely give rise to dissatisfaction, particularly in some of the smaller communities.

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(d) It was suggested that the most practical course of action might be to continue the Savings Bank under the same conditions as at present, on the understanding that consideration might be given, at a later date and in more favourable circumstances, to the desirability of discontinuing this service. It was thought inadvisable to place the Savings Bank in a better competitive position with commercial banks and, for this reason, the present interest rate should not be increased and no special publicity campaign should be launched.

3. The Cabinet noted the report of the Postmaster General and agreed that the Post Office Savings Bank be continued for the time being without any change in interest rate, limits on deposits, or other provisions now in effect and without any special publicity being undertaken.

National Parks; motor vehicle entrance fees

4. The Minister of Northern Affairs and National Resources reported that, since the National Parks had first been established, very substantial sums of public money had been spent on providing and maintaining roads and other facilities for visitors. Capital and operating expenditures in the Parks during 1952-53 had totalled $6,024,000 whereas total revenues had been only $982,000. It was estimated that total expenditures during 1954-55 would be slightly in excess of $7 million.

During the past few years a number of steps had been taken to increase revenues from the Parks in line with increasing costs of operation. In 1951, lot rentals were increased by a substantial proportion, in some cases by more than 100 percent. Revenue from lot rentals would rise year by year as leases were renewed, and the whole question would again come up for review in 1960. In 1952, business licence fees were substantially increased, as also were the fees for the use of camp grounds and certain recreational facilities. Effective this year, fees for the use of swimming pools had been raised by about 40 percent.

In accordance with a decision reached when the National Parks estimates were being reviewed by Treasury Board in November 1953, the Department of Northern Affairs and National Resources was studying possible further revisions in fees and charges. A recommendation had been proposed for substantial increases in motor licence entrance fees. Such fees had been charged on

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automobiles, trucks and buses entering the Parks in western Canada although no similar fees were charged in the Parks located in the Maritime Provinces because of lack of facilities. It was now proposed to increase these fees by between 60 and 100 percent, and more in a very few cases where rates were abnormally low. For example, it was proposed to increase the annual fee for passenger cars entering the mountain Parks from $2,00 to $4.00 and for cars entering the prairie Parks from $1.00 to $2.00. It was planned to make similar increases in the entrance fees for trucks. It was not, however, proposed to alter substantially the fees now payable by buses since they were already quite high.

Approval in principle was requested for the proposed increases, subject to examination in detail by the Treasury Board. It was suggested that similar fees, at rates to be determined later, might be introduced in the maritime Parks beginning April 1st, 1955.

An explanatory memorandum had been circulated.

(Minister's memorandum April 6,1954 - Cab. Doc. 90-54).

5. During the course of discussion, the following points emerged:

(a) The establishment of an annual fee of $4.00 for all passenger cars entering the mountain Parks might be excessive, as many of these cars would only enter the Parks once in any year and for a very brief vacation period or others were only passing through these Parks on the way elsewhere. Consideration might usefully be given to adopting something along the lines of the U.S. practice, whereby it would be possible to grant a 15-day permit to all passenger cars on payment of $2.00 or half the regular annual fee.

(b) Two substantial sources of revenue - the gasoline tax and profits from the sale of liquor - were collected in the National Parks by provincial governments and were not available to the Federal government in spite of the fact that virtually all expenditures in the Parks were met by the Federal government. Detailed consideration might usefully be given, at a later date, to the possibility of the Federal government retaining to itself the proceeds of any tax on gasoline sold in the Parks and the profits from the sale of liquor, as it could legally

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do under the Transfer of Natural Resources Agreements. In view of the difficulties that would likely arise if the Federal government were to take over the liquor retail business in National Parks, consideration might be given to the possibility of reaching an agreement with the provinces operating liquor stores in the Parks under which the provinces would pay over to the Federal government, as a commission, a percentage of the profits realized on liquor sales, much as was now done by the operators of canteens, restaurants, stores, etc. located on National Defence property.

(c) In view of the very wide differences that existed in various National Parks with regard to motor licence entrance fees and as it would not be possible to reach an immediate decision on what action, if any, should be taken on gasoline taxes and profits on liquor sales, it seemed best to leave the motor licence entrance fees unchanged for the time being in those National Parks where such fees were charged.

6. The Cabinet noted the report of the Minister of Northern Affairs and National Resources and agreed,-

(a) that no change be made at this time in the scale of fees now charged on passenger automobiles, trucks and buses entering National Parks; and,

(b) that consideration be given, at a later date, as to what action, if any, should be taken to secure to the Federal government the revenue from taxes on gasoline and profits on the sale of liquor in National Parks.

Mines and Technical Surveys; hydrographic survey vessel for eastern Arctic

7. The Minister of Mines and Technical Surveys said that, following a decision at the meeting of June 12th, 1953, the sum of $1.5 million had been included in his department's estimates for 1954-55 to permit a start being made on the construction of a hydrographic survey vessel for use in the eastern Arctic, the total cost of which was estimated to be $4 million.

Plans and specifications for the vessel had now been completed by Milne, Gilmore and German, naval architects, and his department was ready to call for tenders.

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Although a lower bid for the construction of this vessel might be expected from U.K. shipyards, it was suggested, in order that hydrographic experts could supervise construction while in progress and for other reasons, that the contract be placed with some suitable Canadian firm and that the seven largest shipyards in eastern Canada be asked to tender.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 6,1954- Cab. Doc. 91-54).

8. In the course of discussion, the following points emerged:

(a) It was usual and accepted policy to assist in maintaining the Canadian ship-building industry by placing orders in Canada for ships required by the government, even though these could be obtained more cheaply elsewhere.

(b) While there was something to be said for permitting west coast yards to bid on this vessel, even though such bids were very likely to be higher than those from the east, it was probably wiser to continue to restrict bids on vessels required in the east to eastern yards so that a similar restriction to western yards could be made for bids on vessels required in the west.

(c) The experience of other departments with the firm of Milne, Gilmore and German had been far from satisfactory.

9. The Cabinet noted the report of the Minister of Mines and Technical Surveys and agreed,-

(a) that tenders for the construction of the hydrographic survey vessel for use in the eastern Arctic be invited from the following shipyards:

Canadian Vickers Limited,
Montreal, P.Q.

Marine Industries Limited,
Montreal, P.Q.

Geo. T. Davie & Sons Ltd.,
Lauzon, Levis, P.Q.

Davie Shipbuilding & Repairing
Company,Limited,
Levis, P.Q.

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Ferguson Industries Limited,
Pictou, Nova Scotia.

Saint John Dry Dock Company
Limited,
East Saint John, N.B.

Halifax Shipyards Limited,
Halifax, Nova Scotia.

and,

(b) that construction of the vessel be supervised by an engineering firm to be selected by the Minister of Mines and Technical Surveys after consultation with the Minister of Trade and Commerce and the Minister of Transport.

Newfoundland; Labrador Indians and Eskimos

10. The Secretary of State said that, following a Cabinet decision of March 26th, 1953, the Minister of Citizenship and Immigration had informed the Newfoundland Minister of Public Welfare that, in return for discontinuing ad hoc Federal relief and health payments for Indians and Eskimos in Northern Labrador, the Federal government was prepared to assume all or a major share of agreed non-recurring capital expenditures for Indians and Eskimos in Labrador and, in addition, to bear the full costs of an intensive anti-tuberculosis programme over a ten-year period, provided that all other financial and administrative responsibilities for Indians and Eskimos in Labrador would henceforward be assumed by the Provincial government.

Since then, correspondence had been exchanged and discussions had taken place between Federal and Provincial representatives, but no firm agreement had been reached. He now recommended that the original proposal submitted in 1953 be expanded somewhat by enlarging the proposed ten-year anti-tuberculosis programme to a ten-year general health programme. It was thought that this enlarged programme might cost from $10,000 to $20,000 per annum more than the straight anti-tuberculosis programme.

He had been informed by the Newfoundland Minister of Public Welfare, on March 29th, that the revised plan was acceptable to the Newfoundland government who were prepared, upon agreement being reached on this basis, to assume full responsibility for relief as of April 1st, 1954.

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He recommended, therefore, with the concurrence of the Ministers of National Health and Welfare, Finance Citizenship and Immigration and Northern Affairs and National Resources, that he be authorized, on behalf of the Federal government, to conclude an agreement on the suggested revised basis with the government of Newfoundland.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 7, 1954-Cab. Doc. 92-54).

11. The Cabinet noted the report of the Secretary of State on discussions which had taken place during the past year with representatives of the government of Newfoundland, concerning allocation between Federal and Provincial authorities of financial and administrative responsibility for Indians and Eskimos in Northern Labrador, and authorized the Minister to conclude an agreement with the government of Newfoundland for a long-term settlement of this issue on the following basis:

(a) the Federal government to assume 66 2/3 percent of agreed capital expenditures on Eskimo account and 100 percent of agreed capital expenditures on Indian account in the fields of welfare, health and education; the aggregate cost to the Federal government not to exceed $200,000;

(b) the Federal government, with the active co-operation of the Provincial Department of Health, the Grenfell Missions and the Newfoundland Tuberculosis Association, to assume, for a ten-year period beginning April 1st, 1954, full financial and, to the extent required, administrative responsibility for the transportation, hospitalization and treatment of Northern Labrador Indians and Eskimos requiring hospital treatment and, during that same ten-year period, to undertake an aggressive anti-tuberculosis programme; and,

(c) the government of Newfoundland, as of April 1st, 1954, to assume all financial and administrative responsibilities for the Indian and Eskimo population of Labrador, including relief, but excluding those matters mentioned in (a) and (b) above, and all Federal benefits such as family allowances and old age pensions which have general application throughout Canada.

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International Conference on Pollution of the Sea by Oil; Canadian delegation; signing powers

12. The Secretary of State for External Affairs reported that the United Kingdom had invited Canada, amongst other nations, to attend an International Conference in London, commencing on April 26th, 1954, on the Pollution of the Sea by Oil. In the past, Canada had indicated its interest in this subject, and had expressed agreement to the Economic and Social Council of the United Nations that a draft convention on the subject prepared in 1935 under the auspices of the League of Nations, could serve as a working basis for future consideration of the problem. Subsequently, the matter was studied by the Intergovernmental Maritime Consultative Organization, but the convention resulting from that study had not yet been ratified by the required number of states. The United Kingdom had apparently concluded that another conference should be held at once to endeavour to reach an agreement on steps to be taken to prevent further serious pollution of this kind. The refuse on seas and beaches came from tankers and oil-burning ships other than tankers. The problem was not at present as vital a one for Canada as for the U.K. and certain other maritime countries. However, Canadian authorities in the past had shown a keen interest in the subject, particularly as it affected sea birds. Canadian shipowners would be vitally interested in any agreement which might affect their commercial operations and which might require the installation of special equipment.

The Minister recommended, with the concurrence of the Minister of Transport, that the invitation be accepted, that a delegation be appointed to attend the Conference, and that the head of the delegation be authorized to sign any agreement that might be reached.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 30, 1954-Cab. Doc. 93-54).

13. In the course of discussion, the following points emerged:

(a) The pollution of the sea by oil was becoming an increasingly difficult problem, there being no effective control over ships discharging oily refuse wherever they saw fit. Insofar as Canada was concerned, certain foreign ships already steamed into the Great Lakes and, when the St. Lawrence Seaway was constructed, this

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traffic would increase considerably, with a possible increase in the amount of oil discharged there. Even now the Vancouver harbour was being seriously polluted particularly by foreign vessels.

(b) It was proposed that the head of the delegation be the Chairman of the Board of Steamship Inspection from the Department of Transport because he was the officer responsible for the administration of the Steamship Inspection Regulations and should be fully familiar with any recommendations which might involve the installation of special equipment on Canadian ships.

14. The Cabinet approved the recommendation of the Secretary of State for External Affairs, as concurred in by the Minister of Transport, and agreed:

(a) that the government accept the invitation from the United Kingdom to be represented at an International Conference on the Pollution of the Sea by Oil, to be held in London on April 26th,1954;

(b) that the Canadian delegation consist of:

Head of the Delegation:	A. Cumyn, Esq., Chairman of the Board of Steamship Inspection, Department of Transport;
Delegates:	Leo J. Leavey, Esq., Legal Adviser, Canadian Maritime Commission;
	R.J. Brearley, Esq., National Research Council, Scientific Liaison Officer on the staff of the Canadian High Commissioner in London;

and,

(c) that A. Cumyn, Esq., be vested with full power to negotiate and sign, on behalf of the government of Canada and subject to ratification, such treaty, convention or agreement as might be agreed upon at the Conference;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-560, April 8).

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Public Archives; accommodation

15. The Secretary of State said that, after consultation with the Prime Minister, he had given the Dominion Archivist, some months ago, authority to instruct the architect for the National Library building to prepare plans which would include accommodation for the Public Archives, apart from those units to be housed in the new Records Building at Tunney's Pasture.

Dr. Lamb had now asked for a formal decision as to whether both the Public Archives and the National Library should be housed in the new building. He felt that plans developed thus far would provide exceptionally good quarters for the Archives and would also enable a separation of the two institutions under different heads if the government deemed this desirable at some later date. It would be a distinct advantage to have the two institutions under the same roof. From the point of view of the Archives, the move was desirable because the present building was now over-crowded, manuscript collections were deteriorating because of the impossibility of controlling effectively humidity or temperatures and Canadian scholars had found it extremely convenient to have both books and collections of papers in one building. Furthermore, it was understood that the present Archives building might be needed for the ultimate expansion of the Mint.

The Minister recommended that the Public Archives and National Library be housed in the same building.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State, April 3, 1954 - Cab. Doc. 89-54).

16. In the course of discussion, it was pointed out that, although there was no immediate need for additional quarters for the Mint, the present building was not suitable for the Archives and that the proposal of combining Archives and National Library under one roof would save money.

17. The Cabinet approved the recommendation of the Secretary of State and agreed that provision be made in the new National Library Building to accommodate the Public Archives, other than those portions to be in the new Records Building.

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Federal District Commission; improvements to the Chaudiere Bridge and Wellington Street

18. The Prime Minister, as President of the Privy Council, said that the Federal District Commission had already been authorized to carry out certain improvements to the federally-owned stone causeway and arches constituting the approach from Hull to the Chaudiere Bridge over the Ottawa River. In the course of preparatory work before making these improvements, it was discovered that the foundations of the trestle carrying streetcar tracks along the side of the causeway and arches were faulty and that, consequently, it was not possible to incorporate this trestle in the improved roadway without great additional expense. The Commission now proposed that, instead of the original plan, they be authorized to construct a new trestle to carry vehicular traffic towards Hull, leaving the old structure, with minor improvements, to carry the traffic away from Hull towards the bridge. The new plan would be most economical and effective if buses were substituted for the present streetcars. The Commission strongly desired to have the streetcars, tracks and wires removed from Wellington Street in Ottawa as this was part of the plan for the improvement of the Capital. They had negotiated, therefore, with the City of Ottawa and the Ottawa Transportation Commission to secure an agreement for the removal of the streetcars and their replacement by buses. The City and the O.T.C. were prepared to make this change if the Commission contributed from the National Capital Fund the cost of removing rails and trolleys and the cost of new buses to replace the streetcars, as well as certain minor items. It appeared that the roadway between Hull and the Chaudiere Bridge could be improved for about $350,000 compared with the $250,000 already authorized, and the streetcars could be replaced for approximately $307,000, making a total cost of $657,000 for the whole project. If the project were carried out, it would relieve a serious bottleneck between Ottawa and Hull and improve the appearance of Wellington Street and the bridges over the river.

He concurred in the recommendations for the revised programme.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, April 7, 1954 - Cab. Doc. 94-54).

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19. In the course of discussion, it was suggested that the Federal government should not have to provide buses in place of streetcars for a municipality as such a change was economical in any case. However, it was also pointed out that it had been the practice for the government to participate in such improvements in the Capital area where it had an interest in seeing these made considerably sooner than would otherwise be the case.

20. The Cabinet, after further discussion, approved the recommendation of the President of the Privy Council and agreed that, under the provisions of the Appropriation Act No. 4, 1948, and the Federal District Commission Act, the Federal District Commission be authorized,-

(a) to revise the project approved by Order in Council P.C. 1953-1445, of September 17th,1953, for improvements in the Hull approach to the Chaudiere bridge by adding a new steel trestle to accommodate northbound traffic, at an increased total estimated cost of $350,000 rather than the $250,000 previously authorized; and,

(b) to enter into an agreement with the City of Ottawa and the Ottawa Transportation Commission providing for payment by the Federal District Commission of approximately $307,000 in order to secure the removal of the streetcars, tracks and overhead trolley wires from Wellington and other streets between Bank Street and Hull and for the use of buses instead;

the cost of the two proposals to be a charge on the National Capital Fund; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-559, April 8).

Atomic Energy of Canada Limited; capital budget

21. The Minister of Trade and Commerce recommended that the capital budget of Atomic Energy of Canada Limited for the financial year 1954-55 be approved.

22. The Cabinet approved the recommendation of the Minister of Trade and Commerce, concurred in by the Minister of Finance, and agreed that the capital budget of the Atomic Energy of Canada Limited, for the financial year ending March 31st, 1955, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-557, April 8).

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Canadian National (West Indies) Steamships Limited; House of Commons Sessional Committee of Railways and Shipping

23. The Minister of Transport said that, in the course of the review of the annual report of the Canadian National (West Indies) Steamships Limited for 1953 by the House of Commons Sessional Committee on Railways and Shipping, he had made a statement which, the President of the Company now informed him, had been taken to mean that the Company might cease operations in the near future. This was being used by the Company's competitors with an adverse effect upon its business. In 1953, the Canadian National Steamships Limited showed a net operating loss of $822,000 for 1953 as compared to a net operating profit of $326,000 for 1952. The loss arose, mainly, from a decline in the volume of freight, intense competition from other lines, and the cancellation of six voyages, as a consequence of the strike by employees between September 28th and October 23rd, 1953. Mr. Gordon thought that, if the Minister were to make a statement in Parliament indicating that it was not proposed to withdraw the services of the Company, it would be helpful for its operations. A draft statement was read.

24. In the course of discussion, the following points emerged:

(a) It would be difficult to suspend the service because of the adverse effect of such action on Canadian trade with the West Indies.

(b) It would be inadvisable to include in any statement that might be made a reference, even by implication, that the results of one year's operations of the Canadian National Steamships Limited would govern the future of the service. While it was true that, except for the war period and the years immediately after, the Company had experienced difficulties, no judgment could be made with respect to its continuance on the basis of one or two years' experience.

25. The Cabinet noted that the Minister of Transport proposed to make a statement in the House of Commons regarding the services of the Canadian National (West Indies) Steamships Limited, and agreed that it be revised in the light of the discussion and after consultation with the Minister of Trade and Commerce.

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Highway accidents

26. The Leader of the Government in the Senate said he had received representations from the Canadian Automobile Association, suggesting the establishment of a Senate Committee to enquire into the subject of highway accidents. These representations had arisen because of the considerable public interest in the matter at the present time. He had received many communications from other sources as well. During the course of the debate on the measure to revise the Criminal Code, suggestions had been made that a federal-provincial conference on the same matter might be convened by the government. It would be helpful to have some indication of his colleagues' views on the proposal made by the Association.

27. In the course of discussion, the following points emerged:

(a) Although this was clearly a matter of provincial jurisdiction, the Senate might be a useful forum for bringing to light all the facts in relation to highway accidents.

(b) Following the recent judgment of the Judicial Committee of the Privy Council to the effect that interprovincial and international road transport fell within Federal jurisdiction, the Minister of Transport had called a conference of provincial ministers concerned, to be held at the end of April, to examine methods of continuing provincial regulation of interprovincial and international trucking. It would be inadvisable to have any other conferences on related subjects sponsored by Federal authorities or as a result of requests in Parliament, going on at the same time or in advance.

(c) The Board of Transport Commissioners was already investigating one aspect of the matter in its examination of railway grades and grade crossings.

(d) Controversy was already going on about federal-provincial relations in the financial field. Subjects likely to afford opportunity for further controversy should be avoided.

(e) A meeting had been held recently of all those concerned with motor vehicle laws in North America, and the general concensus of opinion had been that the best way of reducing the rate of accidents was through good licensing laws and their proper enforcement. This was clearly a matter of provincial jurisdiction.

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28. The Cabinet noted the report of the Leader of the Government in the Senate regarding representations that the Senate establish a committee to study the question of highway accidents, and agreed that no action be taken in respect of the request.

Senate recess and the employment situation

29. The Prime Minister said the Leader of the Government in the Senate had been in communication with him regarding the date on which the Senate might adjourn for the Easter recess. Before giving an indication of a convenient date it would be advisable to consider whether the Senate might have to deal with any urgent business prior to the adjournment of the House of Commons on April 14th. For example, a suggestion had been made that Parliament should extend the period during which supplementary benefits might be paid under the Unemployment Insurance Act from April 15th to May 15th. If it was decided to carry out such a plan, the Senate would have to remain in session so that the matter could be dealt with before April 15th.

30. In the course of discussion, the following points emerged:

(a) One question had already been asked in the House of Commons and another was likely to be asked enquiring if the period would be extended, and it would be helpful to have the views of Cabinet before answers were given.

(b) It was understood that the Interdepartmental Committee on Unemployment Questions had recently given some thought to a possible extension. No report on the matter had been submitted by the Committee but it was understood that the officials concerned had been unable to arrive at a unanimous definite conclusion as to what action should be taken.

(c) Consideration was now being given by officials to a revision of the Unemployment Insurance Act. If it were decided now to extend the period for payment of supplementary benefits, a pattern might be set which the government would be expected to follow in any new legislation. While the extension of the date, to, say, April 30th, might be desirable, it would be preferable to leave the matter to be settled during the discussions which would likely be held in the process of drafting a new bill.

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(d) If anything were to be done at this stage to extend the period, it would be tantamount to admitting that there was an emergency which required government action. This did not appear to be necessary.

(e) The employment situation at present seemed to be improving in western regions. In Ontario, it was holding its own. In Quebec and the Atlantic provinces it was a little worse than in the previous two week period. In Canada as a whole, however, unemployment was declining slowly.

(f) The reason for the discrepancy between figures issued for unplaced applicants by the Unemployment Commission and those issued as a result of the Labour Force Survey conducted by the Dominion Bureau of Statistics was not generally understood.

(g) While the period might not be extended now, it would be useful to have available for consideration a full draft revision of the Unemployment Insurance Act, including any references to the seasonal problem, before the next winter season began.

31. The Cabinet noted the report of the Prime Minister on the date at which the Senate might adjourn, and its relation to possible government business, particularly any amendments to the Unemployment Insurance Act, and agreed that the period during which supplementary benefits were paid under the provisions of the Act be not extended at this time.

Royal Commission on Textiles

32. The Minister of Labour suggested that it might be desirable to institute a full enquiry, either through a Royal Commission or by some other means, into all aspects of the textile industry. The industry was going through a very difficult period and a full investigation of it and indeed of other industries also undergoing difficulties, such as coal, might lead to a solution of some of the problems. In some communities, workers from textile firms were being absorbed into other employment, but there were also areas where there was no alternative employment and where the closing down of the only sizeable business was very serious. It was not suggested that a decision be taken at this time but the matter should be considered in greater detail at a later meeting.

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33. In the course of discussion, the following points emerged:

(a) A major enquiry of the character suggested might lead employees, management and possibly the public itself to believe that the government was going to take some action to improve the industry's position. Before creating such beliefs, careful consideration should be given to possible courses of action which the government could or might take to assist the industry in meeting its problems.

(b) It would not be advisable to build up the hopes of those concerned with the industry at a time when it was going through a period of consolidation and many employees were undoubtedly seeking more stable employment in other industries.

(c) Fairly complete data on the textile industry could already be found in government departments, and the proposal might only lead to a duplication of effort.

(d) A Royal Commission on Textiles had been held prior to the war and had produced an exhaustive report. It would be useful to examine the findings of that Commission before instituting another enquiry.

(e) The woollen portion of the textile industry was in a peculiar position. The tariff, as originally negotiated in the thirties, amounted to approximately 22 percent but, due to a rise in prices, now only amounted to 10 percent. The tariff was of course bound under the G.A.T.T. but it might be possible to have it re-negotiated at the G.A.T.T. review in the autumn. There appeared to be little doubt that the woollen industry could not exist without tariff protection.

34. The Cabinet noted the suggestion of the Minister of Labour that full enquiry by a Royal Commission or through other means be made into the textile industry.

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Transportation for Members of Parliament

35. The Minister of Fisheries said several Members of Parliament, particularly from the eastern and western regions, had told him that they were being treated unfairly because no provision had been made for their travel expenses to and from their homes over the Easter recess. The practice had been to provide Members with money to cover their expenses for two round trips to their homes in the course of a session, and in past years, this usually took care of the Easter recess and travel at the beginning and the end of a session. Now, however, with Parliament meeting in the fall, there was an additional occasion, namely the Christmas recess, and it would be fair to allow Members another round trip to their constituencies at public expense.

36. In the course of discussion, it was pointed out that Members' indemnities had been raised recently and it had not been thought necessary to provide additional money in the supplementary estimates for further travel purposes. However, there had been occasions in the past when funds had been voted for a third round trip home for Members. It would be a simple matter, if it were thought desirable, to make the necessary provisions in the supplementary estimates to be brought down later in the session. If this course were to be followed, the Commissioners of Internal Economy should be advised.

37. The Cabinet agreed that provision be made in the supplementary estimates to be tabled in the House of Commons later in the session, for a third round trip from their constituencies for Members of Parliament during the current session; party leaders in the House of Commons to be informed accordingly.

Continental defence; joint announcement by Canada and the United States

38. The Minister of National Defence said his Department, the Department of External Affairs, and United States authorities had prepared a draft amendment on continental defence which it was thought advisable to make public through the press. He proposed to table the statement that afternoon in the House of Commons and ask that it be printed as an appendix to Votes and Proceedings.

39. The Cabinet, noted with approval the intention of the Minister of National Defence to table, in the House of Commons, that afternoon, a copy of a joint announcement by the governments of Canada and the United States with respect to continental defence.

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United States proposal for security arrangement in South-east Asia

40. The Secretary of State for External Affairs reported that the United States Secretary of State had informed the Canadian Ambassador in Washington that the United States was asking the United Kingdom, France, Australia, New Zealand, the Philippines, Thailand and the three Indo-Chinese States to associate themselves with the United States in issuing a warning to the government of China that Communism would not be allowed to achieve control of Indo-China. Thus far Canadian policy had been to join with other nations in preventing aggression from being successful, whether it was carried out by Communists or not, but it had not been the policy to join in any arrangement whose object was to prevent Communism from gaining control of any nation by other than aggressive means. Canada had not been asked to join with the other nations referred to but undoubtedly an association with them would be welcome. In effect, the proposal was for an application of the principles of the Monro Doctrine for South-east Asia, and its acceptance by Canada would involve a radical change in policy. Canada's only obligation thus far had been to the United Nations to join in any action agreed there to prevent aggression.

Mr. Dulles was now on his way to the United Kingdom and France to encourage the British and French to associate themselves with the proposal, and it appeared that, unless they agreed, the United States would indicate that it could do nothing by itself. This would give strength and comfort to the forces of isolationism in the U.S. A choice had to be made as to whether we would continue simply to resist and deter aggression, whether by the Communists or any others, or whether we would alter our policy radically to include in it the fighting of Communism as such. The U.S. authorities had indicated they had information to the effect that there was actual military intervention by the Chinese Communists in Indo-China. It would be helpful if this information could be checked through other sources.

41. The Ministerof National Defence said that discussions were shortly to be held amongst Commonwealth countries having troops in Korea, and the question of when the troops now there might be removed would be dealt with. There was an indication that the British might provide soldiers for Indo-China once they had been released from their obligations in Korea.

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42. The Cabinet noted the reports of the Secretary of State for External Affairs and the Minister of National Defence with respect to the proposal by the United States for certain nations to join together in issuing a warning to the government of China regarding Communism in Indo-China, and in regard to talks to be held by Commonwealth countries concerning the possible withdrawal of troops from Korea, and deferred further consideration to the meeting on April 14th.

Appointments; National Research Council

43. The Minister of Trade and Commerce submitted a recommendation for appointments to the National Research Council.

44. The Cabinet approved the recommendation of the Minister of Trade and Commerce, and agreed that the following be appointed members of the National Research Council for a term of three years, expiring March 31st, 1957: Dr. A.N. Campbell, Winnipeg, Manitoba, Gordon G. Cushing, Esq. Ottawa, Ontario, Dr. G.E. Hall, London, Ontario, Dr. Cyrias Ouellet, Quebec, Que., Henri Gaudefroy, Esq. Montreal, Quebec, and Abel Gauthier, Esq., Montreal, Quebec; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-558, April 8).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 14th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, April 14th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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South-east Asia; U.S. proposals for security arrangements

1. The Secretary of State for External Affairs, referring to discussion at the meeting of April 8th, reported that the U.S. Secretary of State had now discussed his proposals for security arrangements in South-east Asia with members of the United Kingdom and French governments. It would be recalled that Mr. Dulles had proposed that nine other countries, i.e. the United Kingdom, France, the three Associated States of Indo-China, Australia, New Zealand, Thailand and the Philippines join with the United States in united action against aggression in South-east Asia. He had further proposed that the members of such an alliance issued a warning to the government of China that communism would not be allowed to gain control of Indo-China.

The United Kingdom was interested in the long-term objectives of the Dulles proposal, but felt that no public declaration of any kind should be made before the forthcoming Geneva conference on Korea and Indo-China. If the conference broke down, there was every likelihood that the United States would press the Dulles proposal. Canada would not be invited to become a member of the security alliance in South-east Asia, but would be expected to take an interest in the discussions leading up to its establishment.

There was some likelihood that the proposal might be discussed at the N.A.T.O. meeting the following week and the French might possibly ask Canada to remove some of the current restrictions on the use to be made of Canadian war materials shipped to France under the Mutual Aid Programme.

2. The Minister of National Defence said the Chiefs of Staff of the United Kingdom were of opinion that, to ensure success in the guerilla war being conducted in Indo-China, considerable land reinforcements would be required. U.S. carrier-borne aircraft could be used, but this would involve U.S. personnel operating communications, radar, etc. on the ground and increase the risk of direct Chinese intervention. The U.K. Chiefs of Staff did not think that naval and air blockades against the coast of China would achieve decisive results. They were doubtful whether anything short of atomic attack on her centres of administration would deter China from aggressive activities in South-east Asia. If thus attacked, China could invoke the Sino-Soviet Treaty with the danger that global war might result.

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The U.K. Chiefs of Staff also felt that partition of the associated Indo-Chinese states would offer no hope of preserving South-east Asia from communist infiltration and control, but that partition would be a lesser evil than the establishment of a coalition government. In their view, there would be great advantages in a regional defence grouping of Pacific powers. The moment for establishing such an organization would appear to be after the Geneva conference either to support a settlement or, if the conference failed, to prevent further deterioration of the situation.

3. The Cabinet noted the reports by the Secretary of State for External Affairs and the Minister of National Defence on recent developments arising from proposals made by the Secretary of State of the United States for united action by ten powers to resist aggression in South-east Asia.

Geneva political conference; instructions to Canadian delegation

4. The Secretary of State for External Affairs submitted, for consideration, draft instructions to the Canadian delegation which would attend the political conference scheduled to convene on April 26th, at Geneva .

While both the Communists and the United Nations were agreed that Korea should be unified and foreign troops withdrawn from its territory, neither side having lost the war could be expected to approve any scheme by which such goals might be achieved to its evident disadvantage. The U.S. government, limited by strong Congressional pressures and by positions taken publicly on a number of far eastern issues concerning which there might have been bargaining at Geneva, would probably approach the conference with very little flexibility. The South Korean government would not be bound by decisions of the conference which it did not accept. On the other hand, the Communists could not be expected to surrender the control of North Korea at the conference table when that had not been wrested from them on the battlefield. Although the chances that the conference would produce a lasting solution to the Korean problem were slight, the Canadian delegation, in close consultation with other friendly delegations, would seek to exploit any opportunity for easing tensions.

The long term objective of the United Nations in Korea was the establishment of a unified, independent and democratic Korea. The Canadian delegation should support proposals directed towards the achievement of this end, in accordance with United Nations General Assembly resolutions on the subject. The delegation should also support the view that, if free elections and the

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establishment of an all-Korean government were agreed, these developments should take place prior to the withdrawal of foreign troops. If it were not possible to reach agreement at the conference, the delegation should support any reasonable measure to ensure that the armistice was continued. Generally speaking, the delegation should support efforts to ensure that any agreement on Korea reached at Geneva, whether of a permanent or of a temporary character, was kept within a United Nations frame of reference.

Canada had not been invited to participate in the discussions on Indo-China, but should accept such an invitation in the unlikely event that it was extended. In the unlikely event that recognition of the communist government of China should arise as an issue in the conference, perhaps as a condition of agreement on other matters, the delegation should seek instructions from the government.

Draft instructions were also submitted with regard to several other matters which were likely to be raised at the Geneva conference, such as the reduction of U.N. forces in Korea, repatriation of Canadians still detained in China and relaxation of trade restrictions.

An explanatory memorandum was circulated.

(Minister's memorandum, April 14, 1954-Cab. Doc. 99-54).

5. In the course of discussion it was pointed out that the United States might not be in a position to support, at Geneva, the holding of free elections for the whole of Korea and might propose instead that such elections be held in North Korea only. It was hoped, by informal discussions with the Americans, to prevent such a stand being taken as this would almost certainly prevent any agreement being reached. Furthermore, if the Americans took such a position and if, as a result of this, fighting were resumed in Korea, Canada would be placed in a most embarrassing position. Presumably, fighting resumed in such circumstances would not be for the purpose of preventing aggression, which was the essential feature of the relevant United Nations resolutions and, in the circumstances, the Canadian government could not authorize the participation of Canadian troops in such fighting without further reference to Parliament. In fact, however, Canadian troops might have to engage in the war in self defence.

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6. The Cabinet approved the instructions to the Canadian delegation which would attend the political conference beginning at Geneva on April 26th, as submitted by the Secretary of State for External Affairs.

Control of trade by sea with continental China and North Korea ; disposition of Order in Council following expiry of the Emergency Powers Act

7. The Prime Minister, referring to discussion at the meeting of March 25th, 1954, recalled that one of the Orders in Council passed under the Emergency Powers Act, P.C. 1953-604 of April 17th, provided that no ship of Canadian registry could proceed to sea from any port, whether within or outside Canada, except under license granted by the Minister of Transport. The purpose of this licensing procedure was to prevent Canadian ships from carrying strategic materials from Canada or from any other country to continental China or North Korea.

It was for consideration whether the powers conferred by the Export and Import Permits bill, now before Parliament, were sufficient to ensure adequate control over the movement of strategic materials, or whether legislative action, presumably by amendment to the Canada Shipping Act, should be taken in order that the licensing procedure authorized by P.C. 1953-604 might be continued in force.

8. In the course of discussion it was pointed out that the new Export and Import Permits bill recently passed by the House of Commons did not provide as extensive control over extra-territorial movements of strategic materials as did the Order in Council, since, under section 15 of the Act, it had to be established that something had been done in Canada to cause or to assist such extra-territorial movements whereas, under the Order in Council, prosecution was not dependent upon proof of such action. On the other hand, very few Canadian ships were now trading in the Pacific and none of these were operating, nor likely in the near future to operate in Chinese waters. Furthermore, all Canadian ships trading in the Pacific had company headquarters located in Canada and it was therefore thought that the Export and Import Permits Act contained all the powers required to ensure effective control over all movements, including extra-territorial movements, of strategic materials in Canadian ships.

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9. The Cabinet agreed,-

(a) that no action be taken,for the time being,to continue Order in Council P.C. 1953-604 of April 17th, in force after the Emergency Powers Act had lapsed on May 31st, 1954;

(b) that Canadian shipowners operating vessels in the Pacific be informed that the Order in Council would lapse on May 31st, 1954, and that, from that date onward, the movement of strategic materials in Canadian ships would be governed by the new Export and Import Permits Act; and,

(c) that, if future developments demonstrated that the Export and Import Permits Act provided inadequate control, consideration be given to the desirability of re-enacting the licensing procedures now authorized by Order in Council P.C. 1953-604.

Interprovincial and international highway transport; report of Interdepartmental Committee

10. The Minister of Transport, referring to discussion at the meeting of February 22nd, 1954, submitted a draft bill which had been prepared by the Committee appointed to consider and advise on ways of enabling the provinces to regulate interprovincial and international motor carriers. This draft bill would authorize provincial transport boards to issue licenses authorizing extra-provincial motor carrier services in the same manner as if these services were operated entirely within the province. The bill provided further that the operators of such extra-provincial services should charge the same tariffs and tolls as those prescribed by the competent provincial authorities for similar intra-provincial services.

With a view to overcoming difficulties that might arise because of conflict between the laws of different provinces, or because of the refusal on the part of one province to allow through passage on reasonable terms to a motor carrier operating in more than two provinces, section 5 of the draft bill reserved to the Governor in Council the right to override, by regulation, the other provisions of the Act, and any regulations made or tariffs and tolls fixed by the provinces in respect of extra-provincial motor carrier services. It was thought that, during the course of discussions with provincial ministers, which would begin on April 26th, exception might be taken by provincial representatives to the wide powers reserved to the Governor in Council under section 5 of the draft bill.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 13, 1954- Cab. Doc. 96-54).

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11. In the course of discussion, the following points emerged:

(a) It seemed anomalous that the draft legislation should, on the one hand, delegate the control of extra-provincial motor carrier services to provincial agencies and, on the other, by section 5 of the bill, provide that such delegation could be superseded and taken away by an order of the Governor in Council.

(b) Consideration might be given to delimiting more precisely the powers of the Governor in Council to act by regulation.

(c) It was suggested that the draft bill should not be submitted, initially, to the provincial ministers on April 26th, but that their views should first be sought as to the best means of ensuring effective and orderly control of extra-provincial motor carrier services by the provinces rather than by the Federal government. Provincial views should be tactfully obtained particularly as to what residual powers should be retained by the Federal government to ensure that satisfactory solutions might be found to difficulties that might arise in the future because of conflict between the laws or regulatory bodies of the different provinces, or for other reasons.

12. The Cabinet noted the draft "Motor Vehicle Transport Act" as submitted by the Minister of Transport and agreed,-

(a) that, during the course of the meeting with provincial ministers beginning April 26th, the Minister should outline the reasons why the Federal government did not wish to exercise direct control over interprovincial and international motor carrier services, and should seek the views of the provinces as to the best means of having such control exercised by the provincial rather than the Federal authorities;

(b) that an effort be made to restrict and to delimit more precisely the powers of the Governor in Council under section 5 of the draft bill; and,

(c) that, in any event, no draft legislation be presented to the provincial representatives for discussion until after their views on the substance of the issues had been obtained.

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International Civil Aviation Organization headquarters at Montreal; effect of Quebec income tax

13. The Secretary of State for External Affairs, said that, from the time negotiations for a headquarters agreement first began between the Federal government and the International Civil Aviation Organization, it had been clearly understood by all concerned that the scope of the agreement embraced privileges, immunities, and facilities under the federal law of Canada only, and that the subject of such privileges etc. under provincial law was a matter for negotiation between I.C.A.O. and the Quebec government. No supplementary agreement had yet been worked out between I.C.A.O. and the Province of Quebec, and relations between them left much to be desired. There had been many difficulties over questions of immunities etc. and these had contributed to the desire on the part of many I.C.A.O. member governments to have the headquarters removed from Canada altogether.

Following the public statement made by the Premier of Quebec, on February 19th, that the new provincial income tax law would apply to I.C.A.O. personnel, there was every likelihood that I.C.A.O. would now take steps to move its headquarters.

It was for consideration whether the Federal government should now facilitate the re-establishment of I.C.A.O. headquarters in some other Canadian city rather than have the Organization leave Canada altogether. As an inducement, it might be possible for the government to offer the organization an interest-free loan of several million dollars for the purpose of constructing a headquarters building in some other suitable Canadian city.

An explanatory memorandum had been circulated.

(Minister's memorandum, undated, Cab. Doc. 97-54).

14. In the course of discussion, it was pointed out that although it would be advantageous to have I.C.A.O. headquarters in Canada, any direct action taken by the government to help the Organization move to another city as a result of the new Quebec income tax legislation would have serious domestic implications.

15. The Cabinet noted the report by the Secretary of State for External Affairs on the likelihood that the International Civil Aviation Organization would probably move its headquarters to some other country following the announcement by the Premier of Quebec that the new provincial income tax law would apply to I.C.A.O. personnel, and agreed that it would be inadvisable for the Federal government to take any direct action to assist I.C.A.O. in establishing its headquarters elsewhere in Canada.

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Freight rates; representations by Premier of Alberta regarding Agreed Charges on cast iron pipe and fittings moving from Toronto and Three Rivers to the west coast

16. The Prime Minister said that, on January 11th, 1954, the Board of Transport Commissioners had approved an Agreed Charge on cast iron pipe and fittings moving from Toronto and Three Rivers to Prince Rupert, Vancouver and Watson Island, B.C. It would be recalled that following recommendations made by the Turgeon Royal Commission on Transportation, the Railway Act had been amended (section 337) to provide that the freight rate to any intermediate point in Canada could not be more than one-third greater per mile than the transcontinental rate. This so-called one and one-third rule did not apply, however, to Agreed Charges made under the Transport Act.

The Premier of Alberta had, by letter dated March 18th, 1954, argued that the one and one-third rule should be made to apply to rates fixed under the Transport Act as well as "competitive" rates under the Railway Act, and that the use that was now being made of Agreed Charges was in effect a contravention of the spirit of the Turgeon Commission recommendations.

An explanatory memorandum had been circulated.

(Secretary's memorandum, April 13, 1954 and enclosures, Cab. Doc. 98-54).

17. In the course of discussion, the following points emerged:

(a) It was understood that the Board of Transport Commissioners now had before it applications for Agreed Charges on iron or steel rods, wire, bars, plates and sheets moving from Hamilton to points on the west coast.

(b) It seemed clear that the railways could not meet the competition of the much cheaper water-freight services to the west coast, and imports there, unless transcontinental rates were reduced. On the other hand, the limitations imposed by the one and one-third rule under the Railway Act made such reductions too expensive in total revenue. The only manner in which the railways could establish rates that were, in the aggregate, economic and at the same time low enough to meet the competition, was to resort to Agreed Charges which were not subject to the one and one-third rule.

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(c) It had been alleged that Agreed Charges were now being used to prevent the establishment of a steel industry on the west coast.

(d) It seemed clear that a decision could not be reached on this very complex problem until the matter had been fully discussed in some forum where all the parties concerned could be heard. One suggestion had been that the matter be referred to the House Committee on Railway and Shipping but this would probably prolong the session of Parliament. Another suggestion had been that an appeal by the Province of Alberta might be referred to the Board of Transport Commissioners for review and report. Perhaps the most practical suggestion would be to ascertain whether the Honourable W.F.A. Turgeon, who had chaired the 1951 Royal Commission on Transportation and really determined its recommendations, would be prepared to investigate the problem and submit a report thereon.

(e) It was hoped that the Board of Transport Commissioners would not find it possible to reach a decision on the recent applications for Agreed Charges on iron or steel rods, wire, bars, plates and sheets from Hamilton to Vancouver until such time as the general question of principle had been fully investigated.

18. The Cabinet noted the report by the Prime Minister on representations made by the Premier of Alberta about an order of the Board of Transport Commissioners approving an Agreed Charge on cast iron pipe and fittings moving from Toronto and Three Rivers to the west coast, and agreed that the Secretary of State for External Affairs ascertain whether the Honourable W.F.A. Turgeon would be prepared to investigate and report on whether or not Agreed Charges should be subject to the one and one-third rule applicable to competitive transcontinental rates under the Railway Act.

United Kingdom-Canada Air Agreement; proposed modifications

19. The Minister of Transport reported on discussions he had had recently, in Ottawa, with the United Kingdom Minister of Transport and Civil Aviation regarding certain modifications that United Kingdom authorities would like to have made in the 1949 United Kingdom-Canada Air Agreement.

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There seemed to be little doubt that Canadian airlines were in a more favourable position under the terms of the 1949 Agreement than was the British Overseas Airways Corporation. Mr. Lennox-Boyd had suggested, initially, certain modifications to the Agreement which were not acceptable to Canada, but after further discussion, a compromise had been reached which he hoped might be satisfactory to both the United Kingdom and to Canada.

The more important suggested changes were as follows:

(a) Elimination of the U.K. Route 4 between Fiji and Vancouver.

(b) Extension of the Canadian Route 1 between Canada and the United Kingdom onward to Dusseldorf and of the U.K. Route 2 between the United Kingdom and Canada onward to Chicago.

(c) Elimination of the present U.K. Route 5 from the United Kingdom to the Orient via Churchill and, instead, extension of the U.K. Route 2 from the U.K. to Montreal onward to the Orient with full traffic rights to pick up and set down passengers at both Montreal and Vancouver though not cabotage rights to carry passengers between those points.

(d) Elimination of the U.K. service between Bermuda and New York (U.K. Route 3) and of the stops at Antigua and British Guiana from the Canadian Route 2 .

(e) Addition of a new Canadian Route 5 between Toronto, Montreal, Boston, New York and Bermuda, if the United States agreed.

20. In the course of discussion, the following points emerged:

(a) Under the proposed modifications, Trans-Canada Air Lines would receive certain valuable concessions in return for certain concessions to the United Kingdom. However, the position of Canadian Pacific Air Lines would likely be worsened by the very much increased competition it would have to meet on its trans-Pacific service if B.O.A.C. were given full traffic rights at Montreal and Vancouver on its route from the United Kingdom to the Orient.

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(b) Furthermore, government policy had been to give T.C.A. a monopoly on transcontinental air routes and it would be difficult to defend giving full traffic rights to B.O.A.C. at Montreal and Vancouver when C.P.A. had been denied similar privileges.

(c) The proposed modifications to the Agreement might be more acceptable to Canada and particularly to C.P.A. if full traffic rights were granted to B.O.A.C. on its Route 2 at either Vancouver or Montreal, but not at both points.

(d) The President of Canadian Pacific Air Lines was in Japan and it had only been possible to consult his assistant about these suggested changes.

(e) Mr. Lennox-Boyd had suggested at the last minute that the United Kingdom might retain a share of the New York-Bermuda route, which appeared to be quite unacceptable to Canada.

(f) If agreement could not be reached on a revision of the 1949 Agreement, the United Kingdom might terminate it and Canada might lose some advantages under it, notably traffic rights at Prestwick.

(g) It was suggested that Mr. Lennox-Boyd be informed that the Canadian government was not in a position to reach a decision on the proposed modifications until such time as they had been discussed in detail with the President of the Canadian Pacific Air Lines.

21. The Cabinet noted the report by the Minister of Transport on recent discussions he had had, in Ottawa, with the United Kingdom Minister of Transport and Civil Aviation, regarding proposed modifications of the 1949 United Kingdom-Canada Air Agreement, and agreed that Mr. Lennox-Boyd be informed that the Canadian government could not reach a final decision on the proposed modifications until such time as the implications of the changes had been fully discussed with the Presidents of the Canadian airlines concerned.

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Northern health services

22. The Minister of Northern Affairs and National Resources reported that, because of the scattered population and division of responsibility amongst different authorities and agencies, health services in the Yukon and Northwest Territories were seriously inadequate. Hospital facilities were provided by the Army, the government of the Yukon Territories, the Department of National Health and Welfare, church missions, private companies and community organizations. There were four hospitals in the Yukon, three of which were in poor shape . The eleven hospitals and seven nursing stations in the Northwest Territories provided a large number of beds for the population but there was a lack of other facilities. Hospitals in both territories would be more effective if they were planned and supervised as was done in the provinces by departments of health. There were limited public health services in the Yukon, but none in the Northwest Territories. Sanitary arrangements and controls in both areas were not satisfactory. The government was responsible for health services for Indians, Eskimos and Service personnel, and the territorial governments had the responsibility for the remaining civilians.

The Advisory Committee on Northern Development, after a study of northern health services, had concluded that the administrative problem could best be met by the creation of a single agency to be responsible for health services in the Yukon and Northwest Territories. This agency could, logically, be established as a division of the Department of National Health and Welfare, and could become responsible for all hospital and public health functions now carried out by territorial governments, Indian Health Services, and the Department of National Defence, except possibly where the latter might wish to operate its own facilities. It could also co-operate with and complement services provided by private organizations. Costs could be met by per diem fees.

The suggested organization would establish standards reasonably comparable to those elsewhere in Canada. While the provision of health services, except to meet direct federal responsibilities, was not normally undertaken by the Federal government, special conditions in the north appeared to warrant this step until development had reached a point where the territorial governments could effectively take over the responsibility. The territorial governments would pay for their share of the facilities required to meet their responsibilities, as with the present educational system, and an appropriate share of the costs of operation. Loans could be provided if a territory was not capable of paying for capital contributions.

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The Minister recommended, with the concurrence of the Ministers of National Health and Welfare and National Defence, that the establishment of a northern health service be approved in principle, that appropriate arrangements be made for the assumption of responsibilities and a sharing of costs with the territories, and that the construction of hospitals at Whitehorse and Mayo be approved in principle, with a provision being made for these in the supplementary estimates.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 12, 1954- Cab. Doc. 94-54).

23. In the course of discussion, the following points emerged:

(a) It was strongly urged that modern hospital facilities be provided at Whitehorse for Service personnel as the present accommodation was a serious fire hazard. Money was available in the current estimates of the Department of National Defence for this purpose but, if construction of a hospital at Whitehorse was to be undertaken by another government agency, suitable adjustments could be made in consultation with the Department of Finance.

(b) The implication of the proposal had been discussed with the religious authorities concerned and it appeared that its implementation would not give rise to any controversy.

24. The Cabinet approved the proposal of the Minister of Northern Affairs and National Resources and agreed,-

(a) that,in principle,a Northern Health Service be established within the Department of National Health and Welfare to carry out all responsibilities of the Federal government in the field of health in the Northwest Territories and Yukon Territory, except where it might be advisable for the military authorities to operate health facilities within military establishments;

(b) that this Service would undertake all responsibilities of the territorial governments in the field of health, provided arrangements in respect of each territory weremade with the territorial authorities, whereby they would pay an appropriate share of the operating and capital costs in the territory concerned in approximate proportion to their respective responsibilities, on the understanding that, in the case of Whitehorse, a lower but still substantial

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contribution to the initial capital outlay could be made by the Yukon government in view of the impelling nature of the Federal requirements;

(c) that, upon further study of immediate and future requirements by the Department of National Health and Welfare and, in the light of the probability of territorial participation, a further report be made to Cabinet for approval of the detailed arrangements for this Service;

(d) that, owing to the urgent need of replacing the military hospital at Whitehorse, the Department of National Health and Welfare be authorized to proceed at once with plans for a hospital at Whitehorse to serve all purposes;

(e) that the Department of National Health and Welfare be authorized to proceed with plans for a hospital at Mayo to serve all purposes, construction not to commence, however, until approval as noted in (c) had been obtained; and,

(f) that appropriate provision be made in the supplementary estimates for the hospitals at Whitehorse and Mayo.

1960 Olympic Games; proposal by Mayor of Toronto

25. The Prime Minister said he had received a request from the Mayor of Toronto to support an invitation to the International Olympic Committee for the holding of the 1960 Olympic Games in Toronto. If the invitation was accepted, there was little doubt that the government would be expected to contribute to the expenses of the Games. In 1949 he had endorsed an invitation extended by the Mayor of Montreal for the holding of the 1956 Winter Games near that city. In the current estimates there was an item to help defray some of the expenses of the Commonwealth and British Empire Games to be held in Vancouver in the summer. The Olympic Games would presumably require a greater grant by the Federal government. It appeared doubtful that Toronto's invitation for 1960 would be accepted because the 1956 Games were being held in Australia, another Commonwealth nation, and, secondly, because several other nations with stronger claims were known to be issuing invitations. Toronto's chances would be better for 1964.

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26. In the course of discussion, it was pointed out that as it seemed unlikely that the Games might be held in Toronto in 1960, little harm could be done by endorsing the invitation.

27. The Cabinet noted the report of the Prime Minister on a request from the Mayor of Toronto seeking an endorsement for an invitation to be extended to hold the 1960 Olympic Games in that city, and agreed that there would be no objection to the Prime Minister sending a letter for this purpose.

World Health Organization Conference; Canadian delegation

28. The Minister of National Health and Welfare said the World Health Organization would be meeting on May 4th and it was proposed to send Dr. P.E. Moore, of his department, as one of the delegates to the conference. He wished to ascertain whether it would be agreeable also to send, as a representative, Dr. Robertson, his Parliamentary Assistant.

29. The Cabinet noted with approval the proposal of the Minister of National Health and Welfare to appoint Dr. F.G. Robertson, Parliamentary Assistant to the Minister and Dr. P.E. Moore, of his Department, as members of the delegation representing Canada at the Conference of the World Health Organization on May 4th.

South Saskatchewan River project; consulting engineer

30. The Minister of Agriculture said he considered it desirable to appoint Wendell Johnson, Esq., of the Engineering Division, Missouri River Division, Corps of Engineers of the U.S. Army, as a consulting engineer in connection with the South Saskatchewan River project. Mr. Johnson could continue the same work that had been conducted by Mr. Harza, of Chicago, appointed for the purpose in August 1951 but who had since died. The U.S. military authorities would permit Mr. Johnson to do this work. He would assist in the final determination of power and other costs for the project.

31. The Cabinet noted the report of the Minister of Agriculture and agreed that the question of appointing Mr. Wendell Johnson of the Corps of Engineers of the U.S. Army as a consulting engineer in connection with the South Saskatchewan River Project be determined by the Ministers of Agriculture, Trade and Commerce and Public Works in consultation.

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Appointments; Canadian Pension Commission

32. The Minister of Veterans Affairs submitted a recommendation for a re-appointment to the Canadian Pension Commission.

33. The Cabinet approved the recommendation of the Minister of Veterans Affairs and agreed that Dr. Laurence Wilmott Brown, be re-appointed a member of the Canadian Pension Commission for a period of seven years from the 1st of July, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-589, April 14).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 22nd, 1954.

Items Discussed

Legislation; Civil Service Insurance Act amendment; extension of group insurance scheme to members of the Regular Forces	2.
Moose Jaw aircraft accident; arrangements for payments of claims	3.
Colombo Plan; Umtru hydro-electric project in India	4.
Canadian International Trade Fair; continuance in 1955	5.
Canadian Arsenals Limited; capital budget	6.
Fire Prevention Branch; transfer from Department of Insurance to Department of Public Works	6.
Knit goods and imports from Japan	6.
Appointments; Historic Sites and Monuments Board	8.

Information is severed consistent with the provisions of the Access to Information Act s.15(1)(c).

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s.15(1)c

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 22nd, 1954, at 2:30 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of National Revenue
(Dr. McCann),
The Associate Minister of National Defence
(Mr. Campney),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier),
(Mr. Martin).

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Legislation; Civil Service Insurance Act amendment; extension of group insurance scheme to members of the Regular Forces

1. The Acting Prime Minister referred to a decision of November 4th,1953, when it was agreed, in principle, that the Civil Service Insurance Act be amended to discontinue the writing of individual life insurance policies under the Act,and instead to introduce a compulsory group life insurance scheme for all civil servants who were contributors under the Public Service Superannuation Act. It had not been contemplated, at that time, that the new scheme should cover members of the Armed Forces but, after further consideration, the Minister of Finance, with the concurrence of the Minister of National Defence, had now recommended such an extension.

It was proposed to make these benefits available in the amount of $3,000 for persons below the rank of warrant officers (or equivalent) and $5,000 for all others. Contributions would be as for civil servants, with the government contributing one-sixth of the benefits paid. All other features of the plan would be the same and there would be provision for an actuarial review at the end of five years, at which time the adequacy of the premium rates could be ascertained.

In line with the elimination of the gratuity on death in the case of civil servants, it was also recommended that the interim allowance payable to dependents for two months after the death of a married member of the Forces be discontinued. With this elimination, the only additional cost to the government would be a contribution for single men on whose deaths no such allowance was previously paid.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Finance, April 20,1954- Cab. Doc. 100-54).

2. In the course of discussion, it was pointed out that the new compulsory scheme was similar to death benefits provided by many private firms and was not insurance in the ordinary acceptance of that word. Because of this, and in order to avoid giving the impression that the government was competing with commercial insurance organizations, it would be advisable to omit any reference to "insurance" in the new legislation and to refer instead to "death benefits".

3. The Cabinet agreed that the group insurance plan,previously approved for application to contributors under the Public Service Superannuation Act,be extended to members of the Regular Forces in the manner recommended by the Minister of Finance, and agreed that provision be made for such extension in the bill to amend the Civil Service Insurance Act now in course of preparation by the Department of Justice.

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Moose Jaw aircraft accident; arrangements for payment of claims

4. The Minister of National Defence said the enquiry now being made by the Air Transport Board into the collision of a Trans-Canada Air Lines passenger aircraft and a R.C.A.F. Harvard, at Moose Jaw, on April 8th, had not been completed and the Board's report would not likely be ready for submission for some weeks.

In the meantime, he considered it would be desirable to endeavour to settle all legitimate claims at the earliest possible date. The Department of National Defence and Trans-Canada Air Lines, following preliminary investigation, now had a fairly good idea as to what was involved.

Following an exchange of correspondence between the Deputy Minister of National Defence and the President of Trans-Canada Air Lines, it was now recommended that, without acknowledging responsibility for the accident - which could only be determined later in the light of the report to be submitted by the Air Transport Board -, the R.C.A.F. should be responsible for settling claims for damage on the ground and Trans-Canada Air Lines for settling claims for damage in the air.

(Minister's memorandum, April 21, 1954.)

5. Mr. Claxton also recommended that an ad hoc committee, comprising the Chairman of the Air Transport Board, the President of Trans-Canada Air Lines, the Vice-Chief of the Air Staff, and possibly one or two others, should consider ways and means of preventing the recurrence of similar incidents.

6. The Cabinet agreed,-

(a) that, following receipt of the report of the Air Transport Board on the collision of a T.C.A. passenger aircraft and a R.C.A.F. Harvard, at Moose Jaw, on April 8th, 1954, further consideration be given to the question of ultimate responsibility for the accident;

(b) that arrangements be completed as soon as possible for settlement by the Royal Canadian Air Force of all claims for damage done on the ground and by Trans-Canada Air Lines of all claims for damage done in the air; an Order in Council to be passed accordingly; and,

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(c) that the Chairman of the Air Transport Board, the President of the Trans-Canada Air Lines, the Vice-Chief of the Air Staff and possibly others consult and consider, as soon as possible, ways and means of preventing the recurrence of similar accidents.

Colombo Plan; Umtru hydro-electric project in India

7. The Minister of National Defence, as Acting Secretary of State for External Affairs, referring to discussion at the meeting of September 9th, 1953, said that the Montreal Engineering Company Limited had now investigated and reported on the Umtru hydro-electric project which had been approved, in principle, as an additional programme of aid for India under the Colombo Plan. The Company had advised that the project, as planned, would be sound, suitable for the purpose intended and reasonable in cost. Having regard to the load in sight and in prospect, the Company was of the opinion that the scheme was neither too large nor too small, and was such that it would fit in with further power development in the area.

The Minister recommended that approval be now given to the details of this development project.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 20, 1954- Cab. Doc. 101-54).

8. The Cabinet noted the report by the Acting Secretary of State for External Affairs on the investigation by the Montreal Engineering Company Ltd. of the Umtru hydro-electric Colombo Plan project in India and agreed,-

(a) that Canada provide the engineering services and hydraulic, electrical and related equipment required for the Umtru hydro-electric scheme, at an estimated cost of $1.2 million;

(b) that the Canadian share in the local costs of this project, to be financed from counterpart funds, should not exceed the rupee equivalent of $2.1 million, as previously approved; and,

(c) that in making available the above assistance, prior assurance be obtained from the Indian authorities,

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(i) that the project would be carried out by the appropriate authorities of the State of Assam with the assistance of Canadian engineers who would be consulted on all major questions affecting the execution of the project and who would be responsible for the final design of the power house, sub-station and switching gear;

(ii) that counterpart funds would be established in respect of the equipment to be supplied from Canada in an amount to be agreed between the two governments;

(iii) that the authorities of the State of Assam would be responsible for the provision of all equipment and labour other than to be provided from Canada; and,

(iv) that Canada would not be expected to provide the ACSR (aluminium) conductor required for the transmission lines, since the supply of aluminium to India to be manufactured by Indian fabricators for development purposes had already been approved as part of the Canadian programme of Colombo Plan assistance.

Canadian International Trade Fair; continuance in 1955

9. The Minister of Trade and Commerce recommended that the Canadian Government Exhibition Commission be authorized to make arrangements for holding the Eighth Canadian International Trade Fair from May 30th to June 10th, 1955.

The Minister pointed out that the Fair was becoming more self-sustaining each year. The net cost of the first Fair had been approximately $500,000. It was estimated that total expenditures for 1955 would be $810,000 and total revenues $600,000. $301,110 had already been included in the 1954-55 estimates and, in order to meet the expected total expenditures of $810,000, it was recommended that $508,890 be included in the estimates for 1955-56.

(Minister's submission to Council, April 7, 1954)

10. The Cabinet approved the recommendation of the Minister of Trade and Commerce that the Canadian Government Exhibition Commission be authorized to plan, organize and operate the Eighth Canadian International Trade Fair, to be held from May 30th to June 10th, 1955, at a cost not to exceed $810,000, and agreed that necessary provision for this purpose be made in the estimates for 1955-56.

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Canadian Arsenals Limited; capital budget

11. The Minister of Defence Production, with the concurrence of the Minister of Finance, submitted for consideration the capital budget of Canadian Arsenals Limited for 1954-55.

12. The Cabinet approved the capital budget of Canadian Arsenals Limited for 1954-55, as submitted by the Minister of Defence Production; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-617, April 22)

Fire Prevention Branch; transfer from Department of Insurance to Department of Public Works

13. The Acting Prime Minister said that the Minister of Finance and the Minister of Public Works had jointly recommended that the Fire Prevention Branch of the Department of Insurance be transferred to the Department of Public Works. This transfer seemed advisable since the main functions now performed by the branch were related to fire prevention measures in government buildings at Ottawa.

14. The Cabinet approved the joint recommendation of the Minister of Finance and the Minister of Public Works that the Fire Prevention Branch of the Department of Insurance be transferred from that department to the Department of Public Works; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-618, April 22).

Knit goods and imports from Japan

15. The Minister of National Revenue said he had received complaints from the knit goods industry that gloves were being imported from Japan at abnormally low prices so that many producers of these items were being put out of business. He wondered if the time was propitious to tell the industry that the special valuation procedures under the Japanese Trade Agreement might be applied.

16. In the course of discussion, it was pointed out that the Agreement had not yet been ratified and no goods had entered Canada under it. On the other hand, there was little doubt that some goods from Japan were being "dumped" into Canada. It might be useful to have a discussion with representatives of the knit

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goods industry on the problems they were faced with at the present time.

17. The Cabinet noted the report of the Minister of National Revenue regarding complaints from the knit goods section of the textile industry that gloves were being imported from Japan at abnormally low prices, and agreed that the Minister fix a date, early in May, for representatives of the industry to meet with the Minister of Trade and Commerce, the Minister of Finance and himself.

Information is severed consistent with the provisions of the Access to Information Act s.15(1)c

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s.15(1)c

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21. The Minister of Northern Affairs and National Resources submitted a recommendation for re-appointments to the Historic Sites and Monuments Board of Canada.

22. The Cabinet approved the recommendation of the Minister of Northern Affairs and National Resources and agreed that the following be re-appointed members of the Historic Sites and Monuments Board of Canada, for a period of one year from May 18th,1954: The Hon. Thane A. Campbell, Prince Edward Island; The Hon. E. Fabre-Surveyer, Quebec and Professor M.H. Long, Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-619, April 22).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 26th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, April 26th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Secretary of State
(Mr. Pickersgill).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Indo-China

1. The Prime Minister said that important developments had occurred over the weekend regarding the situation in Indo-China about which he wished to inform his colleagues. The Secretary of State for External Affairs had reported on conversations he had had with the U.K. Foreign Minister and with the Australian Secretary of State for External Affairs. Mr. Eden had been told by the U.S. Secretary of State and by Admiral Radford that the situation at Dien Bien Phu had deteriorated further and it could only be saved by U.S. intervention, in which they hoped the U.K. would join. A letter had been drafted in which the French would request such intervention, in the form of air action against communist lines of communication to Dien Bien Phu and, if necessary, communications in China itself. Mr. Eden had expressed the gravest doubts about the course of action proposed. He and his advisers felt it would not save the situation in Indo-China but might provoke strong retaliation by the Chinese. The French Foreign Minister was doubtful of the U.S. appreciation of the situation and proposed action and he was not sure of the views of his colleagues in this respect.

Mr. Pearson had informed the U.K. Foreign Office that the U.S. proposal seemed unwise and not likely to accomplish the purpose desired. He hoped that the United States would have second thoughts and added that it would be deplorable if the United States decided to "go it alone".

The High Commissioner for Canada in London had amplified the information in another telegram. The draft letter had been signed by the U.S. Secretary of State and delivered to the French Foreign Minister. It promised powerful air strikes to be mounted on April 28th provided Congressional approval could be secured before that time. The Americans had told the French they were confident this approval could be given if the British government associated itself with the move. The French Foreign Minister now accepted the offer and the U.K. government had been asked for the counter-signature on the letter needed to make it effective.

U.K. Military Intelligence felt that no air strike mounted this week could save the position of Dien Bien Phu. American confidence that strikes on neighbouring Chinese airfields would not carry a risk of retaliation was not shared. Furthermore, military action such as proposed would probably eliminate any hope for a negotiated settlement in Indo-China, and would narrow the prospect of Asian co-operation in a regional defence pact. The United Kingdom felt acutely isolated from both France and the United States by the recent turn of events.

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Information had been received from the U.K. High Commissioner in Ottawa that the U.K. Ministers were not prepared to give any undertaking now, in advance of the Geneva Conference, concerning U.K. military action in Indo-China. If, however, a settlement was reached at Geneva, they would be ready to join in guaranteeing that settlement and establishing collective defence. No assurance could be given about possible action in the event of a failure to reach agreement at Geneva for the cessation of hostilities in Indo-China, although the United Kingdom would be ready to join with the United States in studying measures to ensure the defence of Siam and the rest of Indo-China, including Malaya, if all or part of Indo-China was lost.

A message had been sent to the Secretary of State for External Affairs in which the Prime Minister said that the U.K.'s misgivings were shared here. It said that our position remained unchanged and that we were not now committed to anything in respect of Indo-China and could therefore take no responsibility for decisions that might be taken. It was felt that statements made earlier in Parliament could not be disregarded, and the Prime Minister was not prepared to recommend to Parliament, now, that any commitments about that area be undertaken.

2. The Prime Minister also said that the Leader of the C.C.F. Party had informed him that he proposed to ask, that afternoon in the House of Commons, if the government would support the five-point proposal put forward by the Prime Minister of India in a statement made to the Indian Parliament on April 24th. Mr. Nehru's suggestions involved: (1) an appeal to all concerned to desist from threats and to the combatants to refrain from stepping up the tempo of the war; (2) a cease-fire - this item to be given priority on the Indo-Chinese Conference agenda at Geneva; (3) the complete independence of Indo-China; (4) the establishment of direct negotiations between the parties immediately concerned; and, (5) an agreement on non-intervention denying aid to the combatants -- the United States, Russia, the United Kingdom and China being the primary parties involved.

He proposed to answer the question by saying that the matter was being studied carefully and that as Canada was not as directly involved as other powers it would not be wise to say anything further on the matter at this time.

3. In the course of discussion, the following points emerged:

(a) Although Canada could not avoid the consequences, it would be preferable for the United Kingdom the United States, France and other parties more directly concerned to settle the situation in Indo-China.

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(b) It was quite possible that India would submit certain definite proposals to the United Nations, and that the French themselves, to forestall the Indians, might raise the matter in that forum first.

(c) The Canadian Ambassador in Washington had, that morning, informed the Department of External Affairs it was his impression that, regardless of the decisions taken by the British government, the U.S. might, of themselves, take the action they had suggested.

(d) Information from Swedish sources indicated that the Chinese had not taken any action in support of the Viet Minh beyond the provision of anti-aircraft defence and auxiliary help.

(e) If the conflict in Indo-China were taken up at the United Nations it would be much more difficult to affirm aggression there than it had been in the case of Korea.

4. The Cabinet noted with approval,-

(a) the message which had been sent to the Secretary of State for External Affairs following receipt of reports on Indo-Chinese developments; and,

(b) the answer to be given to the question of the Leader of the C.C.F. Party regarding the Indian suggestions for a solution of the Indo-Chinese difficulties.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

April 29th, 1954.

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Items Discussed

Railway freight rates; representations on Agreed Charges	2.
Legislation; Disabled Persons Act	2.
Legislation; C.N.R. branch lines to Manitouwadge and Chibougamau	3.
Legislation; International Rapids Power Development Act amendment	4.
Legislation; C.N.R. Financing and Guarantee Act	4.
Legislation; Post Office Act amendment	4.
Legislation; War Veterans Allowance Act amendment	5.
Legislation; Motor Vehicle Transport Act	6.
Legislation; programme for remainder of 1953-54 session	7.
Coal subventions; regulations for 1954-55; policy	9.
United Nations; Disarmament Commission; Canadian representation on sub-committee	12.
Erection of cold storage warehouse in Toronto; request for subsidy; reference from Treasury Board	13.
Colombo Plan; meeting in Canada of Consultative Committee, 1954	14.
Colombo Plan; assistance for Pakistan	16.
National Advisory Committee on Rehabilitation of Disabled Persons; reconstitution	17.
Importation of U.S. Fishing vessels on west coast	18.
Proposed U.S. Loran station at Cape Christian, Baffin Island	20.
Capital budget; Northwest Territories Power Commission	22.
Moose Jaw aircraft accident; arrangements for payment of claims	22.
Soviet invitations to scientific meetings	23.
[illegible]artz and placer mining in the Yukon Territory; review	24.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, April 29th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Railway freight rates; representations on Agreed Charges

1. The Prime Minister, referring to discussion at the meeting of April 14th, said the Secretary of State for External Affairs had now spoken by telephone with the Canadian Ambassador to Ireland about the possibility of undertaking an investigation concerning Agreed Charges on railways, in the light of the recommendations of the Royal Commission on Transportation, of which he had been chairman. Mr. Turgeon had indicated his willingness to consider such an investigation, but had asked for supplementary information as to precisely what was involved and as to the time it was expected such an investigation might take.

A draft letter to Mr. Turgeon was submitted and read.

(Draft Letter, Prime Minister to Canadian Ambassador to Ireland, April 29th, 1954).

2. The Cabinet,-

(a) noted the report by the Prime Minister that the Honourable W.F.A. Turgeon appeared to be prepared to undertake a review of the freight rates problem created by recent applications to the Board of Transport Commissioners for Agreed Charges on certain commodities moving between eastern Canada and the west coast; and,

(b) agreed that Mr. Turgeon be informed, in writing, of the scope and nature of the problem along the lines suggested by the Prime Minister.

Legislation; Disabled Persons Act

3. The Minister of National Health and Welfare submitted a resolution and bill entitled "Disabled Persons Act".

4. In the course of discussion, the following points emerged:

(a) Although it had originally been intended that the income ceilings under the new Act should be the same as those in the Blind Persons Act, it was now proposed that they be at the lower levels prescribed in the Old Age Assistance Act and in the War Veterans Allowance Act, even though there might be some

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criticism, particularly in view of the fact that existing Ontario legislation allowed a higher income ceiling for married recipients.

(b) It could be argued that totally disabled persons should be treated as generously as the blind and that, consequently, the income ceilings in the Disability legislation should be the same as those prescribed by the Blind Persons Act. If the higher levels were established, however, it would likely be necessary to increase the ceilings now provided in the War Veterans Allowance Act, which increase would entail a substantial expenditure of public funds. In all likelihood, if such a step were taken, it would also be difficult not to increase the ceilings now provided in the old age assistance legislation.

(c) It was pointed out that, in order to be eligible for benefits under this legislation, a person would have to establish total and permanent disability. This would undoubtedly give rise to representations on behalf of persons who were seriously but not totally disabled and who found it impossible, or at least extremely difficult, to obtain full employment.

5. The Cabinet approved for introduction, subject to certain minor modifications, the resolution and bill entitled "Disabled Persons Act".

Legislation; C.N.R. branch lines to Manitouwadge and Chibougamau

6. The Minister of Transport submitted a resolution and bill concerning the construction of branch lines by the Canadian National Railway from Beattyville through Chibougamau to St. Felicien in the Province of Quebec and from Hillsport to Manitouwadge Lake in the Province of Ontario.

7. The Cabinet approved for introduction the resolution and bill respecting the construction of branch lines by the Canadian National Railway Company from Beattyville through Chibougamau to St. Felicien in the Province of Quebec and from Hillsport to Manitouwadge Lake in the Province of Ontario.

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Legislation; International Rapids Power Development Act amendment

8. The Minister of Transport submitted a bill to amend the International Rapids Power Development Act.

The purpose of the bill was to amend a reference to the Power Commission Act of Ontario which was no longer correct. Since the International Rapids Power Development Act had been given Royal Assent in December 1951, the Ontario provisions regarding expropriation proceedings and compensation, as set out in the Power Commission Act, had been largely superseded by the St. Lawrence Development Act 1952 (No. 2).

9. The Cabinet approved the bill to amend the International Rapids Power Development Act, as submitted by the Minister of Transport, for introduction in the Senate in the first instance.

Legislation; C.N.R. Financing and Guarantee Act

10. The Minister of Finance said he proposed to introduce the usual C.N.R. Financing and Guarantee bill to provide for the financing of the capital expenditures of the Canadian National Railways for the calendar year 1954.

(Minister's memorandum, April 28, 1954- Cab. Doc. 110-54).

11. The Cabinet approved, in principle, the proposal of the Minister of Finance regarding a bill for the financing of the Canadian National Railways for the year 1954, and agreed that a draft measure be prepared accordingly.

Legislation; Post Office Act amendment

12. The Postmaster General recalled that, while the bill to amend the Post Office Act was under consideration in the House of Commons earlier in the session, an attempt had been made to amend Section 11 in order to provide that newspapers and periodicals need not necessarily be posted by the publisher within the postal area in which the place of publication was situated, but could also be posted from some other area with the approval of the Postmaster General. This amendment had been ruled out of order and consequently dropped. He now recommended that a separate bill be introduced during the session for such an amendment.

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13. In the course of discussion, it was pointed out that there would doubtless be objection to this amendment on the part of some temperance organizations because it might facilitate the inclusion, in certain periodicals, of liquor advertising even though this was prohibited in the province in which the periodical was published. Nonetheless, it was felt that the amendment should be proceeded with, not only because it would be helpful to Canadian periodicals, which had difficulty in competing against American publications, but also because it would result in some savings to the Post Office Department. Furthermore, jurisdiction in matters relating to alcoholic beverages rested with the provinces and Parliament should not be called upon to legislate indirectly in this field in the interests of temperance organizations.

14. The Cabinet approved, in principle, proposed amendments to the Post Office Act concerning the place of mailing of newspapers and periodicals as recommended by the Postmaster General, and agreed that a draft measure be prepared accordingly.

Legislation; War Veterans Allowance Act amendment

15. The Minister of Veterans Affairs, referring to discussion at the meeting of February 25th, 1954, said there were three possible amendments to the War Veterans Allowance Act which he would like to mention at this time. The first would involve increasing the income ceilings from $720 to $840 per annum for single veterans and from $1200 to $1440 per annum for married veterans. The lower rates now in effect were the same as those prescribed by the old age assistance legislation while the higher were those in effect under the Blind Persons Act. The second amendment would involve extending to all veterans the provisions of section 4 of the Act which authorized allowances to be paid to employable veterans under certain conditions. The third amendment would increase the salaries of the members of the War Veterans Allowance Board, which were fixed by section 25 of the Act.

16. In the course of discussion, the following points emerged:

(a) It was argued,on the one hand that, if W.V.A. income ceilings were increased, as recommended, this would almost inevitably entail an early increase in the income ceilings prescribed by the old age assistance legislation and the Disabled Persons Act, soon to be introduced.

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On the other hand, veterans had always been granted somewhat preferential treatment and an increase in W.V.A. income ceilings was not likely to give rise to much concerted pressure for similar increases in the ceilings under the above Acts. It was pointed out further that, if the income ceilings were increased at this time, this would tend to reduce the demand for an increase in the basic rate of benefits. Such demands were particularly strong in British Columbia and Alberta where, as a result of supplementary provincial payments, certain general social benefits were at a higher rate than maximum War Veterans allowances.

(b) It was suggested that it might perhaps be preferable to leave the income ceilings under the War Veterans Allowance Act unchanged for the time being, in view of the fact that the Disabled Persons Act was shortly to be introduced with income ceilings fixed at the lower level.

17. The Cabinet agreed that possible amendments to the War Veterans Allowance Act, as reported by the Minister of Veterans Affairs, be not introduced in the current session of Parliament.

Legislation; Motor Vehicle Transport Act

18. The Minister of Transport, referring to discussion at the meeting of April 14th, said he had recently concluded discussions with the provincial ministers concerned regarding methods of regulating and controlling international and interprovincial highway transport.

Four provinces, Manitoba, Saskatchewan, Alberta and, later, Quebec had suggested that the British North America Act should be amended to enable the provinces to have full jurisdiction over international and interprovincial motor carrier services. After carefully examining the implications of this suggestion, the three western provinces had abandoned this position, but the Quebec representatives still held that, if the provinces were to exercise any control over this type of highway transport, this should be preceded by an appropriate constitutional amendment.

With some modifications, the draft legislation which had earlier been considered by Cabinet, had met with the approval of most provincial representatives. This draft legislation was now being considered by the various provincial governments.

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The Minister anticipated that all the provinces, except Quebec, would very likely accept the arrangements contemplated under the draft Federal bill. It was not unlikely, however, that the Quebec government would hold out for a constitutional amendment.

19. The Cabinet noted the report by the Minister of Transport regarding recent federal-provincial discussions on proposed arrangements for the control and regulation of international and interprovincial highway transport, and deferred decision on introduction of the Motor Vehicle Transport bill until such time as provincial governments had expressed their views as to the proposed arrangements.

Legislation; programme for remainder of 1953-54 session

20. The Prime Minister said he had undertaken to make a full statement in the House of Commons, at an early date, on the government's legislative programme for the balance of the 1953-54 session. In order that a decision might be reached as to which legislative items should be proceeded with during the current session and as to those which could be postponed until the following session, the Chairman of the Cabinet Committee on Legislation had submitted a schedule of the various measures which had, from time to time, been proposed for introduction, but had not yet been introduced.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Cabinet Committee on Legislation, April 27, 1954- Cab. Doc. 106-54).

21. The Cabinet agreed,-

(a) that, in addition to the budget legislation (amendments to the Excise Act, the Excise Tax Act, the Income Tax Act and the Customs Tariff), the following measures be introduced during the course of the current session:

Disabled Persons Act,
C.N.R. branch lines Act - (Manitouwadge and Chibougamau,)
International Rapids Power Development Act,
Citizenship Act amendment,
Judges Act
(it being understood that no provision would be made at this time to enable judges to assume academic functions in law schools, but that on the other hand the bill might contain provisions to increase judicial salaries).

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Royal Canadian Mounted Police Act amendment,
Bill for the establishment of a National Park in Newfoundland,
Public Servants Inventions Act,
Department of Transport Act amendment,
Bill respecting supplementary death benefits for public servants and members of the regular forces,
Navigable Waters Protection Act amendment,
Veterans Land Act amendment,
C.N.R. Financing and Guarantee bill,
Post Office Act amendment,
Radio Act amendment;

(b) that the following measures be not introduced during the course of the current session:

Government Employees Compensation Act amendment,
Industrial Relations and Disputes Investigation Act amendment,
Bill to amend the Territorial Lands Act and to repeal the Yukon Quartz Mining Act and the Yukon Placer Mining Act (already on Order Paper),
C.N.R. Act amendments,
Bill respecting federal assistance in civil disasters,
Canada Shipping Act amendment,
War Veterans Allowance Act amendment;

(c) that the proposed amendment to the Criminal Code respecting race meetings, which had previously been recommended by the Minister of Agriculture, might be introduced in the form of an amendment to the Code, now before the Senate, rather than in the form of a separate amending bill in the House of Commons;

(d) that, depending upon the outcome of current discussions with provincial authorities, the following measures might be introduced during the course of the current session:

Motor Vehicle Transport Act,
Bill to repeal the Physical Fitness Act; and,

(e) that the Prime Minister make a statement at an early date in the House of Commons regarding the government's legislative programme for the remainder of the current session and, at the same time, announce that the government did not intend to seek extension of the Emergency Powers Act after May 31st, 1954.

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Coal subventions; regulations for 1954-55; policy

22. The Minister of Mines and Technical Surveys, referring to discussion at the meeting of March 10th, 1954, reported that, following a visit he and the Chairman of the Coal Board had made to the coal producing areas of the Maritime provinces, there had been discussions between representatives of the Federal and the two provincial governments concerned, the private operators, the Dominion Coal Co. and the unions.

The conclusion reached from these discussions was that local markets could absorb 3 million tons of the coal produced in the Maritimes without subvention, and 5,400 full-time employees would be required to produce this amount. However, the total number of men employed in the Maritime collieries was 7,950 and it was estimated that the additional 2,550 men could not be kept on the pay-rolls unless subventions totalling $6.7 million (or $2,643 per annum per man) were paid out during the course of the current year. The degree of subvention required in western Canada would likely be in excess of $2,400 per annum per man.

The situation was not, however, without difficulties. The Dominion Coal Company was currently studying the relationship of its mechanization programme to potential markets. It was feared that if the mechanization programme were completed, enough markets would not be found for the coal which could then be produced. In view of this lack of markets, the company was now considering whether it would not be preferable to curtail the mechanization programme short of completeness. He thought that the company might perhaps close down its uneconomic mines and complete the mechanization programme in the others.

A substantial portion of the losses recently sustained by the Dominion Coal Company had arisen out of the sale of coal to the parent company, Dominion Steel & Coal Corporation, at a price below the cost of production. In 1953, 854,728 tons of coal or 26½ percent of the total marketed were sold by Dominion Coal to DOSCO at a net return of $7.42 per ton. This coal cost $9.33 to produce and the overall loss had been $1.5 million.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 20, 1954-Cab. Doc. 109-54).

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23. Mr. Prudham added that the Drummond Coal Company at Westville, N.S., also presented a difficult problem. Unless special measures were taken, it was expected that this mine would soon have to close down. It was understood that the Canadian National Railways were prepared to purchase 36,000 tons of Westville coal during the current year. The mine operators had suggested that other coal, which the C.N.R. would otherwise have purchased locally, be diverted to the St. Lawrence area under the $4.00 subvention, it being understood that Drummond would pay the additional $1.00 required to make up the total subsidy of $5.00 a ton which would be required to enable such a diversion to take place. If this were done, greater local markets would be made available to Westville, thus preventing the anticipated shut-down. If such an arrangement were approved, the end result would be that the Federal government would be called upon to pay out subsidies during the current year totalling $144,000 in respect of the Westville mine which had recently been purchased by its current owners for the total sum of $50,000. On the other hand, unless something were done, the 400 men employed at Westville would soon be out of work.

To prevent a serious dislocation in the Canadian coal industry, he recommended that, in addition to the subventions already approved for western bituminous coal on March 4th and for railway purchases of Canadian coal on March 10th, the scale of subvention in effect last year be continued for the current year, provided that coal coming within class 5 as defined in the Alberta Marketing Act and coal from strip mines in class 4 as defined in the same Act would not be eligible for subvention.

On the constructive side of the picture, much had been accomplished in recent months. Mine operators and unions alike were now fully aware of their responsibilities and it was anticipated that, before the end of the year, there would be a reduction in the pit-head cost of coal produced in the Maritimes. Recently, the provincial governments, the mine operators, the trade unions and the local Boards of Trade had joined in a drive to encourage greater local consumption of coal.

Generally speaking, he thought that it would soon be possible to effect whatever readjustments were required to bring the Canadian coal industry more in line with the realities of the highly competitive markets in this field, but this would not be possible in his view unless subventions were continued for this year along the lines he had recommended. As an example

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of the positive steps now being taken to provide continuing markets for Canadian coal, he referred to the Mordel project (coal-fired locomotive turbine engines) which had been progressing fairly well. He also reported that, as a result of surveys made in Cape Breton Island, geologists were hopeful that worthwhile mineral discoveries might be made in Cape Breton Park. If these hopes proved to be well founded, it would be possible to provide suitable alternative employment for many displaced coal miners.

24. In the course of discussion, the following points emerged:

(a) Despite all efforts made in recent years, the Canadian coal situation appeared to be getting progressively worse and it seemed clear that Federal subventions in this field could not be continued indefinitely. It was suggested that, if there had to be serious retrenchment in the coal industry, it might be preferable to face the consequences of such action now, rather than at some later date when conditions might not be as favourable as at present.

(b) If Federal assistance were withdrawn, there would be serious and immediate unemployment in the Maritime provinces and in the Crow's Nest Pass area in western Canada. Consequently, it was suggested that if the more uneconomic collieries were to be liquidated, this should be done gradually in order to prevent sudden mass unemployment in the areas concerned. In this connection it was pointed out that there had already been some retrenchment and that ,in western Canada alone ,there were approximately 1,000 less men employed by the coal industry during the current year.

(c) Although the total amount paid as subsidies on gold production was higher than that on coal, it was pointed out that no true parallel could be established between the two. In the case of gold, the subventions had been maintained at a rather high level during the past few years not only because several communities were entirely dependent on gold for employment, but also and perhaps principally, because of the possibility that the price of gold might be increased in the reasonably near future.

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(d) It was suggested that an Order in Council might be passed immediately to implement the decision of March 10th ,1954, concerning subventions on railway coal for the current year, and that the question of subventions for 1954-55 be referred to the special Interdepartmental Committee for consideration and report at the next meeting.

25. The Cabinet noted the report and recommendations of the Minister of Mines and Technical Surveys on coal subventions for the current year and agreed,-

(a) that an Order in Council be passed forthwith to carry out the decision of March 10th, 1954, relating to railway purchases of Canadian coal;

(Order in Council P.C. 1954-658, April 29)

and,

(b) deferred decision on other coal subvention recommendations pending a report by the special Interdepartmental Committee.

United Nations; Disarmament Commission; Canadian representation on sub-committee

26. The Acting Secretary of State for External Affairs reported that in a resolution of the United Nations General Assembly passed last November, it had been suggested that the Disarmament Commission establish a sub-committee to seek,privately, an acceptable solution to the disarmament problem. The Commission had set up the sub-committee recently with representatives from the United States, the United Kingdom, France, the Soviet Union and Canada, and had recommended that a report be submitted by July 15th. The Commission itself was called upon to report to the General Assembly and the Security Council not later than September 1st.

The first meeting of the sub-committee would be held in London on May 13th. It had been ascertained that U.K. and French Ministers would attend on behalf of their countries and, it seemed desirable for the Secretary of State for External Affairs to represent Canada.

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27. The Cabinet agreed that the Secretary of State for External Affairs represent Canada at the meetings of a sub-committee of the United Nations Disarmament Commission to be held in London beginning May 13th, 1954, and that the High Commissioner for Canada in the United Kingdom, Mr. N.A. Robertson, and Mr. David M. Johnson, Permanent Representative of Canada to the United Nations, be designated as his alternate representatives in London and New York, respectively.

Erection of cold storage warehouse in Toronto; request for subsidy; reference from Treasury Board

28. The Minister of Agriculture said a request for permission to file an application for a subsidy under the provisions of the Cold Storage Act had been received from Ayer Storage Limited, to assist in the proposed construction of a public cold storage warehouse at Toronto.

The warehouse would contain one million cubic feet of refrigerated space and the estimated cost would be $1 million. A subsidy on this basis would not exceed one-third of a million dollars. There had been no public cold storage expansion in Toronto for the past twenty years and all facilities available were in use most of the time. In addition, one old plant with a capacity of some half a million cubic feet was to be dismantled in two years. There had been comparable subsidies paid for large cold storage warehouses in Nova Scotia, British Columbia and Manitoba. The expenditure contemplated was larger than that of most recent projects and the Treasury Board wished the matter to be discussed in Cabinet. Approval in principle of an agreement with the company was now sought before plans and specifications were prepared.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 27,1954-Cab. Doc. 105-54; Letter, Secretary, Treasury Board to Secretary, April 26, 1954).

29. In the course of discussion, the following points emerged:

(a) It had been difficult to secure the right kind of storage for frozen fish in Toronto and the new plant would materially ease the situation.

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(b) There were no objections from the financial point of view to the proposal although, at some future date, the general principles on which subsidies for cold storage were based might have to be reviewed as facilities became more adequate.

30. The Cabinet approved the recommendation of the Minister of Agriculture and approved, in principle, an agreement, under the provisions of the Cold Storage Act, with the Ayer Storage Limited for a subsidy, on the construction at an estimated cost of $1 million of a public cold storage warehouse at Toronto.

Colombo Plan; meeting in Canada of Consultative Committee, 1954

31. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, referring to discussion at the meeting of March 25th, 1954, said the Committee of officials established to make recommendations for the 1954 meeting in Canada of the Consultative Committee, for Economic Development in South and South-east Asia under the Colombo Plan, had now prepared more detailed plans and estimates of costs. The Committee in its recommendation, had kept in mind the need to avoid ostentation and to have due regard to economy while, at the same time, ensuring that the arrangements suggested would enable Canada to discharge its obligations fully, effectively and in a dignified manner. The 1954 meeting would be the first of its kind to be held in North America and would provide an unusual opportunity for Canadians to extend hospitality to representatives from most Commonwealth countries, the United States and important Asian countries. It was felt that a serious effort should be made to plan a programme which would advance the main aim of the conference, be distinctively Canadian, and leave a good impression on the delegates. It was expected that some 90 persons (including some Ministers wives), would be in Ottawa for the meetings. It was recommended that plans be made for holding the meetings from September 20th to October 9th in the Parliament Buildings, that suitable accommodation and arrangements be made for the delegates, and that post-conference tours of central and other parts of Canada be organized.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, April 26, 1954- Cab. Doc. 107-54).

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32. The Cabinet approved the recommendations of the Acting Secretary of State for External Affairs and agreed that, in respect of the 1954 meeting in Canada of the Consultative Committee for Economic Development in South and South-east Asia:

(a) The Interdepartmental Committee arrange a programme with the following main features:

(i) a preliminary meeting of officials from September 20th to October 2nd;

(ii) a ministerial meeting from October 4th to October 9th;

(iii) the holding of meetings in the Parliament Buildings;

(iv) the accommodation of visiting delegations and representatives of international organizations in the Chateau Laurier;

(v) appropriate arrangements for reception and entertainment of the delegations in Ottawa;

(vi) suitable arrangements for publicizing the conference and its work; and,

(vii) a post-conference tour of Montreal, Kingston, Toronto and Niagara Falls, with suitable arrangements for reception and entertainment of the delegations;

the estimated cost of the above programme being $98,000;

(b) each delegation member be invited to go on one supplementary tour either to western Canada or to the Maritimes, or to places in Quebec where Canada's basic economic development could be observed; the estimated cost being $23,000; and,

(c) appropriate provision for funds totalling approximately $121,000 be made in the supplementary estimates of the Department of External Affairs for the programmes outlined in (a) and (b) above.

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Colombo Plan; assistance for Pakistan

33. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, reported that, during the financial year 1953-54, the Cabinet had approved assistance for projects in Pakistan amounting to $1 million for the extension of the aerial resources survey and $3.5 million for the Warsak Project. In addition, a second $5 million emergency gift of wheat to avert famine had been provided. This amount had been reimbursed to the Colombo Plan fund.

Pakistan was anxious to be informed of decisions on theoother projects formally put forward for Colombo Plan aid from Canada in 1953-54. These included a thermal power plant for the Ganges-Kobadak Irrigation Scheme, three or four small canal falls hydro-electric units for the Punjab Tubewell Drainage and Irrigation Programme, and a 153-mile electrical transmission link between Dacca and the port of Chittagong in East Pakistan. Engineering reports on these projects had been received and considered. In addition, a further allocation of $2 million for the Warsak Project had been under discussion.

It was now suggested that $1.8 million be allocated to the Ganges-Kobadak scheme, $5 million, in principle, to the Punjab Tubewell Scheme, $4 million to the Dacca-Chittagong Link and $2 million to the Warsak project, making a total of $12.8 million. Of this sum, $5 million might be regarded as completing the 1953-54 programme, since to date that programme amounted to only $4.5 million compared with about $9 million for the previous fiscal year.

On this basis, aid for 1954-55 would amount to the remaining $7.8 million. It might not be prudent to envisage aid in excess of this amount for the current year until demands on the 1954-55 appropriations from India and Ceylon were clearer, and also until it was known whether assistance might be provided to Indonesia and other Colombo Plan countries.

The Minister recommended that a thermal power plant be provided for the Ganges-Kobadak Scheme, that, because of technical uncertainties and possible political implications, financial decision with respect to the Punjab Canal projects be deferred, that assistance for the Dacca-Chittagong Link be provided, and that a further allocation be made to the Warsak Project.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, April 28, 1954- Cab. Doc. 108-54.)

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34. In the course of discussion, it was pointed out that Canada was already participating in most of the projects mentioned and that the engineering reports indicated no technical objections. The principle on which aid was being provided, namely that the recipient countries recommend the projects to be eligible for assistance, with Canada having the right of veto if they were not thought desirable, was being followed in these cases.

35. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs and agreed,-

(a) that additional assistance to Pakistan under the Colombo Plan be provided for the Ganges-Kobadak Scheme, the Punjab Canal Falls Hydro-electric Projects, the Dacca-Chittagong Link, and the Warsak Hydro -electric Project in accordance with the terms submitted; and,

(b) that these projects be financed from the balance of funds appropriated for Colombo Plan purposes in earlier years and as necessary from the further Colombo Plan appropriation for 1954, presently before Parliament.

National Advisory Committee on Rehabilitation of Disabled Persons; reconstitution

36. The Minister of Labour submitted a recommendation, concurred in by the Ministers of National Health and Welfare and Veterans Affairs, to reconstitute the National Advisory Committee on the Rehabilitation of Disabled Persons, with effect from January 1st, 1954.

37. The Cabinet approved the joint recommendation of the Ministers of Labour, National Health and Welfare and Veterans Affairs, and agreed that the National Advisory Committee on the Rehabilitation of Disabled Persons be reconstituted, with effect from January 1st, 1954, with membership and powers as recommended; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-655, April 29)

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Importation of U.S. fishing vessels on west coast

38. The Minister of Fisheries said the west coast fishery, which produced almost half the dollar value of Canadian fisheries, was mainly inshore fishery and the boats used were not large. Recent developments, however, made it important that part of the fishing fleet should go further out to sea. Under the provisions of the treaty signed a year ago by Canada, the United States and Japan for the conservation of North Pacific fisheries, Japan had agreed to keep her fishing fleet east of the 175th meridian and to abstain from fishing those species under scientific study, which were adequately conserved and yet fully exploited. Salmon, herring and halibut met these conditions. Japan would continue to abstain for another four years, at which time the treaty would be reviewed. Japan, however, had the largest deep-sea fishing fleet in the world and, before the war, had caught many salmon that were headed for Canadian or Alaskan rivers. The Japanese could not be kept from the North American side of the ocean indefinitely if it was not being fished by Canada.

The Fraser River was the principal source of salmon for the Pacific. Sockeye were conserved under an international agreement with an equal division of the catch between Canada and the United States. Pink salmon were almost as valuable but not protected by a treaty, mainly because the United States had always had from 75-90 percent of the run, which they caught largely as the salmon returned from the sea through American waters at Puget Sound. Last year, the Department of Fisheries persuaded some large Canadian boats to fish in the open sea, and for the first time Canada succeeded in getting 40 percent of the run. With a more intensive effort 50 percent might be secured, at which time the Americans might well agree to an international commission similar to the one controlling sockeye.

The two situations make it important for the Canadian fleet to get out to deep-sea with suitable boats. Such boats, however, cost up to $200,000 to build in Canadian yards, and this was too great an amount for fishing companies and independent fishermen to risk in exploratory fishing. There were many suitable boats now available in California and Seattle at greatly reduced prices, and the British Columbia fishing industry felt that exploratory deep-sea fishing would be economic with these boats at their present prices. Such importation, however, would conflict with the policy of the Maritime Commission to protect Canadian shipyards. This took the form

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of preventing importation of boats more than five years old and levying a 25 percent tariff on a price between cost and replacement value. This policy, in itself, was in conflict with the general efforts of the government to remove duties on equipment used in primary industries. No opposition to importing a limited number of used U.S. boats had been expressed by small boat yards on the west coast and each boat would have to be refitted in Canadian yards to meet the inspection provisions of Canada Shipping Act. If the project was successful, more boats would be needed which then would be built in Canadian yards.

It was recommended that 20 U.S. vessels for deep-sea fishing be allowed entry notwithstanding their being more than five years old, and that the customs duty be remitted in stages if they were used for exploratory fishing.

On the east coast, large expenditures for exploratory fishing and subsidies for boat construction had been made but no such assistance had been given or asked for on the west coast. The government could do this exploratory fishing itself but it would be more costly and less effective than if done by private companies or independent fishermen.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 29,1954- Cab. Doc. 111-54).

39. In the course of discussion the following points emerged:

(a) The Canada Shipping Act had been amended only 2 years ago to provide that no ships more than five years old could be imported without the consent of the Minister of Transport. In that period only a total of 30 ships had come into Canada and the importation of 20 at one time seemed far too many and might give rise to criticism from the shipbuilding industry. In fact, some B.C. builders, on learning of the proposal, had already protested. If the rule were waived in this case there would be demands for imports from many other sources.

(b) The importation of the boats could be justified on the grounds that it was most important to maintain the Canadian position under the treaty for conserving the fishery in the North Pacific. Furthermore, the ships

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could not be built in Canada today at a cost which the fishing companies and independent fishermen could meet.

(c) Under the proposed arrangement to license the importation of 20 ships, it was expected that 12 would be taken up by companies. An opportunity of acquiring the other 8 should be given the independent fishermen. It seemed unlikely, however, that this number could be taken as the ships were too expensive for small owners to buy.

(d) As it appeared that independent fishermen would not likely take advantage of the proposal, it might be preferable to allow in only 15 ships at present and do this over a period of time.

40. The Cabinet noted the report of the Minister of Fisheries and agreed:

(a) that the British Columbia fishing industry be allowed to purchase 15 U.S. vessels over 65 feet registered length for deep-sea fishing; and,

(b) that the five-year age provision be waived and, as an incentive, half the duty paid be refunded after the first year's deep-sea fishing, and the other half at the end of the second year's fishing;

it being understood that each case would be treated individually and that special regulations would be made under the Canada Shipping Act for the transactions.

Proposed U.S. Loran station at Cape Christian, Baffin Island

41. The Associate Minister of National Defence reported that in April 1953, the United States had requested permission to build a Loran station at Cape Christian on Baffin Island. This was required for further long-range aid to navigation facilities for the use of ships and aircraft operating out of Thule in Greenland. The facilities would be available, of course, to Canadian ships and aircraft.

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The Cabinet Defence Committee had considered the request in May of that year and approved the carrying out of preliminary construction work, on the understanding that the detailed terms and conditions with regard to the station be negotiated later.

Officials of the two governments and interested departments had since discussed the possible terms under which Canada might be prepared to authorize the erection and operation of the station and these had been incorporated in a draft note to the U.S. Embassy. The rights of Canada to take over operation and the period of operation of the station itself were in conformity with the tenure formula approved for the proposed establishment by the U.S. Air Force of radar stations in Canada, and the U.S. was prepared to accept these draft terms. In particular, it was notable that the U.S. had agreed to paragraph 5 (a) with its provision that, if Canada took over operation of the station, the operating costs (excluding those for military personnel) would be shared in proportion to the use made of the facilities. The Acting Secretary of State for External Affairs and Minister of National Defence had recommended that authority be given for the construction and operation of the station by the U.S. Coast Guard in accordance with the terms and conditions submitted.

An explanatory memorandum had been circulated.

(Memorandum, Acting Secretary of State for External Affairs and Minister of National Defence, April 23, 1954-Cab. Doc. 104-54).

42. In the course of discussion, the following points emerged:

(a) While one of the conditions of the proposed note stated that Canadian contractors would have equal consideration with U.S. contractors on the bidding of contracts and in the procurement of materials and supplies, this provision would, in fact, not apply in the present case. The construction season was short and only U.S. contractors were in a position to carry out the work this summer, Canadian authorities concerned would therefore be prepared to waive the application of this particular condition. It would be desirable, however, to send a supplementary note to the U.S. Embassy pointing out that,when similar projects were undertaken in the future, Canadian contractors and labour would be given equal consideration with the Americans.

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(b) It was hoped that the tenure provisions as set forth in paragraphs 5(a) and 5(b) would set a pattern in the establishment of joint Canadian-U.S. installations in the north.

43. The Cabinet agreed that a note be despatched to the U.S. Ambassador in Ottawa authorizing the construction and operation of a Loran station at Cape Christian, Baffin Island, subject to the availability of appropriate funds and in accordance with the terms and conditions submitted; it being understood that a supplementary note would also be sent drawing attention to the necessity of a strict application, in future, of the principle that Canadian contractors be given equal consideration with U.S. contractors in the awarding of contracts, and that like preference be given to qualified Canadian labour for such construction.

Capital budget; Northwest Territories Power Commission

44. The Minister of Northern Affairs and National Resources recommended that a revised capital budget for the fiscal year ending March 31st,1954, and a capital budget for the fiscal year ending March 31st, 1955, for the Northwest Territories Power Commission , be approved.

45. The Cabinet approved the recommendation of the Minister of Northern Affairs and National Resources, concurred in by the Minister of Finance,and agreed that a revised capital budget for the fiscal year ending March 31st, 1954, and a capital budget for the fiscal year ending March 31st, 1955, for the Northwest Territories Power Commission, be approved as submitted; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-657, April 29)

Moose Jaw aircraft accident; arrangements for payment of claims

46. The Minister of Transport, referring to discussion at the meeting of April 22nd, said he had received the interim report of the Departmental Board of Inquiry regarding the accident at Moose Jaw. He understood reports had also been made by the R.C.A.F. and T.C.A. It might be desirable if all the reports were considered together by officers of the Air Transport Board, the R.C.A.F. and the T.C.A. and co-ordinated.

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47. The Cabinet agreed that the Ministers of Trade and Commerce, Transport and the Associate Minister of National Defence arrange for suitable consideration of all the reports made on the Moose Jaw aircraft accident, and that the final conclusions arising from these deliberations be considered at a later meeting.

Soviet invitations to scientific meetings

48. The Minister of Mines and Technical Surveys said that Mr. W.C. McClenahan, Chief of the Positional Astronomy Division, Dominion Observatory, had received an invitation to attend the opening of the restored main astronomic observatory of the Academy of Sciences of the U.S.S.R.in May. On the surface, at least, the invitation was a friendly gesture and it would be difficult to reject it without good reasons. The cost of such a visit would be in the neighbourhood of $1200.

The matter had been taken up with the Department of External Affairs and the initial reaction was that this might prove a useful opportunity to get first-hand information about Soviet science. Furthermore, anything which seemed a move away from the usual suspicious and secretive Soviet attitudes should receive cautious encouragement.

49. In the course of discussion, it was pointed out that more and more friendly gestures from the Soviet Union were being made. Anything which could be done to increase our stock of information and which would relieve international tension would be helpful. On the other hand, extreme caution should be exercised in dealing with invitations of this character. The course to be followed in this case might set a precedent and it would be well to consider all the alternatives before coming to any final decision.

50. The Cabinet noted the report of the Minister of Mines and Technical Surveys and agreed that the Secretary discuss with the President of the National Research Council, the Acting Under-Secretary of State for External Affairs, Dr. Thompson of the Department of Mines and Technical Surveys, and others concerned, the invitation extended to Mr. W.C. McClenahan of the Dominion Observatory to be present at a meeting to mark the opening of the restored main astronomic observatory of the Academy of Sciences of the U.S.S.R., and submit a report to the Prime Minister and Minister of Mines and Technical Surveys.

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Quartz and placer mining in the Yukon Territory; review

51. The Minister of Northern Affairs and National Resources reported that, in due course, it was proposed to repeal the Yukon Quartz Mining Act and the Yukon Placer Mining Act, and to enact in their place regulations similar to those in force in the Northwest Territories. There was opposition to the proposal by interested parties in the Yukon and it would be helpful, in reaching a decision on the questions involved, if the views of an independent mining engineer could be obtained. It was recommended therefore that a Commissioner be appointed to review quartz and placer mining in the Yukon.

52. The Cabinet approved the recommendation of the Minister of Northern Affairs and National Resources, and agreed that, pursuant to Part I of the Inquiries Act, George Edward Cole, Esq., of Winnipeg, be appointed Commissioner to enquire into, review and report on the administration of quartz mining and placer mining in the Yukon Territory; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-656, April 29)

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 6th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, May 6th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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York West; by-election

1. The Minister of Citizenship and Immigration said it had been suggested that the most appropriate time to hold a by-election to fill the vacancy in the electoral district of York West might be some time towards the end of June.

2. The Cabinet, agreed that a by-election to fill the vacancy in the electoral district of York West be not held until some time in the fall; the exact date to be determined at a later meeting.

Victory loan bonds; redemption

3. The Minister of Finance proposed that bonds in the total amount of $850 million be now issued for the purpose of redeeming $847,136,050 principal amount of 3 percent Third Victory Loan Bonds maturing on November 1st, 1956, and called for redemption June 1st, 1954.

4. The Cabinet approved the issue and sale of $550 million principal amount of 2¼ percent bonds dated June 1st, 1954, and maturing December 15th, 1956, and $300 million principal amount of 3¼ percent bonds dated June 1st, 1954, and maturing June 1st,1976 on the terms recommended by the Minister of Finance; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-695, May 6)

Old Age Assistance and Blind Persons Acts; recovery of overpayments

5. The Minister of Finance said Treasury Board had referred to Cabinet, for consideration, the question as to whether steps should be taken under the provisions of the Financial Administration Act to effect recovery of overpayments made under the Old Age Assistance Act and the Blind Persons Act.

The Department of National Health and Welfare had reported on 190 cases of overpayments which had occurred between January 1st, 1952 and June 30th,1953, and which involved a total amount of $30,507.4[illegible]. In making this report, the Department had advised that the province concerned had stated in each case that it could not recover the amounts owing and that, in the opinion of competent Health and Welfare officials, the province had in each case made reasonable efforts to effect recovery.

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If the Federal government failed to take advantage of the means of recovery provided by section 95(3) of the Financial Administration Act, this might be interpreted by provincial authorities as meaning that the Federal government was not interested in recovering these overpayments and, consequently, might lead the provinces to slacken their efforts to recover overpayments by the means at their command.

If it was agreed, in principle, that the overpayments should be recovered, it was recommended that the National Director of Old Age Security be instructed to fix the amount of deduction from current payments so that the overpayments could be recovered within a period of not more than three years, or, in cases of extreme hardship, four years. This would be the maximum period allowed without further Treasury Board authority, but small sums should ordinarily be recovered within a few months and all cases should be settled as expeditiously as possible without inflicting hardship in individual cases or having recipients of old age security thereby forced to apply for provincial or municipal relief.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 28, 1954-Cab. Doc. 117-54.)

6. The Cabinet agreed that steps be taken to recover overpayments under the Old Age Assistance Act and Blind Persons Act in the manner recommended by the Minister of Finance.

Canadian coal; interim subvention policy for 1954-55

7. The Prime Minister, referring to discussion at the previous meeting, said that the special interdepartmental committee considering coal subvention questions was still working on proposals for a long-term policy. Generally speaking, the committee believed that coal production in western Canada would decline over the next several years with a consequent reduction in subventions. In respect to eastern Canada, the committee believed there should be some further investigation of the marketing and production possibilities to determine what levels of marketing and production could be held at reduced subvention cost.

Immediate decisions were needed, however, on subventions for the "coal year" April 1954 to March 1955, as producers, shippers and customers would have to make their arrangements now or had already done so in the expectation that the policy followed last year would be continued.

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The committee had reluctantly come to the conclusion that it must recommend the continuation this year of the subvention formulae used the previous year with only minor modifications as had previously been suggested - i.e. mainly the elimination from subvention of low grade Alberta and B.C. coal and of certain strip-mined coal. While some members of the committee would have preferred to see a more substantial beginning this year on curtailment of uneconomic production and the elimination of some of the highly subsidized marginal employment in the industry, they recognized it was too late to make major alterations for this season. The most logical beginnings would now appear to be to limit the maximum subvention per ton in such manner as to eliminate or reduce the costly movement of Alberta coals to Ontario and the subsidized "back-haul" by rail of coal shipped by water to Montreal at a subvention cost to there of $3.00 a ton. These were important parts of the trade, however, for which producers and shippers had made plans for this season, and it would seem only proper for the government to give reasonable notice of its intention to modify its policy in these respects. The committee would consider whether the curtailment of such movements should be recommended for the future, with due notice being given, but did not feel it should recommend it now for this year.

The committee had recommended against the highly uneconomic special arrangements that had been suggested as a possible means of keeping the Westville colliery open for another six months.

An explanatory memorandum had been circulated.

(Memorandum, Chairman of Special Committee on Coal Subvention Questions, May 4,1954-Cab. Doc. 120-54).

8. In the course of discussion, it was suggested that it would be useful if the special committee could consider conditions in the Maritimes with a view to making recommendations as to positive steps that might be taken to provide suitable alternative employment for displaced coal miners. For the purposes of such a study, the committee might be authorized to expand its membership.

9. The Cabinet agreed,-

(a) that the coal subvention formulae in effect last year be made to apply to the "coal year" 1954-55 with certain secondary modifications, as previously recommended by the Minister of Mines and Technical Surveys, and that Orders in Council establishing subvention regulations in respect

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of Nova Scotia coal, New Brunswick coal, Saskatchewan coal, Alberta and the Crowsnest Pass, B.C. coal, be passed accordingly;

(Orders in Council P.C. 1954-685,-686,-687,-688, May 6)

and,

(b) that the special interdepartmental committee considering coal subvention questions consider and report on positive steps that might be taken to provide suitable alternative employment for displaced coal miners in the Maritime area.

Cape Breton National Park; possible mineral developments

10. The Minister of Mines and Technical Surveys, referring to discussion at the previous meeting, said the recent magnetic survey had indicated possible worthwhile mineral deposits in the Cape Breton National Park. The Nova Scotia government took the view that, although lands within the park had been transferred to the Federal government, the mineral rights were still vested in the province. They had already leased explorative rights to a private company and now requested permission for the company to conduct certain geological explorations within the park area.

Any mining development in this area would offer good alternative employment opportunities for displaced coal miners and, consequently, consideration should now be given to the steps to be taken, first to disentangle the complications relating to ownership of mineral rights and, secondly, to allow mining operations to be conducted in the area.

11. In the course of discussion, the following points emerged:

(a) There seemed little doubt that, when properties included within the Cape Breton National Park had been transferred to the Federal authorities by the Nova Scotia government, mineral rights had been transferred also and such rights were now fully owned by the Federal government. However, the lands had been transferred for the sole purpose of establishing a National Park and, even though the mineral rights were now vested in the Federal government, no use could be made of such rights without further agreement between Federal and Provincial authorities.

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(b) Even if agreement could be reached between the two governments no mining operations could be undertaken until the National Parks Act had been amended to remove the areas to be developed from the Park area.

(c) Although it was appreciated that new mining developments in the Park would provide badly needed alternative employment for displaced coal miners, it should be borne in mind that the precedent thus created might be embarrassing in view of repeated demands made in the past by the Province of Alberta for authority to conduct petroleum explorations in some of the western national parks .

(d) It was suggested that decision in this matter be deferred pending receipt of an opinion from the Department of Justice as to the exact nature of the legal situation and as to the measures that would have to be taken to enable mining developments to take place in the Park.

12. The Cabinet noted the report by the Minister of Mines and Technical Surveys on a request from the government of Nova Scotia for authority to conduct geological explorations in Cape Breton National Park, and agreed that an opinion be sought by the Department of Northern Affairs and National Resources from the Department of Justice as to ownership of the mineral rights in the Park,and as to the measures required to permit geological explorations and mining developments in certain areas of the Park.

Relief and resettlement of European refugees in China; appeals for funds

13. The Prime Minister said that, in September,1953, the United Nations High Commissioner for Refugees and the Intergovernmental Committee for European Migration (I.C.E.M.) had appealed to the government for funds for the relief and removal of refugees of European origin now in communist China.

The High Commissioner and I.C.E.M. were running short of funds for the relief and removal of the refugees in China. The High Commissioner had collected approximately $840,000 for the Refugee Emergency Fund, after his first appeal in 1952. These funds were now exhausted and he was paying the costs of maintaining the Shanghai group of refugees from contributions coming in from his second appeal in September 1953. I.C.E.M. had been paying for the resettlement of the refugees

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from funds left by the International Refugee Organization. I.C.E.M. stated these funds would be exhausted by the middle of the summer. Planning the resettlement of refugees must be carried out two or three months in advance and I.C.E.M. had to know, within a short time, whether contributions were forthcoming from governments so that it could plan for the continuance or the closing of the resettlement programme.

Canada had contributed approximately $18 million to the I.R.O. over a period of six years. Canada's contribution to the 1953 administrative budget of I.C.E.M. amounted to $194,518 or 9.06 percent of the total.

It was understood that the Deputy Director of I.C.E.M. had received contributions or pledges of $22,400 from the Swedish government, $100,000 from the Belgian government and an unspecified sum from the Swiss government . The United States was making available, from its Escapee Programme funds,$125 towards the transportation of each refugee from China. Consideration was being given to contributions by the governments of the Netherlands, France, Norway and Denmark.

The United Nations High Commissioner for Refugees had so far received contributions or pledges for funds for the relief of these refugees of amounts from Australia ($57,000); New Zealand ($28,000); Switzerland ($40,500); the Netherlands ($50,000) and Denmark (amount unknown). The government of France planned to make a token contribution of $5,000, although it had 400,000 refugees within its own borders. Belgium was also expected to contribute but the United Kingdom was unlikely to do so again as their first contribution of $280,000 in 1952 still accounted for over one-third of the total contributions so far made by various governments.

14. The Secretary of State for External Affairs had recommended, with the concurrence of the Minister of Citizenship and Immigration, that approval be given to a grant of $100,000 to the United Nations High Commissioner for Refugees and to a second of $100,000 to I.C.E:M. for relief and resettlement of refugees of European origin in China.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, April 15, 1954- Cab. Doc. 119-54).

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15. During the course of discussion, it was suggested that a total Canadian grant of $200,000 appeared disproportionately large having regard to the contributions made or pledged by other governments. It was suggested that the total Canadian grant be $100,000, of which $75,000 would be used for the removal of European refugees in China and $25,000 to provide subsistence relief for these refugees.

16. The Cabinet approved a Canadian grant of $100,000 for the relief and resettlement of refugees of European origin now in communist China, to be apportioned between the United Nations High Commissioner for Refugees and the Intergovernmental Committee for European Migration by the Secretary of State for External Affairs, after consultation with the Minister of Citizenship and Immigration.

Agriculture; special crop-loss payments to Manitoba and Saskatchewan farmers; supplementary estimates

17. The Minister of Agriculture explained that the Prairie Farm Assistance Act had been amended in 1950 to provide, inter alia, that Crown and municipal lands, not sold or granted prior to December 31st, 1940, would not be eligible for award. An amendment in 1951 excluded from the provisions of the 1950 amendment all lands lying north of the south boundry of township sixty in the Provinces of Alberta and British Columbia. A further amendment in 1953 excluded from the provisions of the 1950 amendment other lands in the northern parts of Manitoba and Saskatchewan.

The amendment of 1951, with respect to the lands in Alberta and British Columbia, had come into force on August 1st, 1950, while the 1953 amendment, with respect to the Manitoba and Saskatchewan lands, became effective on May 14th,1953.

The situation of those farming the lands affected by these amendments was the same in all four provinces, and the same effective date was recommended now because a number of farmers in Manitoba and Saskatchewan, excluded from award by the 1950 amendment, suffered crop losses prior to 1953, and it was felt that they should be treated in the same way as the farmers in Alberta. In view of the fact that total payments of only about $17,000 were involved, and a relatively small number of farmers, it was recommended that an ex gratia payment be made to such farmers rather than amend the legislation itself.

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The Department of Justice stated that such ex gratia payments could be made to these farmers by authority of the Governor in Council but it would be necessary to have a special appropriation to which the payments could be charged.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 30, 1954-Cab. Doc. 116-54).

18. During the course of discussion, it was pointed out that, although the total amount of proposed special crop-loss payments was relatively small, it was perhaps undesirable, in principle, to provide,retroactively, ex gratia payments of this nature by means of parliamentary votes.

19. The Cabinet approved the recommendation of the Minister of Agriculture and agreed that special crop-loss payments, not to exceed in the aggregate $17,000, be made to Manitoba and Saskatchewan farmers who would have qualified for payments under the Prairie Farm Assistance Act had sub-section (1) of section 1 of Chapter 46 of the Statutes of 1952-53 been effective from August 1st,1950 instead of May 14th,1953; an appropriate item to be included in the supplementary estimates.

Ontario Cheese Producers' Association Limited; marketing agreement

20. The Minister of Agriculture said the Ontario Cheese Producers' Association Limited had agreements under the Agricultural Products Co-operative Marketing Act for cheese produced in 1952 and 1953. Both agreements had been completed and final payments made to the cheese producers without loss to the government.

On April 1st, 1954, there were 22,397,000 pounds of cheese in storage in Canada as compared with 26,577,000 on April 1st, 1953. The present selling price for Ontario cheese was approximately 30 cents per pound , f.o.b. factory. The Ontario Cheese Producers' Association Limited had applied for an agreement similar to the 1952-53 agreements, based on an initial advance of 24 cents per pound for first grade cheddar cheese, f.o.b. factory, with a maximum handling charge equivalent to 2 3/8 cents per pound.

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It was recommended that approval be given to the signing of such an agreement as it was not expected to result in any loss.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 3 1954 - Cab. Doc. 118-54)

21. The Cabinet approved the entry by the Minister of Agriculture into an agreement with the Ontario Cheese Producers' Association Limited under the Agricultural Products Co-operative Marketing Act for the marketing of cheddar cheese produced in 1954, based on an initial advance of 24 cents per pound for first grade cheddar cheese, f.o.b. factory, with a maximum handling charge equivalent to 2 3/8 cents per pound; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-694, May 6)

Steamship subsidies; Halifax, Canso and Guysborough, N.S.; Halifax, Tor Bay, Ile Madame and Cape Breton Island, N.S.

22. The Minister of Transport said the Canadian Maritime Commission had recommended certain additional subsidies for freight services operating between Halifax, Canso and Guysborough, N.S. and between Halifax, Tor Bay, Ile Madame and Cape Breton Island, N.S. He concurred in this recommendation.

Explanatory memoranda had been circulated.

(Minister's memoranda, April 20,1954-Cab. Docs. 112-54,113-54.)

23. The Cabinet approved the recommendation of the Minister of Transport and agreed that, for the current fiscal year, additional subsidies of $3,000 be provided for the subsidized freight service between Halifax, Canso and Guysborough, N.S. and $2,000 for the freight service between Halifax,Tor Bay, Ile Madame and Cape Breton Island, N.S.; provision to be made accordingly in the supplementary estimates 1954-55.

National parks; utility service rates

24. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of April 8th,1954, said that, even though it was not proposed to make any change in certain charges in national parks, such as entrance fees, camping fees, etc., which affected mainly visitors, he felt consideration should be given to increasing the rates charged for certain utility services, such as sewer and water services, since these were essentially municipal services provided not only for visitors but for the growing numbers of year-round and summer residents in the parks.

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A new water and sewer system had just been completed in the Waterton Lakes Park at a cost of $234,000. A careful study had been made of various methods that might be adopted to assess the capital and operating costs against those benefiting from it. It was considered that the capital cost should be amortized over a period of thirty years and an interest rate of 3½ percent charged. The annual cost of operating the system would be approximately $24,000. To charge all this against the department and the residents in accordance with their respective land holdings would result in a prohibitive rate for residents. Moreover, it did not seem fair to charge the full costs against the land-holders (departmental or private) since the facilities also served the 200,000 tourists who visited the park annually. Finally, it appeared reasonable, because of the national interest in parks and public health, and in anticipation of the continued growth of the townsite, to have a substantial portion of the cost assumed by the department.

It was recommended that approval be given to rates for the Waterton Lakes sewer and water system based on the principle that, of the total annual cost of $24,000, including amortization, operation, maintenance and administration, 50 percent would be borne by the department in respect of general requirements for visitors and tourists and as an essential park facility and 50 percent by property owners (including the department).

Under such a formula, a lessee owning a five-room house in Waterton Lakes Park would pay a sewer and water service rate of $42.98 per annum. The rates paid by the owner of a similar house in Pincher Creek and Claresholm, Alberta, which were communities of comparable size, would be $66.60 at Pincher Creek and $54.60 at Claresholm. On the other hand, comparable rates for these services were $17.00 in Banff Park and $22.50 in Jasper Park. The Jasper and Banff rates were much below cost and it was recommended that a study be made immediately of the capital cost and operating charges of the water and sewer systems in these parks with a view to adjusting the rates to a cost formula similar to the one recommended for Waterton Lakes.

It had also been ascertained that garbage collection rates were much below cost and it was therefore recommended that these rates be adjusted to cover the cost of providing the service to residents.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 29,1954-Cab. Doc. 114-54).

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25. The Cabinet noted the report of the Minister of Northern Affairs and National Resources and,

(a) agreed that, as a general principle, charges for services provided to residents in the parks be such as should cover the cost of the service and that adjustments be made from time to time, as an administrative procedure, subject to the approval of the Treasury Board when required, to ensure that this principle was maintained;

(b) approved, as a temporary measure, the water and sewer rates for residents of Waterton Lakes Park, as recommended by the Minister, pending completion of the study to be made on the capital and maintenance costs of utility services in other national parks; and,

(c) approved the increased garbage collection charges in national parks as recommended by the Minister.

Trade Marks Act and regulations; bringing into force

26. The Secretary of State submitted recommendations for the issuance of a proclamation to bring the Trade Marks Act into force, and for the establishment of "Trade Marks Rules" by regulation under the Act.

27. In the course of discussion, the following points emerged:

(a) Some concern had been expressed over the transferring of trade marks without a like transference of goodwill. It might be desirable to defer action until this aspect of the legislation could be further examined.

(b) The Act had been passed at the last session of Parliament and the impression had been given it would soon come into force. On this assumption, various arrangements had been made by business interests and it would be unfair to disrupt them by not proclaiming the Act now.

(c) A Royal Commission with the Chief Justice of Nova Scotia as chairman was soon to review the workings of the Patent Act, the Copyright Act, the Industrial Design Act, and other related legislation, and the terms of reference of the inquiry appeared broad enough to enable him to make recommendations for the improvement of the new Trade Marks Act.

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28. The Cabinet agreed,-

(a) that a proclamation be issued fixing July 1st, 1954, as the date on which the Trade Marks Act should come into force; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-691, May 6).

(b) that the Trade Mark Registration Regulations, established by Order in Council P.C. 3219 of July 20th, 1948, be revoked effective July 1st, 1954, and the "Trade Marks Rules" as submitted, be approved with effect from the same date; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-692, May 6).

Reporting of vital intelligence sightings by U.S. aircraft flying over Canada

29. The Minister of National Defence, as Acting Secretary of State for External Affairs, said the U.S. section of the Military Co-operation Committee had proposed to the Canadian section that a combined Canada-United States plan for the reporting of vital intelligence sightings from aircraft be developed and that, pending the establishment of the plan, an approved U.S. procedure be adopted. There was no rule of law allowing foreign aircraft to report intelligence by radio to authorities of their own country. The Department of External Affairs had now been asked, informally, whether the Canadian government would be likely to look favourably on a request to permit U.S. civil and military aircraft flying over Canada to report vital intelligence sightings by radio to U.S. authorities. It seemed desirable to permit such reporting to Canadian ground stations and, if it was impossible to obtain contact, allow reports to be made direct to a U.S. authority who, in turn, would transmit the information immediately to the Canadian Air Defence Command. Moreover, it would be useful to obtain formal recognition from the United States that their aircraft flying over Canada could not report intelligence information without permission from Canadian authorities.

It was recommended that, if a formal note proposing such an arrangement were received, it be approved.

(Memorandum, May 6,1954-Cab. Doc. 121-54)

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30. The Cabinet approved the recommendations of the Acting Secretary of State for External Affairs and agreed that the Department of External Affairs be authorized to advise the U.S. Embassy in Ottawa that, if a formal request were made, proposing that U.S. aircraft flying over Canada be permitted to report vital intelligence sightings to Canadian ground stations or, if contact could not be made, to a U.S. authority who would transmit the information immediately to the Canadian Air Defence Command, it would probably be favourably received.

Proposed principles respecting grants towards international conferences in Canada of non-scientific bodies

31. The Minister of Finance, referring to discussion at the meeting of January 14th,1954, reported that grants to defray the expenses of non-scientific conferences held in Canada had been made either because the Federal government had directly participated in the meetings concerned or because it had been felt that assistance should be rendered in the general interest.

For the first category, the government had usually sponsored and assumed the expenses of such meetings. The contribution, in each case, had been determined by the government's position as official host, the length of the conference, and the standard of hospitality tendered in other countries at previous conferences of the same organization. The only general principle which it was desirable to observe was that Cabinet approval should be sought before such conferences were sponsored or assistance given.

In the second category, there had been no clear line of policy developed. It seemed desirable to adopt practical standards on which grants would be based in order to restrict them to those conferences obviously deserving of support, and to ensure equitable measures of assistance in each case. It was recommended that certain principles concerning assistance to this type of conference be adopted.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 13,1954-Cab. Doc. 102-54.)

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32. In the course of discussion, it was pointed out that it would be useful to have available a set of principles upon which grants might be based so that Ministers, on receiving representations for such grants, would be able to say that assistance could be provided only in accordance with certain standards adopted by the government.

33. The Cabinet approved the recommendation of the Minister of Finance that the following principles govern the granting of assistance to multi-national conferences not of a governmental or scientific nature:

(1) Proposals to be examined and sponsored by the department whose field of interest most closely related to the association and conference concerned.

(2) Proposals which the appropriate departments had decided to sponsor to be considered by Treasury Board and submitted to Cabinet for final decision in the light of the following:

(a) The objectives and interests of the organization and the purpose of the conference should be such as to meet a broad public need or make a contribution which is of national importance, rather than merely cater,to, or promote, local or restricted interests which have little or no value from the national viewpoint. Federal government assistance should not be given in cases where the purpose of the conference is primarily concerned with the professional or commercial interests of those participating.

(b) If the organization and the conference is concerned with a field in which the Federal government shares responsibility with provincial governments (e.g. in public health, welfare activities, industrial development, etc.,) the Federal government should only contribute if the other interested bodies also contribute. The size of contributions made by each interested body should bear an appropriate relationship to the responsibility or interest it might have in the organization and the conference.

(c) Normally, the Federal contribution should be residual, in relation to the total budget for the conference. A high degree of self-help, and of success in obtaining contributions from other bodies and private groups interested in the organization and the conference, should be evident. For this purpose, each request for assistance should include a statement of proposed expenditure plans together with a statement of anticipated revenues, and of receipts from proposed contributions from all sources.

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Jacques Cartier Bridge; claims against Province of Quebec

34. The Minister of Justice, referring to discussion at the meetings of March 26th and May 13th, 1953, said it was the opinion of his department that the arrears owing by the government of the Province of Quebec to the National Harbours Board, for contributions to meet the deficit on the Jacques Cartier Bridge could be collected by withholding appropriate sums owing by the Federal government from annual statutory grants to the province. His department had also been instructed to secure a fiat to take legal action against Quebec and had written the Province accordingly but no answer or acknowledgment had been received. It had been suggested that an agent for the Department of Justice might be appointed and seek an interview with the Attorney General of the Province and discuss the matter with him. He wished to know whether the Cabinet thought the matter should be pursued at this time.

35. In the course of discussion, the following points emerged:

(a) The Federal government annually paid to the provinces one-half of the amount of the income taxes collected from privately-owned public utility companies in the field of steam, gas and electricity, less any amount which a province itself collected as income taxes from such companies. The amounts owing by the province of Quebec in respect of the bridge might be offset against this type of payment, which heretofore the Province of Quebec had never acknowledged, or referred to in public.

(b) If representations were made to abolish tolls on the bridge, it could be pointed out that Quebec owed the Federal government $1 million for capital deficits and the interest thereon and that tolls could not be eliminated until this debt was settled.

(c) The present time did not seem to be appropriate to pursue the issue with the Quebec provincial authorities.

36. The Cabinet noted the report of the Minister of Justice and agreed that no action be taken at the present time to recover the arrears owed by the Province of Quebec for its share of the capital deficit and interest on the Jacques Cartier Bridge, but that the matter be re-considered before any further payment was made to the province in respect of taxes received from privately-owned public utilities.

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Freight rates; request from Canadian Pacific Railway for review of Crowsnest Pass rates

37. The Minister of Transport said he had received a letter from the President of the Canadian Pacific Railway Company, dated May 3rd, referring to the unsatisfactory financial situation of the company in 1953, and in the early months of the present year. Mr. Mather attributed many of the difficulties to the low rates allowed on grain and grain products and suggested that policy in regard to these rates be reviewed by the Federal government. In his letter, he also said the matter had been discussed with officials of the Canadian National Railways who shared the views of the officials of his company in this regard.

The Minister added that the Presidents of both companies, in the last few months, had discussed this matter with him, but Mr. Gordon had realized it would be embarrassing to the government if a request for the review of the Crowsnest rates were made. For that reason, Mr. Gordon had not joined in the representations made by the C.P.R. although there was no doubt his company would benefit by any action along the lines suggested.

38. In the course of discussion, it was pointed out that a review of the Crowsnest rates would undoubtedly lead to a violent controversy which would be particularly inopportune at the present time.

39. The Cabinet noted the report of the Minister of Transport that the President of the Canadian Pacific Railway had suggested a review of policy in regard to freight rates on grain and grain products, and agreed that Mr. Mather be informed that the government did not feel it could review its policy at this time in the way he had proposed.

R.C.A.F. aircraft accident at Ville Jacques Cartier; claims for damages

40. The Minister of National Defence submitted a recommendation for the payment of claims for damages arising out of an accident caused by the crash of an R.C.A.F. aircraft in August 1953 at Ville Jacques Cartier.

41. The Cabinet approved the recommendation of the Minister of National Defence, and agreed that he be authorized to make payment for claims in respect of damages sustained by persons on the ground as a result of the crash of an R.C.A.F. CF 100 at Ville Jacques Cartier in Quebec on August 11th, 1953, for an amount not to exceed $200,000; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-689, May 6).

P.C. 1954-689

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Centenary celebrations; Ottawa

42. The Secretary of State reported that the Mayor of Ottawa had informed him that the City was arranging for a year of celebration, commencing July 1st, to mark the centenary of Ottawa. The Mayor would like the Federal government to participate in the celebrations initially by holding a Trooping of the Colour Parade on Parliament Hill on July 1st, at which the Governor General would be present. Mr. Massey had been approached informally and had agreed to attend. The suggestion had been discussed with the Member of Parliament for Ottawa West, who favoured it, provided the Federal government was the first to make any announcement about the ceremony.

It was proposed that a committee, made up of the Ministers of National Defence, Public Works and the Secretary of State and the two members from the Ottawa ridings, be established to work with the civil authorities in connection with the proposal. A sub-committee of officials could make all the detailed arrangements.

43. In the course of discussion, it was pointed out it would be desirable to take notice of July 1st in any event, and the Mayor's proposal for the participation of the Federal government in celebrating Ottawa's centenary on that day seemed a good one.

44. The Cabinet noted the report of the Secretary of State and agreed,-

(a) that the Federal government participate formally in celebrations to mark the centenary of Ottawa by arranging for the Trooping of the Colour Parade by a suitable unit of the armed forces on July 1st, 1954; and,

(b) that a committee, composed of the Ministers of National Defence, Public Works, the Secretary of State and the two Members of Parliament for the Ottawa ridings, be appointed to make the necessary arrangements with the City of Ottawa for the celebration.

Public servants; rights to organize and to be represented on grievances

45. The Secretary of State said a letter had been addressed to his predecessor on March 24th, 1954, by the President of the Civil Service Federation of Canada, seeking his views on the rights of civil servants to organize and the rights of their elected officers to represent their membership on grievances. He had learned only recently of the letter, and proposed to reply to it by indicating that these rights were recognized by the existence of many staff organizations now functioning, and by representations which were constantly being made by their officers to the

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government and to the departments of government. Reference might be made in the reply also to an answer given by the Prime Minister to a question in the House of Commons on February 21st, 1951, concerning the bargaining rights of civil servants. That answer had pointed out that the Civil Service Commission and the government did receive representations from organizations of employees but, because of the nature of employment in the public service, there was no process of collective bargaining in the sense in which that term was used in industry.

46. The Cabinet noted with approval the letter which the Secretary of State proposed to sent to the President of the Civil Service Federation regarding the rights of civil servants to organize and the rights of their elected officers to represent their membership on grievances.

Radio broadcasting stations, North Vancouver, B.C. and Camrose Alberta; television broadcasting station, Peterborough, Ontario

47. The Minister of Transport recommended that private commercial broadcasting licences for the establishment and operation of radio broadcasting stations at or near North Vancouver, B.C. and Camrose, Alberta, be granted to Gibson Bros. Limited, and to the Camrose Broadcasting Company, Limited, respectively, and that a private television broadcasting licence for the establishment and operation of a station at Peterborough be granted to Kawartha Broadcasting Company Limited.

48. The Cabinet noted the report of the Minister of Transport and agreed,-

(a) that a private commercial broadcasting licence be issued to Gibson Bros. Limited for the establishment and operation of a radio broadcasting station at or near North Vancouver, B.C.; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-693, May 6)

and,

(b) deferred consideration of the applications for private sound and television broadcasting licences for stations at Camrose, Alberta and Peterborough, Ontario, to a later meeting.

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Appointment; Queen's Counsel

49. The Minister of Justice, submitted a recommendation for the appointment of a Queen's Counsel.

50. The Cabinet approved the recommendation of the Minister of Justice that Guy Favreau, Esquire, of Ottawa, Commissioner, Restrictive Trade Practices Commission, be appointed Queen's Counsel; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-690, May 6)

Parliament Hill; parking arrangements

51. The Minister of Justice reported on certain difficulties that had arisen with respect to the enforcement of the parking regulations on Parliament Hill. The parking space immediately adjacent to the Centre Block was allotted by the Speakers while the spaces adjacent to the East and West Blocks were allotted by the Department of Public Works. Policing was done by the R.C.M. Police.

There were not nearly enough parking spaces for Senators, Members of Parliament, members of the press and officials who worked in these three buildings and numerous complaints had been received concerning fines for infraction of parking regulations on the hill.

52. In the course of discussion, it was suggested that it be proposed to the Speaker of the House of Commons that he allot sufficient individual parking spaces to provide for all Members of Parliament who had automobiles and that the remaining spaces, if any, be allotted, in his discretion, to members of the press and officials.

53. The Cabinet noted the report by the Minister of Justice on difficulties that had arisen with regard to parking arrangements on Parliament Hill.

Legislation; Royal Canadian Mounted Police Act amendments

54. The Minister of Justice said he proposed to introduce during the current session of Parliament, certain amendments to the Royal Canadian Mounted Police Act to remove anomalies in the pension treatment of R.C.M.Police personnel dismissed for inefficiency or misconduct. Under the new contributory pension scheme, which had been brought into effect in 1949, such persons were entitled to a reduced pension whereas those dismissed on similar grounds under the older non-contributory pension scheme were not entitled to any pension whatever. It was proposed

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that persons under the non-contributory pension scheme be entitled to some form of reduced pension somewhat comparable to that granted under the contributory scheme.

Another proposed amendment to the Act would provide for the establishment of a second position of Deputy Commissioner.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 30, 1954- Cab. Doc. 115-54.)

55. The Cabinet approved, in principle, proposed amendments to the Royal Canadian Mounted Police Act, as recommended by the Minister of Justice, and agreed that a draft measure be prepared accordingly.

Legislation: Public Servants Inventions Act

56. The Secretary of State submitted a resolution and bill entitled "Public Servants Inventions Act".

This measure had been considered in detail the previous day by the Cabinet Committee on Legislation and, as a result of that consideration, several changes had been made. He was now confident that the bill was satisfactory to the ministers and departments most immediately concerned and would, in fact, provide an equitable and uniform method of dealing with the patent rights of public servants who made inventions.

57. The Cabinet approved, for introduction, the resolution and bill entitled "Public Servants Inventions Act".

Legislation; Department of Transport Act amendment

58. The Minister of Transport submitted a resolution and bill to amend the Department of Transport Act.

The purpose of the measure was to provide continuing authority for the making of transport control regulations after expiry of the Emergency Powers Act on May 31st. At the present time, such controls were provided by Order in Council under authority of the emergency legislation.

The suggestion had been made that the powers being sought might be restricted to the movement of grain. However, it had been ascertained that these powers were also required in certain instances to provide for the prompt transport of coal and iron ore and, in the circumstances, he felt that the bill as presently drafted, which provided for the control of goods in bulk as defined in the Transport Act, should be left unchanged.

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It had also been suggested that, in view of the restrictive nature of this amendment, it be not written permanently into peace-time legislation and that the amending bill might, consequently, contain a terminal clause providing for the automatic lapsing of these powers in two or three years time.

59. The Cabinet approved, for introduction, the resolution and bill to amend the Department of Transport Act subject to the inclusion in the bill of a terminal clause to provide that transport control powers shall expire on May 31st, 1956.

St. Lawrence project; statement on U.S. legislation

60. The Prime Minister said there was every indication that the U.S. House of Representatives would pass, that day, the Wiley bill which provided for U.S. participation in the St. Lawrence Seaway project. If this happened, questions might be asked in the House of Commons as to the government's position regarding U.S. participation in the seaway.

He submitted and read a statement he proposed to make in reply to any such questions.

(Secretary's note, May 6, 1954, and attached draft statement.)

61. In the course of discussion, it was pointed out that the license which had been granted by the Federal Power Commission to the New York State Power Authority for the development of the U.S. share of power in the International Rapids Section was still under litigation in U.S. courts. It was hoped that these legal difficulties would finally be disposed of towards mid-June, after which Ontario Hydro and the New York State Power Authority could begin construction. As the power project was essential in itself and as a prerequisite to the seaway, it was important that nothing should be said or done in Canada which might in any way prejudice the rapid and favourable conclusion of litigation in U.S. courts. Moreover, careful thought would have to be given to Canada's attitude on the question before any public expression of views were made on the substance of the matter.

62. The Cabinet approved, subject to certain minor changes, the statement the Prime Minister proposed to make in the House of Commons in the event questions were asked concerning adoption, by the U.S. House of Representatives, of legislation authorizing U.S. participation in the development of the St. Lawrence Seaway project.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 12th, 1954.

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Items Discussed

Ottawa Seminary; purchase 2.

Marpole Bridge linking Sea Island, B.C. with lower mainland 3.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, May 12th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Ottawa Seminary; purchase

1. The Minister of Public Works said that, in April, 1951, the Cabinet had agreed to renting the new seminary building at Hurdman's Bridge for the R.C.M. Police, provided reasonable terms could be obtained. Subsequently, the Treasury Board approved a lease at $370,000 per annum for a five-year period. The Archdiocese of Ottawa was now ready to sell the building and land attached for approximately $5,250,000. An item of $1 million towards the purchase had been recommended for inclusion in the supplementary estimates. The Treasury Board considered the proposal a sound one but felt the decision was one that the Cabinet should make.

2. In the course of discussion, the following points emerged:

(a) Over a five-year period the total cost of the accommodation, including rental, taxes and alterations, would amount to $3,300,000. In the long view, the purchase of the building and land for $5,250,000 seemed an economic one for the government. This would be true even though the R.C.M. Police might move further away from the centre of Ottawa.

(b) To construct another building with the same amount of floor space would cost in the neighbourhood of $6 million.

(c) The R.C.M. Police were now satisfied with the quarters in the seminary.

3. The Cabinet noted the report of the Minister of Public Works and,-

(a) approved, in principle, the purchase of the Seminary building at Hurdman's Bridge from the Archdiocese of Ottawa; and,

(b) approved the inclusion of $1 million for a first instalment on the transaction in the supplementary estimates for the current fiscal year, the remainder to be provided for in later estimates.

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Marpole Bridge linking Sea Island, B.C. with lower mainland

4. The Minister of Public Works reported that a proposal had been made by the B.C. government for the Federal government to pay one-third of the cost of a new high level bridge, linking Sea Island with the lower mainland, to replace the present Marpole Bridge. Because of statements made from time to time, the people of the area, rightly or wrongly, had come to believe that the government was committed to share in the cost of a new bridge to Sea Island. Rather than replace the Marpole Bridge alone, the British Columbia government was now thinking of a much more elaborate solution to their highway traffic problem included in which would be provision for access to the airport on Sea Island. A rough estimate of the total cost of this whole project was $10 million. Recent conversations with B.C. representatives indicated that the province desired a one-third Federal contribution towards this broader scheme.

The present bridge to Sea Island was inadequate to meet the heavy flow of traffic, most of which was going to or from the airport. If the Federal government acquired the airport, as now expected it could be argued that a new Marpole bridge would be an advantage to the Crown in the right of Canada. Marine traffic seriously hampered motor traffic over the present bridge. Because the bridge was entirely within the boundaries of the province and crossed a normal navigational water route, its replacement would not seem to warrant Federal participation any more than bridges across navigable waters elsewhere in Canada. The only interest of the Department of Public Works lay in approving plans under the Navigable Waters Protection Act. However, having regard to the various statements made in the past to the acquisition of the airport on Sea Island by the Federal government, and to the serious traffic problem on the Marpole bridge, it seemed desirable to have the matter reviewed. He recommended that the government of British Columbia be informed that the Federal government would be willing to pay one-third of the cost of a suitable bridge to replace the inadequate Marpole bridge, but that there was no intention to participate in any broader proposal.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 10, 1954-Cab. Doc. 123-54)

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5. In the course of discussion, the following points emerged:

(a) In negotiating the purchase of the airport on Sea Island, the Department of Transport had made it clear that it accepted no responsibility for the construction or maintenance of highway facilities, including bridges, giving access to the airport.

(b) Information had been received that the City of Vancouver had agreed to contribute $200,000 towards a high-level crossing over the Fraser but had made no commitments with respect to the present bridge which it considered to be a provincial responsibility.

(c) The Federal government should not contribute in any way towards solving the provincial highway problem, and its only possible commitment was connected with the airport. The government had contributed half the cost of an access road from Patricia Bay Airport to Victoria and, while this was done only to avoid a heavier expenditure for a new airport nearer Victoria, it was nevertheless regarded by many as a precedent that would justify the expenditure of federal money on a new Marpole bridge.

(d) 95 percent of the openings of the present bridge arose from the passage of relatively small craft. A new lift bridge slightly higher than the present one would relieve congestion from these sources and would restrict the holding up of motor traffic for bigger ships to relatively short periods of time.

(e) While it was clearly desirable for the Federal government to own the national airport on Sea Island, it would not be possible to take possession of it until November 1955, after a municipal plebiscite. Meanwhile, it was likely that there would be a good deal of land speculation nearby. Expropriation action in respect of land that would be required should now be taken so that there would be no additional cost to the Federal government.

(f) In the circumstances, it seemed preferable to pay one-third of the cost of a new Marpole bridge, but it should be made clear that this was related to the special requirements of what was becoming a major national airport. Any announcement about the transaction should, in the first instance, come from Ottawa.

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6. The Cabinet approved the recommendation of the Minister of Public Works and agreed that the province of British Columbia be informed that the Federal government would pay one-third of the cost, up to $400,000, of a suitable bridge to replace the present inadequate Marpole bridge.

R.B. Bryce,
Secretary to the Cabinet

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Privy Council Office
Cabinet Conclusions

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Décisions du Cabinet

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13 May 1954 to 1 September 1954

TOP SECRET

CANADA
CABINET CONCLUSIONS

VOL. XXXIX

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CABINET CONCLUSIONS

Meeting

May 13th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, May 13th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Vice President of India; possible visit to Ottawa

1. The Prime Minister said arrangements had been made for the Vice President of India to give a series of lectures at McGill University during the period November 2nd to 10th, 1954. It had been suggested that, some time during the course of this lecture series, Dr. Radhakrishnan be invited to pay a brief visit to Ottawa.

2. In the course of discussion, the following points emerged:

(a) Although arrangements had now been made for visits to Canada of an increasing number of distinguished foreign visitors - for instance, the Emperor of Ethiopia and the Prime Minister of Japan during the month of June,- it would be desirable to invite Dr. Radhakrishnan to pay an official visit to Ottawa not only because of the position he held in India, but also because of his personal qualities and eminence.

(b) Word had been received from the Canadian Mission in Ceylon that Sir John Kotelawala would likely visit the United States during the month of September, 1954, and consideration should be given to the desirability of extending an invitation to him to visit Ottawa at that time.

3. The Cabinet agreed that an official invitation be extended to the Vice President of India, Dr. Sarvepalli Radhakrishnan, to visit Ottawa some time during the course of his lecture series at McGill University in November, 1954.

War Memorial; transfer of responsibility for official ceremonies to Interdepartmental Committee on the Use of Parliament Hill

4. The Secretary of State said arrangements for official ceremonies at the War Memorial on Confederation Square were normally made by the Departments of National Defence and Public Works. It had been suggested that questions of the use of the War Memorial for public ceremonies might appropriately be included in the terms of reference of the Interdepartmental Committee on the Use of Parliament Hill.

5. The Cabinet noted the report of the Secretary of State and agreed that the jurisdiction of the Inter-departmental Committee on the Use of Parliament Hill be extended to take in official ceremonies at the War Memorial on Confederation Square.

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Legislation; Radio Act amendment

6. The Minister of Transport submitted a bill to amend the Radio Act. The main purpose of the measure was to provide continuing statutory authority to replace Order in Council P.C. 3484 of August 8th, 1951, passed under the Emergency Powers Act, which authorized certain U.S. personnel to operate radio stations in Canada, and also to provide that landed immigrants may be employed as radio operators, notwithstanding the restriction in the Act which reserved such employment to British subjects.

7. The Cabinet approved for introduction in the House of Commons a bill to amend the Radio Act as submitted by the Minister of Transport.

Legislation; Veterans Land Act amendment

8. The Minister of Veterans Affairs submitted a resolution and bill to amend the Veterans Land Act.

The main purpose of the bill was two-fold,- first, to establish a new home construction assistance scheme for veterans and, second, to increase, under certain conditions, the maximum loans available to full and part-time farmers and to commercial fishermen under the existing legislation.

Several provisions of the legislation yet remained to be clarified and it was suggested that the resolution only be approved for introduction at this time, and the bill itself be considered in detail at a subsequent meeting to be held early the following week.

9. The Cabinet,-

(a) approved for introduction the resolution relating to the bill to amend the Veterans Land Act, as submitted by the Minister of Veterans Affairs; and,

(b) deferred decision on the bill itself pending further consideration at a subsequent meeting to be held early the following week.

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Quebec Income Tax; collection from Crown company employees

10. The Minister of Justice said a question had arisen concerning the deduction of the new Quebec income tax from the pay cheques of employees of Crown companies operating in that province. There would appear to be little doubt that they should deduct the provincial tax from the salaries of employees who both lived and worked in the Province of Quebec. Difficulties might arise, however, if the Crown companies attempted to deduct the provincial tax from employees who resided in Quebec but worked in another province. Several instances of this sort might well arise in the Ottawa-Hull district.

11. In the course of discussion, it was pointed out that arrangements had already been made for the Civil Service proper under which the Central Pay Office would deduct the provincial tax from the salaries of civil servants who worked in the Province of Quebec, regardless of their place of residence but not from persons working outside of Quebec, whether or not they lived in that province. It was suggested that the same principle might be followed by Crown companies.

12. The Cabinet noted the report of the Minister of Justice and agreed that the best course of action for Crown companies to follow, with regard to collection of the new Quebec income tax, would be to deduct the tax from the salaries of those employees whose place of employment was within the Province of Quebec, regardless of their place of residence.

War risk insurance; extension

13. The Minister of Finance reported that, under the authority of the Marine and Aviation War Risks Act and by Order in Council P.C. 1953-479 of March 31st, an agreement had been entered into with the Canadian Shipowners Mutual Assurance Association to provide Canadian vessels with insurance against war risks. The essence of the agreement was that the Association assumed 5 percent participation in the risk while the balance was reinsured with the Minister of Finance. In return, the Association provided the major part of the administration.

The Canadian arrangement had been patterned on the scheme in effect in the United Kingdom during the last war. Recently, the United Kingdom had extended the reinsurance of war risks to include the consequences of any hostilities "involving the United Kingdom". This extension was designed to take into account the present era of

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collective security measures which did not quite involve a formal state of war. At the present time, the extension was provided free by the U.K. government but, should the risks become real instead of apprehended, provision would be made for the collection of a premium appropriate to the risk.

It was now recommended that the 1953 agreement with the Canadian Shipowners Mutual Assurance Association be amended to provide an extension of the coverage similar to that now provided under the U.K. arrangement, though not quite identical.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 11,1954-Cab. Doc. 124-54).

14. The Cabinet agreed that the Minister of Finance be authorized to negotiate an amendment to the 1953 agreement with the Canadian Shipowners Mutual Assurance Association, under the Marine and Aviation War Risks Act, with a view to extending the reinsurance of war risks to any hostilities in which Canada was engaged, it being understood that, if the risks involved in such change became real instead of apprehended, a premium appropriate to the risk would be charged; an Order in Council to be passed accordingly.

School taxes on diplomatic properties

15. The Minister of Finance said the Village of Rockcliffe Park had requested the government to pay the equivalent of school taxes, in addition to the general municipal taxes now paid, in respect of diplomatic properties situated in Rockcliffe.

From 1928 to 1943, the Federal government had reimbursed Ottawa and neighbouring municipalities not only for general taxes, but for school taxes that would have been assessed against diplomatic properties were they not exempt. In 1941, however, some difficulties arose over the apportionment,between the Public and Separate School Boards,of the taxes thus paid by the Federal government in respect of diplomatic properties, following the request of the French Ambassador to be regarded as a separate school supporter. No school taxes for these properties have been paid to the municipalities since 1943.

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It was now suggested that the government assume responsibility for the school taxes in respect of diplomatic properties in the same manner as was done for federal property under the recently introduced scheme of federal grants in lieu of municipal taxes. Under this latter scheme, the government made lump sum payments to various municipalities which took into account the school taxes that would be paid in respect of such properties, if they were taxable, without allotting any portion of the total grant for school purposes. The rate paid was an average between the public and separate school rates. It was left to the various municipalities concerned to allot whatever portion of the overall grant they saw fit to the Public and Separate School Boards. If such a suggestion were accepted for diplomatic properties in Rockcliffe Park, the same treatment would have to be given to the City of Ottawa . The estimated additional annual payments at issue, based on the 1953 tax year, were $6,757 for Rockcliffe and $37,456 for Ottawa.

After considering all the factors involved, it was recommended that payments to Ottawa and Rockcliffe Park in lieu of taxes on exempt diplomatic properties include the equivalent of school taxes calculated in a manner similar to that used under the Municipal Grants Act.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 6, 1954- Cab. Doc. 122-54).

16. In the course of discussion, the following points emerged:

(a) In view of the practical and non-contentious formula that had been devised under the Municipal Grants Act for the inclusion of school taxes in the overall federal grant to any given municipality, it was difficult to refuse to apply the same formula to school taxes on diplomatic properties, particularly in view of the fact that this sort of liability was generally accepted by other countries.

(b) While there was not likely to be much in the way of controversy over the payment or division of school taxes in Rockcliffe Park, where there was no separate school, there was substantial danger of controversy in Ottawa, where there was a long history of contention in school questions, and it would seem desirable to avoid having the government get involved in such controversy by making payments explicitly equivalent to school taxes.

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(c) It was suggested that, eventually, the government would likely have to assume responsibility for school taxes on diplomatic properties,but a decision to do so might advantageously be deferred until after Parliament has approved amendments to the Municipal Grants Act.

17. The Cabinet deferred decision on the recommendation of the Minister of Finance that the payments to Ottawa and Rockcliffe Park in lieu of taxes on exempt diplomatic properties include the equivalent of school taxes, calculated as under the Municipal Grants Act, until such time as Parliament has approved amendments to that Act.

Consultations with Czechoslovakia on trade and financial matters

18. The Minister of Trade and Commerce, referring to discussion at the meeting of December 29th,1953, reported that agreement had now been reached with the Czech authorities to hold talks in Ottawa about the middle of May. The Czech delegation had been authorized "to discuss certain questions of trade policy and questions arising from the Financial Agreement of 1945 and supplements". It was expected that the consultations would cover the valuation for duty of Czech exports to Canada, Czech obligations under the post-war loan and prospects for trade between Canada and Czechoslovakia. It would be desirable to avoid any impression that the settlement of the loan could be made dependent on the outcome of the discussions on valuation procedures and,therefore,the three subjects should be dealt with separately. The present practice of increasing the declared valuations of various imports from Czechoslovakia by approximately 50 percent gave rise to administrative problems,and there might be some merit in working out more normal arrangements for verifying values.

It had been recommended by the Acting Secretary of State for External Affairs that the talks should take place with as little publicity as possible and be conducted by representatives from the departments of External Affairs, Finance, Trade and Commerce and National Revenue. The Canadian negotiators should endeavour to seek Czech co-operation in carrying out the intentions of the Canadian Customs Law and endeavour to obtain most favourable terms possible with respect to the loan. It should also be indicated that Canada would welcome increased trade in goods not subject to restrictions. Any conclusions reached in all these matters would be subject to Cabinet approval.

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The Minister of Finance and the Minister of National Revenue concurred in these recommendations.

An explanatory memorandum was circulated.

(Memorandum, Acting Secretary of State for External Affairs, undated - Cab. Doc. 126-54).

19. In the course of discussion, the following points emerged:

(a) While none of the points should be tied together during the discussion, there should be no revision in present trading arrangements until default on the loan had been cleared up. Practically the whole amount of the loan had now fallen into default, and the total was now due and payable under the default clause.

(b) It might be possible to arrange for one or two officials of the Department of National Revenue to go to Czechoslovakia and provide the minimum necessary information for the valuation of imports. If this could be done, Canada might be prepared to increase trade in items not of a strategic or defence character.

20. The Cabinet approved the recommendations of the Acting Secretary of State for External Affairs and agreed that:

(a) the consultations with Czechoslovakia on trade and financial matters take place with as little publicity as possible;

(b) the consultations be conducted by representatives from the Departments of External Affairs, Finance, Trade and Commerce and National Revenue;

(c) on the matter of valuing Czech goods for duty purposes, Canadian negotiators should seek the co-operation of the government of Czechoslovakia in carrying out the intention of Canadian Customs Law and, in particular, seek their agreement to admit a Canadian Customs official to the country in those cases where specific complaints are received and give him the minimum information and facilities considered essential by the Minister of National Revenue;

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(d) on the question of the loan, the Canadian negotiators should endeavour to obtain the most favourable terms possible from the Canadian point of view; should this involve any departure from the present legal obligations of Czechoslovakia, the prior concurrence of the Minister of Finance should be sought;

(e) concerning general trade, the Canadian negotiators should indicate that the Canadian authorities welcomed trade between Canada and Czechoslovakia in goods which were not subject to restrictions on security grounds; and,

(f) any conclusions reached on these points during the consultations would be subject to approval by Cabinet and would be provisional until the Cabinet has had an opportunity to consider them as a whole.

Wool textile industry; reference to Tariff Board

21. The Minister of Finance, referring to discussion at the meeting of April 8th, 1954, said he had received frequent representations concerning the effect of item 554(b) in the customs tariff on the woollen industry. This item was inserted in the tariff following the U.K. Trade Agreement of 1937 and provided that, under the British Preference rate, a 20 percent duty plus 12 cents per pound be paid on woven fabrics composed wholly or in part of yarn, wool or hair, subject to the limitation that the sum of the specific and ad valorem duties should not exceed 50 cents per pound. In effect, this meanta duty of between 20-25 percent at the time it was imposed. As a result of the rise in prices since then, however, the effective rate of duty has been cut in half. The product principally affected was woollen cloth selling from $2.00 to $4.50 per yard and used in the middle-price line of suits. It was clear that this reduction in the duty was never contemplated under the original trade agreement.

The woollen industry could not exist in Canada without some measure of protection and it appeared fair to ensure such protection as was originally intended, at least for the efficient mills. The rate was, of course, now bound under the G.A.T.T. and it had been represented that the escape clause under that agreement should be invoked to restore the old position. This might lead to widespread repercussions and did not appear to be a desirable course to follow at the present time. This tariff item 554(b) should, however, be re-negotiated when the G.A.T.T. was under review in the fall, and some quid pro quo worked out with the U.K. authorities so that the original rate might be restored. Meanwhile, the Minister proposed to instruct the Chairman of the Tariff Board,

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under section 4(2) of the Tariff Board Act, to make a general inquiry into the woollen section of the textile industry. Thus far, most references to the Tariff Board had involved cost inquiries under section 4(1). The type of investigation he had in mind was a socio-economic one which might also cover the position of the industry in regard to defence needs. The report could be ready by the fall and would provide useful information to support the negotiations in respect of item 554(b) to be carried on at the G.A.T.T. review.

22. In the course of discussion, the following points emerged:

(a) It might be desirable to notify the U.K. authorities now, that it was Canada's intention to re-negotiate item 554(b). On the other hand, if this were done, the information would soon become public and there would be considerable criticism in the U.K. with possible demands for protection against Canadian goods. The Canadian High Commissioner, however, might advise the U.K. authorities that the hearing before the Tariff Board was being held. This did not necessarily mean it would have to be stated now that it was Canada's intention to re-negotiate item 554(b).

(b) To indicate that steps were under way to assist in meeting its difficulties, the Canadian woollen trade should be advised it was proposed to re-negotiate item 554(b) and that, meanwhile, a reference for a general inquiry into the industry had been made to the Tariff Board.

(c) Legitimate labour organizations would wish someone to appear on their behalf when any inquiry was being undertaken. The Board was not obliged to hold a public hearing and it would likely not do so in this case, but the Chairman would want all the facts including those related to the employment aspect of the industry, and it could be indicated to him that labour organizations wished to make representations.

(d) It would be useful to have a tabulation of what the application of the present rate of duty meant on certain classes of products when the rate was agreed to, and now.

23. The Cabinet agreed that:

(a) the Minister of Finance request the Tariff Board, under section 4(2) of the Tariff Board Act, to study and report upon the woollen industry and the trade in woollen products in relation to the operation of the British Preferential tariff rate on tariff item 554(b); and,

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(b) deferred decision on what information might be passed on to the U.K. authorities as to the governments intentions on the re-negotiation of tariff item 554(b) and the reference to the Tariff Board.

Coasting trade; proposed changes in policy

24. The Prime Minister, referring to discussion at the meeting of March 19th,1954, said that the Inter-departmental Committee on External Trade Policy had now submitted a report on the proposal made by the Minister of Transport for restrictive amendments to the Canada Shipping Act regarding the coasting trade.

The committee noted that British participation in this trade was relatively small, although, once the St. Lawrence Seaway was open, British competition would become more extensive in the east, in the St. Lawrence River and on the Great Lakes. If the coasting trade were restricted, transportation charges would be increased for a number of important Canadian industries and, because of an increase in shipping costs, there would be a tendency to price the Canadian shipping industry out of some of its markets. In any event, the application of restrictions now to trade in inland waters as defined by the Canada Shipping Act would affect only a relatively small movement of iron ore from Seven Islands to Montreal.

The committee felt it would be inadvisable to make any recommendations to change present policy before there was an opportunity to consider the subject more fully than had yet been possible, as well as the broad issues in the operation of the St. Lawrence Seaway. In the light of the opening of the seaway, any proposal for restriction of this trade was full of complexities and uncertainties. Matters which should be considered included the extent and nature of assistance to ship-building and ship-operating industries, the effect of restrictions on the availability of shipping in wartime the economic advantages to be expected from the seaway, international economic relations and agreements, and the interest of the shipowners, shipbuilders, other industries and the consuming public.

Because of these considerations, the committee did not favour any proposed restrictions at the present time. It recommended that a public inquiry be undertaken at which all interested parties could make their views known, and that the Minister of Transport consider making a statement indicating that coasting shipping policy was being reviewed, and it would therefore be inadvisable for the shipping industry to proceed with major plans based on assumptions which might prove to be unfounded.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Interdepartmental Committee on External Trade Policy, May 12,1954 - Cab. Doc. 125-54.)

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25. In the course of discussion, the following points emerged:

(a) The question of providing protection for those engaged in the coasting trade was only urgent in relation to the completion of the St. Lawrence Seaway. The matter was extremely complicated and undoubtedly, there were many different opinions about it. The shipowners and shipbuilding industry, for instance, disagreed with each other as to what should be done.

(b) While it might appear that the inquiry suggested was of a kind that could be undertaken by the Maritime Commission, it was necessary to take into account not only the shipping interests but the interests of other industries and the consuming public as well. The most impartial and objective person or persons should be sought to make the study.

(c) As the committee had indicated, peculiar anomalies might arise on the coming into operation of the seaway if further protection were granted. Foreign vessels for instance, might carry wheat cheaply from Fort William to Buffalo but not from Fort William to Hamilton, involving higher cost for movement via Canadian ports .

(d) It might be desirable to have a statement on this matter ready when the estimates of the Department of Transport were being considered, but,on the other hand, such a statement might lead to a further attack on present shipping policy.

(e) Consideration should be given immediately to what person or persons would be best qualified to undertake the inquiry and, meanwhile, the Inter-departmental Committee on External Trade Policy could recommend suitable terms of reference.

26. The Cabinet agreed:

(a) that no change be made this year in the present coasting trade regulations;

(b) that, in principle, a Royal Commission be established to hold a public inquiry into the policies that should be followed in the regulation of the coastal shipping trade, taking into account the probable effects of the opening of the St. Lawrence Seaway;

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(c) that the Interdepartmental Committee on External Trade Policy prepare for consideration of the Cabinet draft terms of reference for such a Commission of Inquiry; and,

(d) that consideration of a statement on this subject by the Minister of Transport be deferred until a detailed decision could be reached on an inquiry into this subject.

Canadian National Institute for the Blind; grant for building project, Toronto

27. The Minister of Labour reported that, in considering the supplementary estimates, the Treasury Board had had before it a request for a capital grant towards the cost of the national headquarters and service section of the Canadian National Institute for the Blind consolidated centre in Toronto. He raised the matter because, while the Institute was partially a welfare one, his department was interested in the vocational training and rehabilitation aspects of the work carried on by the Institute. The total estimated cost of the new centre was $3,290,000. Twenty percent of the space in the centre was to be used for what could be termed national purposes. On a pro rata basis, therefore, the cost of the national headquarters portion would amount to approximately $660,000. The Province of Ontario had agreed to contribute $350,000 towards the Ontario regional headquarters section to be incorporated in the new building, plus $2,000 per bed for 112 beds in the hospital section. Other provinces had been approached but had indicated that, as they contributed towards the capital cost of C.N.I.B. centres in their own provinces, they would not make any grants to this new building.

The campaign committee had requested a grant of $650,000. The President, Colonel Baker, had suggested the lower figure of $500,000. The public as well as several municipalities had responded fairly well to the campaign for funds. The handling of the training and placement of the blind was almost entirely in the hands of the Institute because of the efficient manner in which it was operated. To that extent Federal and provincial governments had been relieved of much responsibility in this field. If such a centre were being built directly by provincial or municipal authorities the Federal government could probably justify a contribution to it under the Vocational Schools Capital Assistance Agreements. In the present case, however, the principles of the Agreements could not be applied. The Institute was an organization carrying on very worthwhile work, and he recommended that a grant of $350,000, which was somewhat less than that proposed by the Institute, be made for the new consolidated centre in Toronto.

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28. In the course of discussion, the following points emerged:

(a) the annual grant from the Department of National Health and Welfare to the C.N.I.B. for assistance in its day to day operations had recently been more than doubled.

(b) There were other organizations working for the blind, one particularly in Montreal, which might regard themselves as national organizations and, if a grant were made to the institute, demands for assistance from these other sources might be forthcoming. The C.N.I.B. was, however, a truly national institution.

(c) As this was a national organization, it might be indicated that the Federal government would make no capital contribution until all the provinces had indicated that they would provide some assistance.

(d) The new project was being built on grounds formerly owned by the government and sold for relatively little to the Institute and to other organizations such as the paraplegics and the deaf and dumb. The others hoped to expand their facilities and if a grant were made to the Institute, a precedent would be established which it would be difficult not to follow in other similar cases.

(e) $500,000 seemed large in relation to what was regarded as the national part of the project and to what the Province of Ontario had contributed. A smaller amount might be more reasonable.

(f) Thus far, no capital grants had been provided for private projects of this character. If any assistance was to be given it should be strictly related to the vocational training and rehabilitation aspects of the functions of the Department of Labour.

29. The Cabinet agreed that a grant of $350,000 be paid to the Canadian National Institute for the Blind to help defray the cost of the building of its national headquarters and service department in Toronto; an item for this purpose to be included in the supplementary estimates for the Department of Labour, and to be worded so that it was clearly related to the programme for the vocational training and rehabilitation of the blind.

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Compensation for turkeys quarantined in Regina

30. The Minister of Finance said a recommendation had been made by the Department of Agriculture to include in the supplementary estimates an item of $20,000 for the payment of damages to persons in the Regina area whose turkeys had died while quarantined for a disease which was not covered by the Animal Contagious Diseases Act. Because of the quarantine, owners of these birds had been precluded from selling some of them before they died and had lost their investment in them. They claimed compensation on the ground they had been unable to sell their birds during the quarantine period. He sought the views of Cabinet as to whether the item should be included.

31. In the course of discussion, it was suggested that it was a bad principle to provide compensation in a case of this kind and, even if the proposal were agreed to, the amount paid should not be for the full market value of the birds. On the other hand, officials had perhaps been too zealous in placing the birds in quarantine, having in mind the history of the hoof-and-mouth disease cases, and the owners had suffered severely. It would be desirable to have the figure checked before final decision was taken as to an item covering these losses to be included in the supplementary estimates.

32. The Cabinet noted the report of the Minister of Finance with regard to compensation to the owners of turkey which had been quarantined in Regina, and agreed that an item be included in the supplementary estimates for this purpose; the amount to be decided after consultation between officials of the Department of Finance and Agriculture and not to be such as to cover the full market value of the turkeys.

Capital budgets; Canadian Broadcasting Corporation; National Harbours Board

33. The Minister of National Revenue, with the concurrence of the Minister of Finance, recommended that the capital budget for the national sound broadcasting and television services of the Canadian Broadcasting Corporation for the fiscal year ending March 31st, 1955, be approved.

34. The Minister of Transport, with the concurrence of the Minister of Finance, recommended that the budget of the National Harbours Board for the calendar year 1954 be approved.

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35. The Cabinet:

(a) approved the recommendation of the Minister of National Revenue, and agreed that the capital budget for the National Sound Broadcasting Service and the National Television Service of the Canadian Broadcasting Corporation, for the fiscal year ending March 31st, 1955, be approved as submitted; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-730, May 13)

and,

(b) approved the recommendation of the Minister of Transport and agreed that the budget of the National Harbours Board for the calendar year 1954 be approved; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-731, May 13)

Coal subventions; Drummond Coal Company, Westville, N.S.

36. The Minister of Mines and Technical Surveys referring to discussion at the meeting of April 29th, 1954, said he and the Minister of Public Works had received a delegation from Westville, N.S. and had been presented with a proposal for the continued operation of the Drummond Mine for five months. The delegation said they had obtained an agreement with the Canadian National Railways that, under the following conditions, the railway would purchase approximately 30,000 tons of coal during the next five months:

(a) the government, through the Dominion Coal Board, would pay a flat rate of $4.00 per ton (the maximum under the railway coal subvention) to move approximately 30,000 tons of high quality coal originating in the Acadia Mine;

(b) the C.N.R. would purchase for consumption in the local area 30,000 tons of Westville coal instead of coal supplied by the Acadia Mine;

(c) the government of Nova Scotia would subsidize the cost of Acadia coal at minehead to the extent of $1.00 a ton; this subsidy, in addition to the $4.00 freight subsidy from Federal sources, would facilitate the movement of Acadia coal beyond the present limit of the subvention area to a point where it could be used by the railway without interfering with the orders presently placed with other mines.

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In addition, the province had offered to provide a $1.00 a ton subsidy at the Drummond Mine on the condition that present wage scales be maintained. If this proposal could be implemented, the Drummond company would provide full-time work with a maximum number of men for five months, at which time the mine would be permanently closed. By providing this work, approximately 70 of the younger and single men from the work force would have to find employment elsewhere at once. The men on full time would have work for five months and then have their unemployment insurance benefits to tide them over the winter or until they re-established themselves elsewhere.

The proposal would mean the payment of an additional $120,000 for the present fiscal year and might lead to similar requests from other mines. It should be noted that the average cost of the movement of all railway coal under the present subvention regulations would be approximately $3.00 a ton. It was recommended that, in order to deal with what was essentially a social problem, the proposal be accepted.

(Minister's memorandum, May 12, 1954.)

37. In the course of discussion, it was pointed out that:

(a) It would be very difficult to refuse to pay the subvention in this case, if the arrangement came within the regulations, and difficult to alter the regulations to allow payment if the arrangement could not be carried out within the present regulations.

(b) If the proposal were adopted, it would mean that there would be fifteen months to deal with the situation in Westville and enable the gradual movement of workers from the district and, if possible, to secure another industry for the area.

(c) Requests of a similar character from other mines could be dealt with on their merits and as they arose.

38. The Cabinet noted the report of the Minister of Mines and Technical Surveys on the proposal for the continued operation of the Drummond Mine at Westville for a period of five months, and agreed that, provided no amendment to the coal subvention regulations for the present fiscal year was required for the purpose, arrangements be recognized to substitute Drummond coal in the non-subvention area for Acadia coal, and to pay subventions on the Acadia coal, in accordance with the regulations, even though it was moved beyond the normal subvention area by means of a special subsidy paid by the Province of Nova Scotia.

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Legislation; Criminal Code; amendment re race meetings

39. The Minister of Agriculture, referring to discussions at the meetings of March 25th and April 29th, 1954, reported that a draft amendment to the Criminal Code respecting racing associations had been prepared for introduction in the Senate where the Code was now being considered. The proposal involved an addition of a proviso to the present legislation whereby no pari-mutuel system should be approved if operations were carried out on a race course in a province other than the province in which the association previously conducted its race meetings.

40. In the course of discussion, the following points emerged:

(a) The proposed amendment amounted to saying that a Manitoba company could not operate in Ontario, and this was a provincial matter. It would also mean that it would be a criminal offence for a Manitoba company to do an act in Ontario which was not criminal if done by an Ontario company. Furthermore, it would be an endeavour to say who should not conduct racing in Ontario, which was the prerogative of the Ontario Racing Commission.

(b) While there were only a few charters for racing associations extant which might be transferred, the proposal would nevertheless mean the prevention of competition against established associations;

(c) It would be desirable to prepare a draft which would be tied in with the date of the incorporation of an association and not affect charters transferred prior to the time of the coming into force of any new amendment.

41. The Cabinet agreed that the amendment to the Criminal Code respecting race meetings be revised in the light of the discussion and submitted for consideration at a subsequent meeting.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 18th, 1954.

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Items Discussed

Legislation; Veterans' Land Act amendment 2.

Acting Ministers 3.

Parliamentary business 3.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, May 18th, 1954, at 5:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Legislation; Veterans' Land Act amendment

1. The Minister of Veterans' Affairs, referring to discussion at the meeting of May 13th, submitted a bill to amend the Veterans' Land Act, the purpose of which was to establish a new veterans' home construction assistance scheme and to provide increased loans under the Act to full and part-time farmers and to commercial fishermen, subject to certain conditions.

2. In the course of discussion, the following points emerged:

(a) Under section 47(4)(a) of the bill, the Director of the Veterans' Land Act administration was given discretionary power to purchase lands for the purposes of the new Part II of the Act. Similar powers were conferred on the Director under Part I of the Act, but, in this case, the monies spent were subject to yearly parliamentary appropriations whereas, under Part II, the expenditures would be made by the Director under a statutory revolving fund of $15 million. In the circumstances, it was suggested that land purchases by the Director involving expenditures in excess of a predetermined amount should be made subject to prior approval by the Minister or Treasury Board or the Governor in Council. This could be done by a suitable amendment either to section 47 or to section 55 of the bill.

(b) Subsection 2 of section 60 of the bill provided that Part II would expire on January 1st, 1960. As no terminal date was provided for the existing legislation or for the proposed new Part III concerning assistance loans, it was suggested that no such terminal date should be provided for the new veterans' housing assistance scheme under Part II.

(c) Under the bill, as it now stood, legal fees connected with the administration of the housing assistance scheme were to be borne by the Director. It had been suggested that these fees should more properly be borne by the veteran. It was argued, on the other hand, that the expenditures involved in assuming responsibility for legal fees were not large and that this was one of the features which would make the scheme attractive to veterans.

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3. The Cabinet approved for introduction a bill to amend the Veterans' Land Act, as submitted by the Minister of Veterans' Affairs, subject to the following modifications:

(a) section 47(4)(a) to be amended to provide that no expenditure by the Director for the acquisition of land in excess of $15,000 shall be made without the approval of the Governor in Council; and,

(b) the terminal date of January 1st, 1960, to be deleted from section 60.

Acting Ministers

4. The Prime Minister submitted a recommendation for the appointment of Acting Ministers of Fisheries.

5. The Cabinet agreed that Mr. Winters be authorized to act as Minister of Fisheries in the absence or incapacity of Mr. Sinclair, and that Mr. Pickersgill be authorized to act as Minister of Fisheries in the simultaneous absence from Ottawa or incapacity of Mr. Sinclair and Mr. Winters; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-732, May 18)

Parliamentary business

6. The Minister of Citizenship and Immigration said inquiries had been made as to whether it was the government's intention to move that the House should adjourn on May 24th. It was noted that during the past few years Parliament had sat, as usual, on May 24th.

7. The Cabinet agreed that arrangements be not made to have the House adjourn on May 24th.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 20th, 1954.

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Items Discussed

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Legislation; Public Service Superannuation Act amendment	3.
Legislation; Royal Canadian Mounted Police Act amendment	3.
Legislation; Navigable Waters Protection Act amendment	3.
Legislation; Criminal Code amendment re race meetings	4.
Security control of foreign ships in the Great Lakes	5.
Supplementary estimates for 1954-55	6.
United Kingdom-Canada Air Agreement; proposed modifications	6.
International Tin Agreement	8.
Trade agreement with Spain; Canadian signature	11.
Steamship subsidies; Sydney and East Coast Cape Breton Island, N.S.	12.
Public Service Re-arrangement and Transfer of Duties Act; recommendations for appointments to the Medical Council of Canada; transfer from Secretary of State to Minister of National Health and Welfare	12.
Alexander Graham Bell Museum; Agreement with Nova Scotia	13.
Royal Commission on agreed charges by railways; appointments and terms of reference	14.
Geneva Conference	14.
Industrial Relations and Disputes Investigation Act amendment; public bill	15.
House of Commons; morning sittings	16.
Control and regulation of interprovincial and international highway transport	16.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, May 20th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
and Acting Secretary of State for External Affairs
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Legislation; Railways Act amendment

1. The Minister of Transport submitted proposed amendments to the Railway Act recommended by the Board of Transport Commissioners and designed to provide,-

(a) an increase in the membership of the Board of Transport Commissioners from 6 to 7 Commissioners;

(b) increases in the salaries of the Commissioners;

(c) for the appointment by the Governor in Council of examiners to take evidence in proceedings before the Board;

(d) changes in sections 332 and 336(2) with respect to freight rate fixing procedures; and

(e) for the implementation of the recommendations of the Board in its report on railway-highway crossings undertaken pursuant to Order in Council P.C. 1953-52 dated January 14th, 1953.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 19, 1954 and enclosure- Cab. Doc. 131-54).

2. In the course of discussion it was pointed out that the proposed amendments raised important questions of policy which could likely not be considered and decided in time to have a measure prepared and introduced during the course of the current session of Parliament.

3. The Cabinet,-

(a) agreed that proposed amendments to the Railway Act, as submitted by the Minister of Transport, be not proceeded with during the course of the current session of Parliament; and,

(b) deferred decision on the substance of the amendments pending further consideration at a later date.

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Legislation; Public Service Superannuation Act amendment

4. The Minister of Finance submitted a resolution and bill to amend the Public Service Superannuation Act.

The purpose of the measure was to provide a contributory plan of death benefits up to a maximum of $5,000 for the spouse or the estate of a public servant or a member of the Regular Forces, in addition to superannuation or pension benefits. This compulsory group scheme would replace the individual life insurance provisions of the Civil Service Insurance Act. The rate of contribution by participants would be 40 cents per thousand dollars per month.

5. In the course of discussion, it was pointed out that there might likely be objections to the new scheme, particularly on the part of the younger single women who did not intend to make a career of the Civil Service. Nonetheless, it would provide immediate death benefits at low cost and it was thought that, generally, it would be well received.

6. The Cabinet approved for introduction the resolution and bill to amend the Public Service Superannuation Act, as submitted by the Minister of Finance, subject to certain minor modifications as to eligible recipients of the benefits provided under the Act.

Legislation; Royal Canadian Mounted Police Act amendment

7. The Minister of Justice submitted a resolution and bill to amend the Royal Canadian Mounted Police Act.

8. The Cabinet approved for introduction the resolution and bill to amend the R.C.M. Police Act as submitted by the Minister of Justice.

Legislation; Navigable Waters Protection Act amendment

9. The Minister of Transport submitted a bill to amend the Navigable Waters Protection Act.

10. The Cabinet approved for introduction in the Senate, in the first instance, a bill to amend the Navigable Waters Protection Act as submitted by the Minister of Transport.

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Legislation: Criminal Code amendment re race meetings

11. The Minister of Justice, referring to discussion at the meeting of May 13th, submitted a draft amendment to the Criminal Code to provide that no pari-mutuel system of betting could be used by an association upon a race course in a province other than a province in which the association had conducted race meetings prior to May 1st, 1954.

An explanatory memorandum was circulated.

(Minister's draft amendment, May 19, 1954).

12. In the course of discussion, it was pointed out that,-

(a) there was some doubt whether the government should take responsibility for sponsoring a measure in Parliament, the result of which would be to protect certain vested interests in the pari-mutuel racing business from competition by racing associations which had obtained charters in some other province;

(b) in any event, the proposed amendment seemed too restrictive since it would effectively prevent the incorporation of new racing associations after May 1st, 1954;

(c) the original purpose of the amendment was to prevent charters that had been unused for some considerable time from being revived and used in a province other than that in which the charter had been obtained; and,

(d) decision might, with advantage, be deferred in this matter pending further consideration by the Cabinet Committee on Legislation.

13. The Cabinet deferred decision on proposed amendments to the Criminal Code with regard to race meetings pending further consideration and report by the Cabinet Committee on Legislation.

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Security control of foreign ships in the Great Lakes

14. The Prime Minister said that, since the Great Lakes Seamen's Security Regulations had been established in the spring of 1952, consideration had been given as to whether some form of security control should also be exercised over the masters and crews of foreign ships sailing into the Great Lakes.

In the summer of 1953, a committee of officials concerned had worked out a procedure to achieve this end. This procedure, however, had not been submitted to the government for consideration because it was hoped that it would be possible to do away with the Great Lakes Seamen's Security Regulations in the event the government decided, as it now had, to allow the Emergency Powers Act to lapse on May 31st. After lengthy discussions with U.S. authorities, however, it was now apparent that, if the Great Lakes Seamen's Security Regulations were allowed to lapse, the United States might well enforce inconvenient security measures which would result in expensive delays of Canadian ships in U.S. ports.

In the circumstances, it was now recommended that the procedure worked out in 1953 for the security control of personnel aboard foreign ships sailing into the Great Lakes be approved in principle, and that the Department of Citizenship and Immigration and the R.C.M. Police be requested to implement it immediately. The suggested procedure would entail the following main steps:

(a) the Department of Citizenship and Immigration would obtain two copies of crew manifests of foreign ships upon arrival at Canadian ports;

(b) one copy of the manifest would be forwarded to the R.C.M. Police for an appropriate security check;

(c) the ship would be allowed to proceed on its journey but, in the event the police check subsequently revealed the presence of subversive elements amongst any of the crews, the agents of the ships concerned would be informed that the crew members in question would not in future be permitted to enter Canada; and,

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(d) should a seaman so named re-appear at a Canadian port, the Department of Citizenship and Immigration would make an Order under section 15 of the Immigration Act authorizing his detention.

An explanatory memorandum was circulated.

(Secretary's memorandum, May 19, 1954- Cab. Doc. 133-54).

15. The Cabinet approved the procedure for the security control of personnel aboard foreign ships sailing into the Great Lakes as put forward by the Prime Minister and agreed,-

(a) that the Department of Citizenship and Immigration and the R.C.M. Police be requested to implement this procedure immediately; and,

(b) that no announcement be made concerning the new procedure unless and until questions were raised in the House or elsewhere.

Supplementary estimates for 1954-55

16. The Minister of Finance submitted the supplementary estimates for the year ending March 31st, 1955.

17. The Cabinet approved the supplementary estimates for the year ending March 31st, 1955, as submitted by the Minister of Finance, and agreed that the Governor General be asked to recommend them to the House of Commons in accordance with the provisions of the British North America Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-759, May 20).

United Kingdom-Canada Air Agreement; proposed modifications

18. The Minister of Transport, referring to discussion at the meeting of April 14th, 1954, said the President of Canadian Pacific Air Lines considered that the modifications which U.K. authorities were seeking to the United Kingdom-Canada Air Agreement of 1949 would be damaging to C.P.A. as well as Trans Canada Air Lines, while the concessions that the United Kingdom was prepared to make on the Bermuda-Canada route would be of benefit to T.C.A. alone.

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In the event the United Kingdom was granted the rights it had asked for on the United Kingdom-Orient route, C.P.A. suggested that it be allowed to operate a direct route from Vancouver to the United Kingdom across northern Canada without any eastern Canadian points of call. If this proposal could not be considered, then C.P.A. suggested that the United Kingdom be offered exact reciprocity with regard to a north Pacific route only - i.e. a United Kingdom route from Vancouver to Hong Kong identical with the one presently granted by the United Kingdom to C.P.A., and that no concession from the United Kingdom be asked in return. This would still be damaging to C.P.A. but would eliminate the fifth freedom traffic rights between Montreal and the Orient and between Vancouver and the United Kingdom.

Direction was now sought as to the course which should be followed. There appeared to be three possible alternatives. These were,-

(a) to accept the U.K. suggestion for a United Kingdom-Orient route with fifth freedom rights at Monteal and Vancouver;

(b) to offer merely a U.K. route from Hong Kong to Vancouver but without fifth freedom rights between Monteal and the Orient and between Vancouver and the United Kingdom; or,

(c) to indicate that Canada could not, at this time, agree to any further adjustments in the 1949 Agreement.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 18, 1954-Cab. Doc. 128-54).

19. In the course of discussion, the following points emerged:

(a) It had been ascertained that the United Kingdom had withdrawn its offer to relinquish the Bermuda-New York route to T.C.A. as a result of objections raised in Bermuda and elsewhere.

(b) Perhaps the most sensible course of action would be to indicate to the United Kingdom, in the first instance, that following discussions with the management of the two Canadian airlines mainly concerned - i.e. T.C.A. and C.P.A. - the Canadian government could not, at this time, agree to any further adjustments in the United Kingdom - Canada Air Agreement of 1949. If it subsequently appeared that the

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United Kingdom would, as a result of this stand, threaten to withdraw fifth freedom rights for T.C.A. at Prestwick, the United Kingdom might be informed that Canada would be prepared to grant B.O.A.C. a route from Vancouver to Hong Kong, identical to that which C.P.A. now had but without fifth freedom rights between Montreal and the Orient and between Vancouver and the United Kingdom.

20. The Cabinet noted the report by the Minister of Transport on recent discussions with the President of Canadian Pacific Air Lines concerning U.K. suggestions for modifications to the United Kingdom - Canada Air Agreement of 1949 and agreed,-

(a) that U.K. authorities be informed that, following discussions with the two Canadian airlines mainly concerned, Canada was not now prepared to agree to any further adjustments in the 1949 Agreement; and,

(b) that, in the event the United Kingdom threatened to withdraw fifth freedom rights granted to T.C.A. at Prestwick, a Vancouver to Hong Kong route be offered to the United Kingdom but without fifth freedom rights between Montreal and the Orient and between Vancouver and the United Kingdom.

International Tin Agreement

21. The Minister of National Defence, as Acting Secretary of State for External Affairs, referring to discussion at the meeting of November 4th, 1953, said a draft International Tin Agreement had emerged from the United Nations Tin Conference held in Geneva last fall. The Agreement called for the establishment of an International Tin Council in London at which both producers and consumers would be represented. A buffer stock, financed entirely by producers, would be created which, together with possible export and production restrictions, would be used to maintain fluctuations in prices within a given range. As an initial basis for operations, the Agreement provided for a floor price of £640 (sterling) and a ceiling price of £880 (sterling) per long ton.

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Canadian import requirements for tin were not great and Canada's direct interest in a Tin Agreement was small. Apart from membership fees, it would impose no direct financial obligations. For domestic reasons, the U.S. government did not intend to sign the Agreement, and consequently the attitude of smaller consuming countries would be of major importance in determining whether an agreement would come into force or not. Canada's position might be decisive.

The Interdepartmental Committee on External Trade Policy had considered the question and noted that the successful operation of the Agreement might be a useful contribution to the political and economic stability of tin-producing areas. Adherence would probably be preferable to the alternative of a producer cartel. Most of the countries interested in the Agreement were already parties to the Wheat Agreement and the attitude of certain others (e.g. the United Kingdom) towards the Wheat Agreement might conceivably be influenced somewhat by a Canadian decision on tin. On balance, the Committee thought it desirable to participate.

Consideration should be given to authorizing the Canadian High Commissioner in the United Kingdom to sign the Agreement, to informing other interested governments of Canada's decision and to the manner in which the Agreement, if signed, would be dealt with in Parliament.

An explanatory memorandum had been circulated

(Acting Minister's memorandum, May 13, 1954- Cab. Doc. 130-54).

22. In the course of discussion, the following points emerged:

(a) Although tin was now selling below the floor price, Canadian requirements were relatively small. The Agreement did not mean much to Canada and adherence to it should be considered in the context of external political relations. It might therefore be desirable to defer consideration of the matter until the Secretary of State for External Affairs returned to Canada.

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(b) If the Agreement were signed, it could be dealt with in Parliament in a manner similar to the International Sugar Agreement. On that occasion, provision had been made for discussing it when the estimates of the Department of Trade and Commerce were before the House, after which the formal instrument of accession would be deposited.

(c) The Agreement would be of some value to the sterling area and Canada did have an interest in improving the area's position.

(d) The Agreement was open for signature until June 30th. If it was agreed to adhere, then interested countries should be advised of the decision before June 1st so they would have sufficient opportunity to consider their own positions.

23. The Cabinet, noted the report of the Acting Secretary of State for External Affairs and agreed:

(a) that N.A. Robertson, Esq., Canadian High Commissioner in the United Kingdom, be authorized to sign the International Tin Agreement, subject to ratification; an Order in Council to be passed accordingly;

(b) that interested governments be informed of Canada's decision in this respect, and, where appropriate, the reasons for that decision, including our interest in the future of the Wheat Agreement; and,

(c) that an announcement be made in Parliament stating it was the intention to sign the Agreement but that deposit of the formal instrument of ratification would not take place until after an opportunity had been given to members to study the provisions of the Agreement and discuss them when the estimates of the Department of Trade and Commerce were under consideration.

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Trade agreement with Spain; Canadian signature

24. The Minister of National Defence, as Acting Secretary of State for External Affairs, referring to discussion at the meeting of February 3rd, 1954 reported that Canadian officials had concluded negotiations and agreed upon the text of a trade agreement between Spain and Canada, the provisions of which appeared to be satisfactory to the departments concerned. Appended to the agreement would be an exchange of notes containing an undertaking by Spain to allocate sufficient foreign exchange for the purchase of 2,000 tons of Canadian codfish annually by Spanish importers. In return for this concession and the extension of "most-favoured-nation" treatment to Canadian exporters, Canada was obligated to extend "most-favoured-nation" treatment to Spain and all its overseas territory, and would grant small tariff concessions on olives, almonds, paprika and olive oil.

It was recommended, with the concurrence of the Ministers of Trade and Commerce and Finance and the Acting Minister of Fisheries, that the agreement and accompanying exchange of notes be approved and that the Minister of Public Works, who would be in Spain from May 23rd - 27th, or alternatively, the Canadian Ambassador to Spain, be authorized to conclude the agreement.

25. In the course of discussion, it was pointed out that the sale of cod would be a valuable transaction whereas the reductions in tariffs granted by Canada were not too significant. These concessions would be on a year to year basis.

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

(a) that a trade agreement and accompanying exchange of notes between Canada and Spain, be approved; and,

(b) that the Minister of Public Works and the Canadian Ambassador to Spain, be vested with full power and authority to sign the agreement on behalf of Canada, subject to ratification; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-761, May 20).

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Steamship subsidies; Sydney and East Coast Cape Breton Island, N.S.

27. The Minister of Transport said the Canadian Maritime Commission had recommended certain additional subsidies for a passenger and freight service operating between Sydney and Bay St. Lawrence on the east coast of Cape Breton Island, N.S. He concurred in this recommendation. The service had been subsidized for the past 52 years and at an annual rate of $40,000 during the past 5 years.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Transport, May 17, 1954- Cab. Doc. 129-54).

28. The Cabinet approved the recommendation of the Minister of Transport and agreed that, for the current fiscal year, an additional subsidy of $5,000 be provided for the subsidized passenger and freight service between Sydney and Bay St. Lawrence on the east coast of Cape Breton Island, Nova Scotia; provision to be made accordingly in the further supplementary estimates for 1954-55.

Public Service Re-arrangement and Transfer of Duties Act; recommendations for appointments to the Medical Council of Canada; transfer from Secretary of State to Minister of National Health and Welfare

29. The Prime Minister said the President of the Medical Association had called attention to an anomalous situation in that it had been the practice for the Secretary of State to recommend appointments, under the Canada Medical Act, to the Medical Council of Canada. In actual fact, the recommendations were initiated by the Minister of National Health and Welfare, and the Secretary of State's Department merely acted as a post office. He proposed, with the concurrence of the Secretary of State and the Minister of National Health and Welfare to transfer such functions to the latter Minister.

30. The Cabinet approved the Prime Minister's recommendation and agreed that, under the provisions of the Public Service Re-arrangement and Transfer of Duties Act, all the powers, duties or functions of the Secretary of State of Canada, pursuant to the provisions of the Canada Medical Act, be transferred to the Minister of National Health and Welfare; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-762, May 20).

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Alexander Graham Bell Museum; Agreement with Nova Scotia

31. The Minister of Northern Affairs and National Resources reported that discussions had been held with Nova Scotia on the establishment of a museum to store, preserve and put on display memorabilia of the late Alexander Graham Bell. Nova Scotia had offered a site on the condition that the Federal government erect and maintain the museum. The capital cost would be approximately $140,000. Plans had been drawn up some time previously and approved by the Bell family. Provision had been made for the cost in the estimates this year. The memorial would be looked after in the usual way by the National Parks and Historic Sites division of his department. He submitted a recommendation seeking authority to enter into an agreement to accept a transfer of the land from the province needed for the museum.

32. In the course of discussion, the following points emerged:

(a) All the necessary arrangements had been made with the province. Bell's models, experimental equipment and the like were housed in an old workshop and there was danger of them being destroyed by fire. Representations had been received over the years for the construction of a modern museum to house them properly and to have a suitable memorial in the area.

(b) In Brantford, where the telephone had been invented, there was already a memorial to Alexander Graham Bell which had been erected under private auspices. Some criticism might arise from that quarter over a recognition of Bell in the way suggested.

33. The Cabinet agreed that, pursuant to the Historic Sites and Monuments Act, the Minister of Northern Affairs and National Resources, be authorized to enter into an agreement with the province of Nova Scotia as submitted, and to accept the transfer of land described in the agreement for the purpose of erecting the Alexander Graham Bell Museum at Baddeck, Nova Scotia; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-763, May 20).

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Royal Commission on agreed charges by railways; appointment and terms of reference

34. The Prime Minister, referring to discussion at the meeting of April 29th, submitted a recommendation for the appointment of the Hon. W.F.A. Turgeon, as a commissioner under the Inquiries Act, to inquire into the application and effects of agreed charges by the railways.

35. In the course of discussion, the question was raised as to the form in which an announcement of Mr. Turgeon appointment might be made and to the manner in which the matter might be dealt with in Parliament. Some members would learn immediately of the existence of the Order appointing Mr. Turgeon and would probably ask questions in the House. It might be desirable to table the Order and make a statement at the same time.

36. The Cabinet agreed:

(a) that the Hon. W.F.A. Turgeon be appointed a commissioner to inquire into and report on the application and effects of agreed charges as may be authorized by the Board of Transport Commissioners under Part IV of the Transport Act, taking into account representations from the Premier of Alberta and other relevant considerations, including developments since the Royal Commission on Transportation submitted its report on February 9th, 1951; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-760, May 20).

and,

(b) that the appointing Order be tabled in the House of Commons and a statement made at the same time by the Prime Minister, referring to the representations that had been made, and stating that a decision had been taken to have a public inquiry undertaken; the Minister of Transport to have a draft statement prepared for the Prime Minister's consideration.

Geneva Conference

37. The Minister of National Defence, as Acting Secretary of State for External Affairs, reported that the results of the Conference at Geneva, thus far, indicated there was little hope for a settlement in Korea. On the other hand, the Russians and Chinese apparently did not intend to have fighting resumed there. In other words, there would be a continuance of the present type of cease-fire. President Rhee's attitude appeared to make a permanent settlement impossible and the United States did not want to exert pressure on him to alter his position.

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So far as Indo-China was concerned, the situation, curiously enough, appeared to be more hopeful. If the French were prepared to grant independence to the three associated states and if the Russians and Chinese agreed not to intervene, it was possible that some type of arrangement involving cessation of the fighting and a partition of Indo-China would emerge.

The sequence of events which had occurred before and during the Conference had been most unfortunate and feelings amongst some of the western powers were not good. Last week, for instance, the United States had made a separate proposition to the French regarding a possible South-East Asia defensive pact without consulting the United Kingdom.

38. In the course of discussion, it was pointed out:

(a) Questions relating to the Conference would continue to be asked in the House of Commons and it would be desirable to answer them in such a way so that the present situation would not be further confused or complicated. The simplest thing, perhaps, would be to say that the Conference was continuing, that any statements about it would not likely be of much assistance at this time and that the Secretary of State for External Affairs would be returning to Ottawa soon and be in a better position to give more detailed replies as to what had actually occurred in Geneva.

(b) It might be desirable for the Secretary of State for External Affairs, on his return, to discuss what had taken place, informally and perhaps confidentially, with members of the External Affairs Committee, and thereby postpone any major debate on the matter until the External Affairs estimates were before the House. A debate at this stage would not help to accomplish the purposes of the western countries and might lead to a repetition of speculation and comment that had occurred in the United States.

39. The Cabinet noted the report of the Acting Secretary of State for External Affairs with regard to the present Geneva Conference.

Industrial Relations and Disputes Investigation Act amendment; public bill

40. The Minister of Labour reported that the debate on Mr. Knowles' bill to amend the Industrial Relations and Disputes Investigation Act to provide for a voluntary revocable checkoff would come up again in the near future, and it seemed possible that the measure would come to a vote.

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41. The Cabinet noted the report of the Minister of Labour regarding the public bill, in the name of the Member for Winnipeg North Centre, whereby the Industrial Relations and Disputes Investigation Act would be amended to provide for the voluntary revocable checkoff and the procedure suggested for dealing with it.

House of Commons; morning sittings

42. The Minister of Citizenship and Immigration said that he had held discussions with members of the other parties in the House of Commons, and it appeared that there would be no objection to the commencement of morning sittings on May 31st. It might also be possible to arrange for sittings of the House to be extended from 10.00 to 11.00 p.m. and to have sittings on Wednesday evenings.

43. The Cabinet noted with approval the report of the Minister of Citizenship and Immigration, and agreed that a motion be prepared to provide for morning sittings of the House of Commons commencing May 31st.

Control and regulation of interprovincial and international highway transport

44. The Prime Minister, referring to discussion at the meeting of April 14th, 1954, said it now seemed clear that Quebec would not agree to the proposals put forward by the Minister of Transport at a meeting of provincial Ministers of Highways, on April 26th, whereby control over interprovincial and international highway transport would be exercised by provincial boards under the authority of a Federal statute. The draft bill that had been prepared for this purpose might therefore have to be revised.

45. In the course of discussion, the following points emerged:

(a) It might be advisable to provide in any legislation that it be made applicable to any provinces by proclamation of the Governor in Council, and proclaim it only as each province indicated that it wished this to be done. This would leave open to each province the course of action it might want to follow. It might also be advisable to draft the legislation with a proviso to enable any province to withdraw from the scheme if it so wished.

(b) If any province did not wish to have the legislation made applicable within its jurisdiction, there would then be legal authority to control interprovincial and international trucking within its boundaries.

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(c) The Province of Quebec argued that an amendment should be made to the B.N.A. Act to provide for the provincial control and regulation of interprovincial and international highway transport rather than the proposals recently put forward at the meeting with the provincial authorities.

(d) If nothing were done, or even if legislation covering all provinces except Quebec were put into effect, trucking associations might make serious representations to the effect that the Federal government was not properly exercising its jurisdiction, and requesting it to do so directly, in order to control and regulate highway transport effectively.

46. The Cabinet noted the report of the Prime Minister on the present position in regard to control and regulation of interprovincial and international highway transport, and agreed that the committee of officials dealing with the subject should pursue its work as expeditiously as possible.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

May 25th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, May 25th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin)

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Geneva Conference

1. The Secretary of State for External Affairs said the Conference at Geneva, thus far, had not been a great success. The public, however, did not appear to be too disturbed, because the possibility of a favourable outcome had been discounted beforehand. On the other hand, the Communist governments would probably regard the Conference as a success from their viewpoint. They appeared to have had two objectives in mind. The first was to establish Red China as a great power, and the second to ensure that no settlements satisfactory to the free world were reached in Korea and Indo-China. On the first point, it seemed quite clear that Red China had been established as one of the Big Five in the eyes of many people throughout the world.

As for the Conference itself, the Russians had gone out of their way to give the appearance of being reasonable and conciliatory, but, when their proposals were examined in detail, they were found to be quite unacceptable and no settlements appeared in sight. It was possible that they were concerned over the spread of Chinese influence and power but no indication of such concern had been evident. If such a feeling existed, it might make it easier to reach a solution in Indo-China.

Another objective which the Russians had in mind was to become the spokesman for the Asian world, and this they were succeeding in doing by endorsing everything the Chinese said. Allied to this objective, was the desire to split the United States from the rest of the free world. Certainly the Communists spoke with one voice, whereas there were a good many voices on our side. There had been serious differences between the United Kingdom and the United States over the question of possible air strikes from aircraft carriers against Dien Bien Phu. In this connection, U.S. officials were,themselves,divided as to this being a desirable or effective course of action. Another source of friction arose over the timing of talks which might be held with a view to the establishment of a security system for South-east Asia. The United Kingdom felt that talks should not be held until it was clear that the Conference would be a failure, whereas the U.S. Secretary of State had thought they should be held at the beginning of the Conference in order to provide a demonstration of strength.

The Korean problem had not been solved at Geneva nor was it likely to be solved. In one respect this was not too tragic a matter as the armistice was in effect.

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The Conference would confirm this and, therefore, would make it more difficult for anyone to start the fighting again. The Communist proposals for a settlement were similar to their proposals for Germany and involved a combined government of North and South Korea and the holding of unsupervised elections, This would ultimately lead to a Communist-controlled country and could not be accepted. The South Korean proposals had likewise not been acceptable, although these had been recently modified, they had been rejected by the Communists. It was now desirable to establish a good proposal so that the public would not infer that the United Nations side had been responsible for the breakup of the meetings. The Armistice should also be confirmed and negotiations continued.

In Indo-China, the situation was more complicated. Militarily, the position undoubtedly favoured the Communists. They desired a political settlement involving the three associated states of Viet Nam,, Laos and Cambodia, and elections managed in such a way that, under present circumstances, it would mean a Communist government for the three states. The French were unable to agree to this proposal but, if the war proceeded for another three months, they would be driven out of the Red River Delta and the northern part of the country would go Communist in any event. The U.S. Secretary of State had proposed the formation, immediately, of a N.A.T.O. type of arrangement under which it could be made clear that, if the Communists proceeded beyond a certain line, action would be taken by those associated with the pact. The countries he had in mind were the three states of Indo-China, the Philippines, Thailand, Australia, New Zealand, France, the United Kingdom and the United States. The United Kingdom was hesitant about joining because the danger occurred from within the territories affected and was not clearly a threat of attack from outside their borders. The United Kingdom was also concerned because the proposal did not include important Asian states such as India, Pakistan, Ceylon, Burma and Indonesia and would not be apt, therefore, to impress Asian public opinion.

An added source of friction arose because the President of the United States, inadvertently it was thought, had indicated at a press conference it was unthinkable that a security pact would be established without the United Kingdom participating. The United States, if not careful, might be faced with a diplomatic defeat because Australia and New Zealand would not join such an arrangement without the United Kingdom, and the United Kingdom would not join unless the more important Asian nations were consulted.

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At the Conference itself, relationships were normal with all delegations except the Chinese Communists, although some friendly conversations had been held with them at the official level. As a result of these talks it was hoped that the remaining Canadian priests held in China would soon be released. The question of the Ming Sung ships might also be raised at the talks with a possible opportunity of settling that outstanding problem.

2. In the course of discussion, the following points emerged:

(a) It seemed unlikely that the West would get much support from India and it appeared that Mr. Nehru had made up his mind that Western influence in Asia had to disappear. On the other hand, the impressive victory of the Communist troops in Indo-China and the strength and skill of their forces might cause the neighbouring states of South-east Asia concern and lead them to conclude that militant Communism nearby was not too desirable either.

(b) Despite the differences that had already occurred between the United Kingdom and the United States, the United Kingdom would probably join in talks leading to some type of security arrangement in South-east Asia, although this would be doubtful if the aim of the proposed organization was to prevent any nation from becoming Communist of its own volition or if the leading Asian nations were not fully consulted.

3. The Cabinet noted the report of the Secretary of State for External Affairs on the present Geneva Conference.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

May 27th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, May 27th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Legislation; Canadian National Railways Financing and Guarantee Act

1. The Minister of Finance submitted a resolution and bill to provide the monies required to meet certain capital expenditures of the Canadian National Railways system during the calendar year 1954, and to authorize a government guarantee of certain securities to be issued by the C.N.R.

2. The Cabinet approved for introduction the resolution and bill entitled the "Canadian National Railways Financing and Guarantee Act, 1954" as submitted by the Minister of Finance.

Legislation; Post Office Act amendment

3. The Postmaster General submitted a bill to amend the Post Office Act to provide that newspapers and periodicals might be transmitted by mail at the special postage rate prescribed for newspapers and periodicals, notwithstanding the fact that they were posted from an area other than that in which the office of publication was situated.

4. The Cabinet approved for introduction in the Senate, in the first instance, a bill to amend the Post Office Act as submitted by the Postmaster General.

Legislation; repeal of National Physical Fitness Act

5. The Minister of National Health and Welfare recommended that a bill be introduced during the course of the current session of Parliament for the purpose of repealing the National Physical Fitness Act.

If this were approved, he suggested that the government should continue to carry for a further period, through the Physical Fitness Division of his department, responsibility for the provision of consultant or advisory services relating to fitness and recreation. The continuation of such services in no way depended upon the continuation of the Act and, moreover, was consistent with the role the department had assumed in providing technical and consultant services of a specialized nature in the field of health.

6. The Cabinet approved in principle the proposed repeal of the National Physical Fitness Act and agreed that a draft measure be prepared accordingly.

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Interprovincial and international highway transport; proposals for provincial regulation and control

7. The Minister of Transport, referring to discussion at the meeting of May 20th, said he had now been informed in writing by the Minister of Roads of the Province of Quebec that the government of that province was not prepared to accept the draft Federal legislation, proposed during the course of recent federal-provincial discussions, to enable provincial authorities to control and regulate interprovincial and international highway transport as if such transport was in fact intra-provincial. The Quebec government still claimed that if these powers, which had recently been held to be Federal by the Judicial Committee of the Privy Council, were to be delegated to provincial agencies, this should be done by means of an amendment to the British-North America Act rather than by a Federal statute as had been suggested. The other provinces were prepared to accept the draft legislation.

The committee of officials established to look into this question had submitted a report which suggested several alternative courses of action. Some of these appeared undesirable from the Federal point of view and none would likely meet with the approval of the Province of Quebec.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 26, 1954- Cab. Doc. 135-54).

8. In the course of discussion the following points emerged:

(a) It had been suggested that the draft bill entitled the "Motor Vehicle Transport Act", which had been submitted to the provinces for consideration, might perhaps be acceptable to the Province of Quebec if section 5 were deleted. This section, which reserved to the Governor in Council the power to over-ride the regulatory arrangements made by the provinces, would have to be retained in some form, however, to ensure, first, that one province could not prevent the through movement of motor transport operating between points in two adjacent provinces, second, that Canada might be in a position to honour its international commitments on trucking in bond and third, that no restrictive measures were taken by any province against interprovincial movements of military transport.

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(b) Section 5 of the draft bill as it now stood read as follows:

> "The Governor in Council may make regulations for carrying the purposes and provisions of this Act into effect, and, without restricting the generality of the foregoing, may make regulations respecting
>
> (a) extra-provincial transport and the tariffs and tolls to be charged in relation thereto; and
>
> (b) exempting any person or the whole or any part of an extra-provincial undertaking or any extra-provincial transport from all or any of the provisions of this Act."

The Minister of Transport had now enquired from the Quebec Minister of Roads whether the Quebec government would be prepared to concur in the proposed arrangement if this section were somewhat restricted in its application and revised to read as follows:

> "5. The Governor in Council may exempt any person or the whole or any part of an extra-provincial undertaking or any extra-provincial transport from all or any of the provisions of this Act."

No reply had yet been received from Mr. Talbot.

(c) No matter what final stand was taken by the Province of Quebec, it might perhaps be advisable to provide that the Act would come into force in any province only upon the issue of a proclamation declaring it to be in force in that province.

9. The Cabinet noted the report by the Minister of Transport on recent developments in proposals for the delegation, by Act of Parliament, to the provincial authorities, of powers to control and regulate inter-provincial and international highway transport, and deferred decision pending receipt of a reply from the Quebec Minister of Roads to a suggestion made by the Minister of Transport that the powers reserved to the Governor in Council might be in a more restricted form than that contemplated in the draft legislation submitted to the provinces for consideration.

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Canadian Broadcasting Corporation; international broadcasting policy; report of Cabinet Committee

10. Dr. McCann referred to discussion at the meeting of January 7th, 1954, when it was agreed that a special Cabinet Committee be established to review the purposes, operations and accomplishments of the International Service of the Canadian Broadcasting Corporation and to submit recommendations to the government as to future policy concerning this service.

After examining some of the more important aspects of the problem, the Cabinet Committee had requested a special committee of officials to make a detailed study of the Service and to submit a report as to the best means by which economies could be made. On May 25th, the committee of officials had submitted to the Cabinet Committee a detailed report setting out various recommendations, the more important of which were,-

(a) That the C.B.C.-I.S. programmes to Russia and to the satellite countries be increased somewhat;

(b) that the Ukrainian and Finnish services be discontinued immediately;

(c) that the English and French programmes to western Europe, including those to the United Kingdom, be substantially reduced;

(d) that the Swedish, Norwegian, Danish, Dutch and Italian programmes be broadcast, henceforth, on a so-called "week-end" plan which would involve replacing the current daily programmes to those countries by a 30-minute period, on Saturdays and Sundays only;

(e) that the Latin-American programmes be curtailed and made lighter and less expensive in character; and,

(f) that the costs of the Northwest Territories services be borne by the domestic service of the C.B.C., and the costs of the special programmes for Canadian Forces abroad by the Department of National Defence.

If these recommendations were approved, it was estimated that a saving of approximately $650,000 might be made as compared with the estimates for 1954-55. It was further pointed out that contraction of services on this scale would entail a reduction in the staff of the International Service of the C.B.C. of approximately 50 persons.

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Members of the Special Cabinet Committee had generally been inclined to endorse the recommendations submitted by the committee of officials but were rather concerned as to the domestic implications of completely discontinuing the Ukrainian service.

An explanatory memorandum had been circulated.

(Secretary's memorandum, May 26,1954, and attached report - Cab. Doc. 137-54).

11. In the courge of discussion the following points emerged:

(a) As discontinuance of the Ukrainian service would only account for approximately $50,000 out of a total estimated saving of $650,000, it might be preferable to defer decision on this particular recommendation since its implementation would undoubtedly give rise to much criticism on the part of the numerous Ukrainian communities in Canada.

(b) It seemed clear that the value of the International Service from the immigration and trade promotion point of view was negligible. Nonetheless, the reduced service recommended by the committee of officials appeared to provide the minimum nucleus required to ensure that the personnel, transmitting facilities and shortwave channels remained available for use on an expanded scale in an emergency.

12. The Cabinet noted the report by the Chairman of the special Cabinet Committee on International Broadcasting Policy and,-

(a) agreed that the Canadian Broadcasting Corporation be instructed to implement, shortly, but without publicity, the recommendations of the special committee of officials as set out in their report of May 22nd,1954, except those relating to the Ukrainian service;

(b) deferred decision on the proposed discontinuance of the Ukrainian service pending further consideration at some later date;

(c) agreed that no announcement be made at this time concerning the proposed reduction in the programme schedule of the C.E.C. International Service; and,

(d) agreed that, if questions were raised in the House regarding this matter, Dr. McCann should merely state that the operations of the International Service were currently being reviewed by the government, and it was hoped that some reduction could soon be made in the present level of expenditures.

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South Saskatchewan River Project; recent developments

13. The Minister of Agriculture reported on some of the more important aspects of correspondence he had exchanged and discussions he had had during recent months, with the Premier of Saskatchewan concerning the South Saskatchewan River Project.

Following discussion at the Cabinet meeting of April 24th,1953, he had sent Premier Douglas a letter in which he had stated in part as follows:

> ".....the Federal government is prepared to consider a definite proposal from the Provincial Government for co-operation in the project and I am authorized by my colleagues to discuss such a proposal with you once the question of water rights has been settled among the three Prairie Provinces and agreement reached that the water would be available for the project.
>
> "Any proposal put forward by the Province should make it clear what contribution to the cost of the dam itself the province is prepared to make to remove any element of Federal subsidy for the production of power since power development could obviously not be subsidized in one province unless the Federal authorities were prepared to provide similar subsidies in all provinces and Federal subsidies for power development are contrary to present government policy.
>
> "You will appreciate that any Federal contribution would also have to be limited, as in the St. Mary's and Bow River projects, to work for the conservation of the water and that we could not justify the expenditure of money raised from taxes all over Canada until the provincial authorities had prepared a practical scheme for the distribution system which gave reasonable evidence that the water would actually be used for irrigation on a scale which would justify the expenditure of national funds.
>
> "Any proposal would, of course, have to include some satisfactory means of determining in advance what the total cost of the project would be, and what the Federal share of the cost would be. This would be essential so that there was no open-ended commitment which might result in final costs being far greater than anything either government would regard as reasonable.
>
> "On these conditions as prerequisites the Federal Government is prepared to discuss the project further with the government of Saskatchewan."

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Since that time, the Prairie Provinces Water Board had satisfactorily disposed of the water supply question at a meeting on October 9th,1953, and the required Orders in Council had been passed by the Governor in Council and the Lieutenant Governors in Council of the three prairie provinces.

In a letter dated April 28th,1954, Premier Douglas had indicated he felt the province would be meeting the first of the four conditions by assuming full costs of the power installations, estimated to cost $20 million, and by paying $17,850,000 towards the cost of the dam itself in order to remove any element of Federal power subsidy. He had previously indicated that his government was prepared to meet the second condition by mkaing water from the dam available to farmers in the vicinity on the same terms and conditions as it was made available in any other province where a similar project has been undertaken by P.F.R.A.

In the matter of the third condition, the Minister had obtained a firm bid of $82,495,970 from a reputable firm for the construction of the dam. He did not feel that a flat contribution by the province of $17.8 million towards the cost of the dam would be sufficient to remove all element of Federal power subsidy and suggested, instead, that the provincial share should be computed as 25 percent of the total cost of the dam. On this basis, the province would be expected to pay $20,623,992 and the Federal government $61,871,978 towards the cost of the dam alone.

He pointed out that, if this development were considered on the same basis as the St. Mary's. Project in Alberta, Canada would expend dollar for dollar with the province for irrigation. Therefore, if the Province of Saskatchewan were putting $35 million into irrigation, $35 million was all Canada should be required to put in on that account . There could be no valid argument that we should not do the same for Saskatchewan as we had done for Alberta. This would leave $26,871,978 which the Federal government would be spending to bring benefits other than those related to either power or irrigation and, therefore, should be of national importance.

Prairie Farm Assistance had paid $368,000 annually since 1939 to persons who would be removed from the lists if the project were completed. This would be paid for another ten years even if construction was proceeded with at once. The saving over twenty years would be $7,360,000 on this one item.

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The estimated increase in national revenue was $1,328,000 annually. This would amount in twenty years to $26,560,000. These two amounts alone would mean $7 million more to the Federal treasury than would be spent upon the dam for other than irrigation and power purposes.

But this was only a small part of the national benefits which would result. Industrial development was essential if Saskatchewan was to be saved from a repetition of the conditions which had developed in the thirties and which had cost the Federal government $186 million in relief. Industrial development could not take place unless there was a storage of water available twelve months in the year. This dam would store that water where it could be utilized to supply industry and provide water to urban populations.

The greater population settled on the prairies would bring benefits to other parts of Canada, east and west, comparable with those created by the placing of population in Saskatchewan through the building of railways and immigration. There could be no question that increased population in Saskatchewan living in comfort would be beneficial to all Canada just as the original settlement of the area ushered in greater development and prosperity for all Canada. Saskatchewan was at the peak of all things related to cost in transportation, trade and finance. She provided more of the food which entered into trade than any other province and required more shipped in. People there would mean increased prosperity both east and west as well as in Saskatchewan and give employment to young Canadians near their homes.

In all these circumstances, he felt the government should now announce that it was prepared to negotiate with the province of Saskatchewan suitable terms for payment and suitable arrangements as to time of construction.

An explanatory memorandum had been circulated by the Minister, dated May 25,1954.

14. Mr. Gardiner added that, in his letter of April 28th, 1954, Premier Douglas had pointed out that, although the Saskatchewan government would be assuming responsibility for an expenditure of approximately $73 million as opposed to a Federal expenditure of approximately $62 million, his government was prepared to proceed immediately with the project and urged that the Federal government concur in the arrangement at an early date, The figure of $73 million as the provincial share was based on the assumption that Saskatchewan would be called upon to pay $20 million for the power installations, $17.8 million towards the cost of the dam and $35 million for the irrigation distribution system.

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He read a suggested draft reply to Premier Douglas' letter in which he pointed out it was not clear from the terms of the province's latest offer, that all element of Federal power subsidy had indeed been removed and suggested that such subsidy element would be removed, if Saskatchewan undertook to assume 25 percent of the total cost of the dam, whatever that cost might eventually be. The letter went on to suggest that the Federal and Provincial committees of officials might, without committing the Federal government to proceed with construction, continue their discussions towards conclusion of an agreement based upon an understanding that the province would agree to pay 25 percent of the total cost of the dam as and when expenditures occurred.

Mr. Gardiner added he was not asking the Cabinet to make any commitment now to construct the dam, although he would of course welcome a decision to do so.

15. In the course of discussion, the following points emerged:

(a) It would be unwise for the government to agree that the Federal and Provincial committees of officials should continue their discussions towards the conclusion of a mutually satisfactory agreement since this might create the impression that the Federal government was prepared to go ahead with the project in the near future. It seemed clear that the government was not prepared to do so until such time as all the implications - economic, political and social - had been more clearly established and carefully studied. Nothing should be done at this time to create the impression that the government would eventually proceed with the project as it might later be accused of bad faith if it did not.

(b) It was quite obvious that no one would think of constructing the dam for power purposes alone. If by constructing the dam for irrigation purposes it was possible for the province of Saskatchewan to derive incidental power benefits therefrom, then the province should be required to pay the full costs of such incidental benefits including a fair share of the cost of the dam itself as representing the value of the dam for power production purposes.

(c) The Federal government should not enter into any open-ended agreement which might result in it being faced, eventually, with much larger expenditures than had originally been contemplated, since the project would take 10 years to complete and costs might well change substantially

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during that time. It would seem that the only acceptable formula would be to have the province agree to assume all costs related to power and convert this to an appropriate share of the cost of the dam on a percentage basis, as this would allow the provincial as well as the Federal share of the total costs to depend on price fluctuations over the period of construction.

(d) It was noted that the figure of $17.8 million, which had been quoted as representing the fair value of the main dam for power purposes, had been arrived at by calculating the costs per horse power at the Pine Falls Hydro Electric plant in Manitoba. It was doubtful whether it was possible to establish a valid comparison between the Pine Falls plant and the proposed power development at Coteau Creek, since conditions were so different at these two points. The Pine Falls power project had been constructed on solid rock foundations and did not involve irrigation, whereas the South Saskatchewan project would be constructed on very unstable earth foundations. A more acceptable formula would be to have the Province of Saskatchewan agree that it would bear a prescribed percentage of the total cost of the dam, estimated to be equivalent to the cost of constructing a thermo-electric plant in that area. Concern was expressed over the embarrassing precedent that might be established if it were agreed, simply, that 25 percent of the costs of the dam could be allocated to power and thus to the provincial government on the ground that it was mainly an irrigation project which would,incidentally,provide a head of water suitable for an ancillary hydro-electric project. This percentage figure might come to be regarded as appropriate in other cases.

(e) Premier Douglas had stated in his letter of April 28th that the cost of the irrigation system to the province would be $35 million. It would be necessary to determine precisely what this amount was designed to cover since the Royal Commission on the South Saskatchewan had estimated that the cost of the irrigation system would be $45 million and the cost of pumping stations $30 million. Was the figure of $35 million quoted by Mr. Douglas intended to include the pumping stations and, if not, who would be expected to assume responsibility for these costs?

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(f) Before any decision to proceed further was reached, it would be advantageous if the government could be supplied with engineering sketches and plans on which would be clearly indicated the nature of all the works involved, for both irrigation and power, and the estimated cost of each such item. It would then be possible to reach a clear understanding as to what would be the responsibility of the Federal government and what of the Provincial government.

(g) Even if Premier Douglas was correct in his assumption that the total provincial share of the project would only be approximately $73 million, there was some doubt that the province could actually finance an undertaking of this magnitude.

(h) Details should also be submitted as to the manner in which the province proposed to carry out the irrigation scheme and the rates that individual farmers would be expected to pay for the use of the water. If experience was any guide, it was possible that these rates would have to be substantially below cost to be attractive to the farmers and, if this were so, a decision would have to be reached as to the method of, and responsibility for absorbing the deficit.

(i) Very careful consideration would have to be given to the implications of this project insofar as Federal relations with British Columbia, Newfoundland and the other Maritime Provinces were concerned. Mr. Winters should be present for consideration of this aspect of the matter.

(j) One possible course of action would be to inform Premier Douglas that the government was not prepared to consider the project further this year. If this were felt to be too negative an approach, an acceptable alternative would be to inform Mr. Douglas that the government was not prepared to consider doing more than the survey work contemplated in this year's estimates of the Department of Agriculture, that before any further consideration could be given to this problem a more cheaply defined dividing line must be established between costs to be shared as being costs of the dam, and costs to be borne by the province as being those for power or irrigation facilities. In any event, the provincial share of the total costs of the main works would have to be on a percentage basis which took into account the variation in cost and price levels which might occur between the time the project was undertaken and the time of its completion some years later.

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16. The Cabinet noted the report by the Minister of Agriculture on recent developments concerning the South Saskatchewan River dam and agreed:

(a) that nothing should be said or done at this time which would give the impression that the government had agreed to construct the South Saskatchewan River dam, or to undertake more than the surveys and investigations provided for in the estimates; and,

(b) that the Minister of Agriculture the Minister of Justice and the Minister of Citizenship and Immigration should draft jointly, for Cabinet consideration a reply to Premier Douglas' letter of April 28th, which should,-

(i) imply that the government is committed to no more than the surveys and investigations provided for in the estimates;

(ii) state that because of the possibility of changes in costs and price levels during the long period of construction of the dam, any agreement to proceed with it would have to provide for a provincial share on a percentage basis, estimated to be equal to the value of the dam for power purposes, in order to eliminate any elements of Federal subsidy for the production of power; and,

(iii) state that there would need to be a clear understanding in regard to the details of the project that are to be regarded as part of the dam, and the costs of which would therefore be shared, and those that will be regarded as part of the power facilities proper, the cost of which would be borne by the province.

U.S. Naval project; proposed launching of high altitude balloons near Saskatoon

17. The Secretary of State for External Affairs said the U.S. Embassy in Ottawa had requested permission for the launching of three or more high-altitude research balloons during the period of June 2nd to 11th, 1954, from a site near Saskatoon. These launchings

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would be part of project "Skyhook", under which many balloons had been released since 1947, mostly in the United States, to explore the upper stratosphere. Some "Skyhook" balloons had flown over Canada before but none had actually been launched here. The project would be carried out by representatives of General Mills, Incorporated, as contractor for the U.S. Navy. The contractor would make local arrangements for the site and for meeting Canadian flight safety requirements. Co-ordination and direction of the flights would be directed by a U.S. Navy officer. Canadian scientists would be welcome at the launching site and the National Research Council would probably send a representative. The Air Services Branch of the Department of Transport and the Chairman of the Chiefs of Staff were both satisfied with the proposed safety and other arrangements. He recommended that the U.S. request be granted subject to the requirements of the Department of Transport concerning flight safety.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, May 26, 1954-Cab. Doc. 136-54).

18. In the course of discussion, it was pointed out that Canadian scientists and defence officials thought the project a useful one and that no difficulties would be encountered with it. The University of Saskatchewan would also have an opportunity of being associated with the project.

19. The Cabinet agreed that the Secretary of State for External Affairs be authorized to inform the United States Embassy that its request for permission for the U.S. to launch three or more balloons during the period June 2nd to 11th, 1954, near Saskatoon, as part of the project "Skyhook", was granted subject to the requirements of the Department of Transport concerning flight safety and the operation of any privately owned aircraft which might accompany the expedition.

Colombo plan; aid for Ceylon

20. The Secretary of State for External Affairs said consideration had been given recently by officials to the programme of aid for Ceylon. Additional assistance for the pilot fisheries project was recommended. An expenditure of $1 million from the Colombo Plan vote in 1952-53 had been approved by the government for this purpose, and approval in principle had been given for the extension of capital aid beyond this amount

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when the necessary detailed investigations had been completed. These had now been made and it was proposed that further expenditures of $407,000 be financed. Consideration had also been given to new projects for assistance from money to be appropriated in 1954-55. The Ceylonese government were faced with a budget deficit and hoped that aid from Canada would be larger than in previous years. It had been indicated, however, that funds available for 1954-55 would, of necessity, be about equal to those granted in 1953-54. The projects or parts of projects viewed favourably by Canadian officials for assistance in the current fiscal year included improvements to the harbour area for the pilot fisheries project, the improvement of the port of Colombo, provision of further railway equipment, the development of the Colombo airport, and additional assistance for agricultural development in Gal Oya. Participation in 1954-55 in these projects would amount to an estimated $2,115,000, compared with an average of $2 million in each of the two preceding years. The bulk of the equipment or material would be available from Canadian sources. In addition, it would be desirable to divert $200,000 from funds already approved for the construction of a school of practical technology, to provide flour to be sold for rupees which, in turn, would be applied towards the cost of improving rural roads.

The Minister recommended that an additional $407,000 be allocated, from funds already available, for the pilot fisheries project and that assistance out of the 1954-55 appropriation be provided for the fisheries harbour, development of the Colombo Port, additional railway equipment, improvement of the Colombo Airport and agricultural development in Gal Oya, and that further assistance in the form of $200,000 worth of flour be made available, from 1953-54 funds allocated to the proposed school of practical technology, for local expenditure on rural road construction.

An explanatory memorandum was circulated.

(Minister's memorandum, May 26, 1954- Cab. Doc. 138-54).

21. In the course of discussion, it was pointed out that the total programme for the current fiscal year would be slightly more than that provided in previous years. However, the relationship was generally the same, and it would be unwise to increase the amount substantially in the light of probable requests from other Colombo Plan countries.

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22. The Cabinet approved the recommendations of the Secretary of State for External Affairs and agreed that additional assistance to Ceylon under the Colombo Plan be provided, in accordance with the terms and conditions submitted, as follows:

(a) $407,000 for the Ceylon fisheries project, to be financed from funds already appropriated;

(b) $2,115,000 for the fisheries harbour, development of the Colombo Port, added railway equipment, the development of the Colombo airport, and agricultural development in Gal Oya; to be financed from the Colombo Plan appropriation for 1954 presently before Parliament; and,

(c) $200,000 worth of flour to be made available, from the funds allocated last year for equipping the proposed school of practical technology, and counterpart funds to be established from the sale of such flour and to be used for local expenditure on rural road construction.

Trade agreement with Portugal

23. The Secretary of State for External Affairs, referring to discussion at the meeting of February 3rd, 1954, reported that Canadian officials had concluded negotiations and agreed upon the text of a trade agreement between Portugal and Canada, the provisions of which appeared to be satisfactory. Appended to the agreement would be an exchange of notes containing an undertaking by Portugal to allocate sufficient foreign exchange for the purchase by Portuguese importers of 3,000 tons of Canadian codfish annually, on the understanding that not more than 1,000 tons of the total annual shipments would be small codfish. Provision was also made to increase this amount provided the conditions in the note were complied with. In return for this undertaking and extension of "most-favoured-nation" treatment to Canadian exporters, Canada would extend "most-favoured-nation" treatment to Portugal and all its overseas territories and would grant tariff concessions on almonds and corks. In addition, there would be a letter to the Portuguese Director General of Economic Affairs with regard to port privileges extended to Portuguese fishing vessels on the Atlantic coast, included at the request of the Portuguese authorities who were concerned that Canada might curtail the port privileges extended in Newfoundland and Nova Scotia. In this letter the Canadian government would not make any commitments to the government of Portugal. It would be, in fact, a simple statement that the Canadian government was not, at the present time, giving consideration to any change in policy and practice concerning the special privileges and facilities that had for many years, been granted to Portuguese fishing vessels in Canadian Atlantic ports.

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The Minister recommended, with the concurrence of the Ministers of Trade and Commerce, Finance and Fisheries, that the agreement and the accompanying exchange of notes be approved, and that the Minister of Public Works, who would be in Lisbon from May 27th to May 31st, or alternatively, the Canadian Minister to Portugal be authorized to conclude the Agreement.

An explanatory memorandum was circulated.

(Minister's memorandum, undated,-Cab. Doc. 139-54)

24. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed,-

(a) that the Trade Agreement and accompanying exchange of notes between Canada and Portugal and the letter to the Portuguese government be approved; and,

(b) that the Minister of Public Works and the Canadian Minister to Portugal be vested with full power and authority to sign the Agreement on behalf of Canada subject to ratification; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-802, May 27).

Cabinet Defence Committee; attendance of General Gruenther (SACEUR)

25. The Prime Minister said a Cabinet Defence Committee meeting would be held on June 10th, at 3:30 p.m. in the House of Commons for the purposes of hearing General Gruenther, Supreme Allied Commander, Europe. He thought some Ministers not normally attending the Committee might wish to attend this meeting. It might also be desirable for General Gruenther to speak off-the-record to members of the Senate and House of Commons on the following day at a meeting sponsored by Senator Wishart Robertson's N.A.T.O. group.

26. The Cabinet noted with approval the report of the Prime Minister that a meeting of the Cabinet Defence Committee would be held on June 10th, 1954, at which any members of the Cabinet who wished could attend, to hear General Gruenther (SACEUR), and that arrangements were being made for a meeting of members of the Senate and House of Commons on June 11th, for the same purpose.

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Trade relations with the United States; recent developments

27. The Minister of Trade and Commerce reported that recent developments in trade relations with the United States were not satisfactory. Recommendations to the President had been made by the U.S. Tariff Commission to restrict imports and raise duties on groundfish fillets and to raise duties on lead and zinc and on alsike clover. There was also a possibility that adverse recommendations on barley would be made. Some alternative arrangement might, however, be worked out with the U.S. Department of Agriculture on the latter product.

It was proposed to send a note to the U.S. State Department concerning groundfish fillets. Consideration should also be given to the sending of separate notes on zinc and lead and on trade relations generally. Separate draft notes on groundfish fillets and zinc and lead had been prepared. The first would say that Canada expected to be consulted in advance of any decision if it was intended to implement the recommendations of the Tariff Commission. It would also refer to the unique relationship that existed between Canada and the U.S. in regard to the fishing industries, the importance of the tariff treatment of this product and the contribution which had been made in the fisheries field to the development of sound economic relations between the two countries. Reference would also be made to the position of the U.S. industry, including both producers and processors, and to recent statements made at the meetings of the Joint Committee on Trade and Economic Affairs in Washington. In concluding, the note expressed the hope that the President would not take action as recommended by the Commission. Alternatively, the note might conclude with a statement that the Canadian government would be obliged to give immediate consideration to measures which it might have to take in the circumstances if the Tariff Commission recommendations were adopted.

The note on lead and zinc included an expression of hope that the President would not act on the Commission's recommendations. It would say that an increase in the bound rates of duty would do serious damage to trade between Canada and the U.S. and would be a disappointing indication to the rest of the Western world that the economic policies of the U.S. government had reverted to protectionism and the discouragement of trade. The note would go on to refer, specifically, to the unfortunate effects on the lead and zinc industry which would flow from an increase in duties. Finally, it would conclude with a reference to the improved price positions of the two metals and say that Canada reserved its rights under the terms of the G.A.T.T.

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28. In the course of discussion, the following points emerged:

(a) The imposition of quantitative restrictions and increased duties on groundfish would have most serious consequences for the Canadian industry. If the recommendation were accepted it would mean that Canadian exports would be substantially reduced with serious results for the Maritime provinces, and particularly for Newfoundland, whose fisheries development programme depended, in large part, upon the increased export of fish fillets and blocks.

(b) The Tariff Commission did not fully understand the implications of its proposed action for the U.S. fishermen and processors. The industry there was becoming increasingly dependent on Canada for its raw material for the production of fish sticks, which were now becoming very popular.

(c) Many special privileges had been granted to the U.S. fishing industry, including unrestricted passage through B.C. coastal waters for the American fishing fleets moving between Washington and Alaska, and the use of Canadian ports for purchasing bait and supplies. A threat to withdraw these privileges, which were valuable to U.S. operators, might deter the U.S. government from taking action on groundfish fillets.

(d) It might be desirable not to conclude the groundfish fillets note in a threatening tone but, rather, at the time the note was delivered state orally the view that, if the Tariff Commission recommendations were adopted, public opinion in Canada and particularly in the fishing industry would not allow the continuance of the special privileges afforded to U.S. fishermen.

(e) In the note on fish, a reference should be made to the unrestricted passage granted to U.S. vessels proceeding from Washington to Alaska, and that it should be reiterated near the end of the note that Canada expected that an opportunity would be afforded for consultation if there was any likelihood that the recommendations of the Tariff Commission would be implemented.

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(f) It seemed possible that the President of the United States would reject the recommendations with respect to the groundfish fillets but might well accept those for lead and zinc.

(g) The character of the note on fish should be considered in relation to the notes which might be sent on lead and zinc and on U.S. trade policy generally. Separate notes should be sent, however, because, if all the matters were dealt with in one paper, there was a danger that, rather than dealing with each item on its own merits, the President might affect a compromise in an endeavour to satisfy Canada and U.S. domestic interests.

(h) Insofar as the note on lead and zinc was concerned, Canada should not appear to speak on behalf of the western world. The word "war" should be eliminated, and generally speaking the first part of the note toned down.

29. The Cabinet noted the report of the Minister of Trade and Commerce and agreed,-

(a) that a note be dispatched immediately to the U.S. State Department, a copy of which should also be delivered to the White House, about possible U.S. restrictions on imports of groundfish fillets; the note to be revised in the light of the discussion and to be supplemented on delivery by a verbal observation that, if the Tariff Commission's recommendations were adopted, public opinion in Canada and in the fishing industry particularly might not permit continuance of the special privileges in Canada which had been afforded to the U.S. fishing industry thus far;

(b) that the note respecting possible increases in tariffs on lead and zinc be revised in the light of the discussion;

(c) that a draft note on U.S. trade policy, generally, be prepared for consideration; and,

(d) that the possibility of making an arrangement with the U.S. Department of Agriculture with respect to exports of barley be studied.

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Deposit of Mackenzie King's papers in the Public Archives

30. The Prime Minister said the literary executors of the late Mr. King felt his papers should now be formally deposited in the Public Archives. They should not, however, be made public or available to any person other than the literary executors or their nominees, without the consent of two of them, until January 1st, 1964, They would remain the property of the literary executors until a period of 25 years had elapsed from the date of the death of the late Mr. King and thereafter be vested in Her Majesty. He submitted a recommendation for the acquisition of the documents in accordance with terms and conditions specified in a proposed agreement to be made between Her Majesty the Queen in the right of Canada and the literary executors.

31. In the course of discussion, it was pointed out that most of the documents were, in fact, now housed in the Archives and were available to the literary executors and certain officials of the Archives. It would be useful to have this formal step taken prior to the discussion of the estimates of the Secretary of State as some remarks might be made in the House implying that Mr. King's bequests were a liability rather than an asset to the nation.

32. The Cabinet approved the recommendation of the Prime Minister and agreed that the Prime Minister, on behalf of Her Majesty the Queen in the right of Canada, be authorized to execute an agreement with Norman A. Robertson, John W. Pickersgill, Fred A. McGregor, and W. Kaye Lamb, literary executors named in the last will and testament of the late W.L. Mackenzie King, in accordance with the terms and conditions submitted, for the acquisition of papers, correspondence, memoranda, state papers and unpublished material of the late Mr. King which were of historic value; such documents to be placed in the Public Archives under the care, custody and control of the Dominion Archivist; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-803, May 27)

Radio Act; regulations

33. The Minister of Transport, in anticipation of the approval by Parliament of the measure to amend the Radio Act, submitted a recommendation, concurred in by the Secretary of State for External Affairs and the Minister of National Defence, seeking authority to extend the regulations thereunder to enable servants or agents of the United States to operate radio stations in Canada.

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34. In the course of discussion, it was pointed out that the measure in question had not yet been finally passed by Parliament. It would, however, likely receive Royal Assent that evening. In the circumstances, the adoption of the new regulation should be deferred until the bill became law.

35. The Cabinet approved the recommendation of the Minister of Transport and agreed that authority be granted to permit the servants or agents of the government of the United States to operate radio stations in Canada from time to time; an Order in Council to be passed accordingly once the bill to amend the Radio Act had received Royal Assent.

(Order in Council P.C. 1954-805, May 27)

International Civil Aviation Organization Headquarters, Montreal; Quebec Income Tax

36. The Minister of Transport, referring to discussion at the meeting of April 14th, 1954, reported that an opinion had been received from the Department of Justice on the application of the Quebec Income Tax Act to International Civil Aviation Organization representatives and the organization's employees. The opinion was not unfavourable towards their position. It was for consideration whether the opinion should be passed on direct to I.C.A.O. or whether I.C.A.O. officials should be informed of it and at the same time seek legal advice direct from other sources.

37. In the course of discussion, the following points emerged:

(a) From the point of view of federal-provincial relations it did not seem desirable to have I.C.A.O. claim exemption on behalf of national representatives and non-Canadian employees from income tax levied by Quebec on the basis of an opinion received from the Federal department of Justice. On the other hand, I.C.A.O. had a right, in accordance with the provisions of the Headquarters Agreement, to know clearly where it stood in matters of this kind and information could be expected from official Federal sources.

(b) Rather than let I.C.A.O. use the opinion of the Department of Justice in full, the organization might be informed that it appeared that representatives and non-Canadian employees were not liable to Quebec Income Tax but that, in the light of existing circumstances, I.C.A.O. should seek an opinion from private legal sources.

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38. The Cabinet noted the report of the Minister of Transport on the opinion given by the Department of Justice that the Quebec Income Tax did not apply to representatives and non-Canadian employees of the International Civil Aviation Organization Headquarters at Montreal, and agreed that I.C.A.O. be informed that it appeared, from the opinion received from the Department of Justice, that the provisions of the Quebec Income Tax Act were not applicable to these persons but that the Organization should seek an opinion directly from counsel of its own choosing.

Parliament; amendments to legislation; Veterans Benefit Act; War Service Grants Act; the Pension Act

39. The Minister of Veterans Affairs said the Veterans Affairs Committee was making rapid progress in considering veterans' legislation which had been submitted to it. Amongst other matters, the Committee had considered amendments to the Veterans Benefit Act and the War Service Grants Act. If these were approved by the government it would greatly facilitate the business of the Committee and the House. The first involved the paying of contributions for Unemployment Insurance on behalf of veterans during their active service. The second involved changing from 1957 to 1960 the date by which re-establishment credits must be repaid by veterans who wished to participate in the benefits under the Veterans Land Act. The Committee also wished to amend the Pensions Act to provide that the salaries of all Commissioners, except the Chairman, be equal.

40. The Cabinet noted the report of the Minister of Veterans Affairs with respect to amendments to the Veterans Benefit Act, the War Service Grants Act, and the Pension Act, suggested by the Committee on Veterans Affairs, and concurred in the proposed amendments.

R.B. Bryce,
Secretary to the Cabinet.

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P.C. 1954-1-209

CABINET CONCLUSIONS

Meeting

June 1st, 1954.

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Items Discussed

Transport control; regulations and appointment

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons on Tuesday, June 1st, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Transport control; regulations and appointment

1. The Prime Minister submitted recommendations of the Minister of Transport for transport control regulations and the appointment of a transport controller.

Regulations had been made and a transport controller had been appointed by Orders in Council P.C. 4535 and 4558 of August 29th,1951, under the authority of the Emergency Powers Act. This Act had lapsed the previous day and it was now recommended that new regulations be made and that R.H. Milner be appointed transport controller by Order in Council under the authority of an amendment to the Department of Transport Act, which had been given Royal Assent the previous week. The new regulations would differ somewhat from the previous regulations to take into account the more restricted powers conferred by the recent amendment to the Department of Transport Act.

2. The Cabinet approved the recommendations of the Minister of Transport for transport control regulations and appointment of a transport controller; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-807 and 808, June 1).

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

June 2nd, 1954.

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Items Discussed

Legislation; Pipe Lines Act amendment	2.
Base Line Road, Ottawa; expropriation of site for public buildings	3.
Transport; construction contracts at airports	4.
Seasonal unemployment; proposed statement on Federal counter-measures	5.
Legislation; Criminal Code amendments respecting racing associations	6.
Legislation; Pension Act amendments	6.
Judges Act; proposed amendments respecting Judges' salaries	7.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Wednesday, June 2nd, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
and Acting Minister of Public Works
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Legislation; Pipe Lines Act amendment

1. The Minister of Transport reported that the solicitors for Trans-Canada Pipe Lines Limited were of opinion that the new section 10A, which had been added to the Pipe Lines Act by an amendment introduced earlier in the session, would prevent a trustee for the bond holders, receiver or manager appointed by the courts, from operating an extra-provincial pipe line which had been duly constructed by a company, but which had gone into default or receivership after being in operation. The solicitors had requested that an amendment be made to section 10A providing for an additional exception to cover this contingency.

The Deputy Minister of Justice disagreed with this view and was of opinion that a trustee or receiver for the bond holders carried on the business of the company as an agent of the company, and that such trustee or receiver would be included in the expression "a person having authority under a special Act to construct or operate pipe lines" as contained in section 10A and that no amendment, therefore, was needed.

It was necessary to decide whether or not the government would comply with the request of the solicitors for Trans-Canada Pipe Lines Limited, and introduce an amending measure to remove any doubt that might exist as to the right of a trustee or receiver to operate an extra-provincial pipe line.

An explanatory memorandum was circulated.

(Minister's memorandum, May 28, 1954- Cab. Doc. 141-54).

2. In the course of discussion it was pointed out that it was understood Trans-Canada Pipe Lines Limited would probably experience difficulties in obtaining the financing it required unless section 10A of the Act were clarified in the manner suggested by the company solicitors. In the circumstances, and even though the opinion of the Deputy Minister of Justice might be more correct than that held by the company solicitors, it would appear desirable to proceed immediately with the suggested amendment. It might be useful to ask the company solicitors to discuss the matter with officials of the Department of Justice with a view to the preparation of a measure which would make whatever amendments were required to overcome the financing difficulties now facing the company. It was further suggested that other amendments which were felt to be desirable, but which were not immediately required, should be postponed until a later session.

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3. The Cabinet noted the report of the Minister of Transport and,-

(a) approved in principle a proposed amendment to the Pipe Lines Act designed to remove any doubt as to the right of a trustee or receiver to operate an extra-provincial pipe line;

(b) agreed that the solicitors for Trans-Canada Pipe Lines Limited be invited to discuss the wording necessary to accomplish this immediately,with officials of the Department of Justice with a view to the preparation of such a measure for introduction during the current session of Parliament; and,

(c) agreed that no amendments other than those related to the matter set out above be considered for introduction at this time.

Base Line Road, Ottawa; expropriation of site for public buildings

4. The Minister of Citizenship and Immigration, as Acting Minister of Public Works, said it would be necessary, in due course, to plan for the provision of permanent accommodation for government offices in Ottawa to the extent of some 3 million square feet upon removal of 9 temporary buildings and the expiration of leases on other privately-owned buildings. It was felt that acquisition of appropriate vacant land should be made at this time before all choice areas in Ottawa and vicinity were taken up by others than the Crown.

After a detailed examination of the sites available, the recently established interdepartmental committee on new government buildings in Ottawa had recommended the acquisition of an area containing approximately 436 acres on the Base Line Road, to the east of Pinecrest Cemetery. It was estimated that this site could be obtained at a cost per acre of approximately $1,200,or at a total cost of about $525,000.

In view of the size of the site in question, it was not considered that acquisition by purchase would be practicable and it was recommended that acquisition be undertaken by expropriation.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, May 26,1954- Cab. Doc. 140-54).

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5. In the course of discussion it was pointed out that the site referred to by the Acting Minister of Public Works had been considered as a possible location for the permanent National Defence headquarters. It was now felt, however, that this site was not far enough removed from the center of the city to meet defence requirements in war-time, and consideration was now being given to the possibility of purchasing an alternative site in the same general direction but at a greater distance from the center of Ottawa. In order to avoid giving rise to harmful real estate speculation, it would be advantageous, if it were decided to purchase this site, to institute expropriation proceedings immediately, and to announce simply, that the site had been purchased for public building purposes generally without indicating whether it was, or was not the government's intention to build the new National Defence headquarters on this site.

6. The Cabinet agreed that expropriation proceedings be instituted immediately for the purchase of a tract of land containing approximately 436 acres on the Base Line Road, at Ottawa, to the east of Pinecrest Cemetery, for general public building purposes, as recommended by the Acting Minister of Public Works.

Transport; construction contracts at airports

7. The Minister of Transport said tenders had recently been called for the construction of runways at the Lakehead Airport, Fort William, Ontario. The lowest of the five tenders received had been submitted by Hacquoil's in an amount of $399,000. Tenders had also been called for extensions at Uplands Airport, Ottawa, and at Downsview Airport, near Toronto. The H.J. McFarland Construction Company Limited had submitted the lowest tender in both cases - $110,000 for the work at Uplands and $575,000 for the extension at the Downsview Airport.

Both Hacquoil's and the McFarland Company had been investigated in connection with the discovery of certain irregularities in road construction contracts of the government of Ontario. Following such investigations, however, both companies had been fully exonerated.

8. The Cabinet noted the report of the Minister of Transport and agreed that the fact Hacquoil's and the H.J. McFarland Construction Company Limited had been investigated, following irregularities discovered in provincial road construction contracts in northern Ontario, should not constitute an impediment to these companies being awarded Federal contracts, since the investigations had not shown any irregularities in the contracts held by these companies.

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Seasonal unemployment; proposed statement on Federal counter-measures

9. The Minister of Labour, referring to a report on seasonal unemployment in Canada which he had previously circulated to all Ministers, said he proposed, shortly, to make a statement in the House of Commons and at the Canadian Manufacturers Association's national convention concerning the measures the Federal government was taking against seasonal unemployment.

The Minister also suggested that the Interdepartmental Committee on Unemployment be requested to study this problem, and to submit recommendations as to the measures the Federal government might take to maintain employment at the highest possible level during the winter months.

10. In the course of discussion, it was pointed out that the late date at which appropriations were passed in Parliament had previously prevented an early start being made on government construction projects. This difficulty had been removed, however by the Financial Administration Act and it was now possible to make commitments against the estimates when they were tabled and prior to Royal Assent being given to the various Appropriation Acts.

11. The Cabinet agreed,-

(a) that the Minister of Labour make the following statement regarding seasonal unemployment in Canada in the House of Commons and at the forthcoming national convention of the Canadian Manufacturers Association:

> "The Federal government will continue to do its utmost to arrange its contracts and other undertakings so that the maximum amount of employment therefrom shall be made available during the winter months."

and,

(b) that the interdepartmental committee on Unemployment consider and report on steps that might be taken by the Federal government with a view to maintaining employment at the highest possible levels during the winter months.

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Legislation; Criminal Code amendments respecting racing associations

12. The Minister of Justice, referring to discussion at the meeting of May 20th, 1954, said officials of the Department of Justice had now prepared a draft amendment to the Criminal Code regarding racing associations which overcame the more important objections raised at earlier meetings. Under the new draft, there would be nothing to prevent the incorporation of new racing associations nor the conducting of race meetings in a province other than that in which an association had been incorporated, provided such associations had been incorporated prior to 1947 and had, during the period between 1938 and 1947, conducted race meetings in a province other than that in which it had been incorporated.

13. The Cabinet agreed that the new draft of a proposed amendment to the Criminal Code respecting racing associations, referred to by the Minister of Justice, be discussed further by him with the Prime Minister, and be approved if the Prime Minister agreed.

Legislation; Pension Act amendments

14. The Minister of Veterans Affairs said the committee of the House which was now considering the bill to amend the Pension Act would in all likelihood recommend two additional amendments which he felt should be supported by the government.

One of these amendments would involve fixing the deadline on marriages of World War I veterans at May 1st rather than January 1st, 1954, as the bill before the committee now provided.

The bill also contained a clause repealing section 31 (3) of the Act under which it was possible, in cases of administrative delays beyond the control of the recipient, for the latter to receive retroactive awards covering a maximum period of thirty-six months. The committee would likely recommend that this repealing clause be removed from the bill and that section 31 (3) remain in force.

15. The Cabinet noted the report by the Minister of Veterans Affairs on possible additional amendments to the bill to amend the Pension Act with respect to the deadline on marriages of World War I veterans, and to retroactive awards to recipients, and agreed that the government would be prepared to support such amendments, if they were recommended to the House by the special committee on Veterans Affairs.

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Judges Act; proposed amendments respecting Judges' salaries

16. The Minister of Justice, referring to discussion at the meeting of January 11th, 1954, said his departmental estimates would be up for consideration the following day in the House of Commons and on that occasion he might be asked whether the government intended to introduce, during the course of this Session, a measure to increase judicial salaries.

The problem of the wide discrepancy in responsibilities and work of country court judges in various districts had been under discussion for some time with provincial authorities of Ontario, and there was every likelihood that a satisfactory solution could be reached which would help to overcome the difficulties in fixing fair salaries for judges whose duties varied so greatly.

It would be useful if he could state in reply to any question in the House that the government intended, during the current Session, to bring down a measure for the purpose of providing a general increase in judicial salaries.

17. In the course of discussion the following points emerged:

(a) It seemed clear that there were too many county court judges in certain provinces. In Ontario, for example, there were certain county court judges who did not hear more than four or five cases during a year. The Attorney General's Department in the Province of Ontario had now agreed to a county court district scheme under which, as county court vacancies occurred, judges in the less active areas would be given jurisdiction in one or more additional counties.

(b) In view of the fact that many county court judges had duties that were as onerous, if not more onerous than those of certain high court judges, it had been suggested that any increase that was made should not be on a percentage basis but should be, instead, a flat increase of say $2,000.00 for all holders of judicial appointments whether in the high or in the low courts. It had also been suggested that, in the case of the county court judges at least, there might be some differentiation and that no increase of any kind seemed warranted for the judges in certain counties.

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(c) An added difficulty was that certain county court judges had other sources of remuneration which brought their total income to a higher figure than the salary of high court judges. If judicial salaries were to be increased at this time, steps should probably be taken at the same time to ensure stricter compliance with section 37 of the Judges Act which stipulated that judges must devote themselves exclusively to their judicial duties.

18. The Cabinet noted the report by the Minister of Justice concerning the proposed increases in judicial salaries and agreed,-

(a) that, if the salaries of judges were to be increased, it would probably be advisable to do so during the current Session of Parliament; and,

(b) that, in reply to any questions regarding the government's intentions in this matter, the Minister of Justice should merely state that the question was still under consideration and that no statement would be made until after a decision had been reached.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

June 3rd, 1954.

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Items Discussed

Control and regulation of interprovincial and international highway transport	2.
Federal assistance to the provinces in forest fire protection	3.
Remission of customs duties; Quebec-Labrador iron-ore development	5.
United States foreign economic policy	6.
Export Credits Insurance Contract; shipments of wheat to Israel	7.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, June 3rd, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin)

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Control and regulation of interprovincial and international highway transport

1. The Minister of Transport, referring to discussion at the meeting of May 27th,1954, said he had not yet received a reply from the Quebec Minister of Roads to the suggestion that the powers reserved to the Governor in Council might be in a more restricted form than contemplated in the draft legislation for the control and regulation of interprovincial and international highway transport submitted to the provinces. In the light of the possible closing of the session of Parliament in the near future, consideration should be given as to what action, if any, should be taken on the measure.

2. In the course of discussion, the following points emerged:

(a) Regardless of the reply received from the Province of Quebec, provision should be made to protect the position of certain provinces in the through movement of motor transport and the position of Canada in honouring its international commitments. It would probably be preferable, on balance, if the restricted version of clause 5 were included rather than the longer form as had been originally drafted.

(b) It would also be desirable to provide that the measure would not come into force in respect of a province until a proclamation was issued to that effect by the Governor in Council. The interdepartmental committee studying the matter had suggested alternative draft sections in this connection.

(c) Since it was necessary to take action soon, the bill should be printed, and notice given on the order paper of the House of Commons. No resolution was necessary. The item could not be discussed in any event until the first of the week,and first reading could be deferred in the hope that a reply might be received from the Province of Quebec. If no information was forthcoming immediately, the measure could then be introduced.

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3. The Cabinet noted the report of the Minister of Transport and agreed,-

(a) that the draft measure entitled "The Motor Vehicles Transport Act", be further amended by substituting:

> "The Governor in Council may exempt any person or the whole or any part of an extra-provincial undertaking or any extra-provincial transport from all or any of the provisions of this Act."

for the present section 5, and by the addition of section 7, as follows:

> "This Act shall come into force in a province only upon the issue of a proclamation of the Governor in Council declaring it to be in force in that province."

and,

(b) that the bill, as revised, be printed and notice given on the Order Paper of the House of Commons that it was intended to introduce the measure; first reading to be deferred and the distribution of the draft bill withheld pending further discussion and the possible receipt of information on the suggestion made to the Quebec Minister of Roads by the Minister of Transport.

Federal assistance to the provinces in forest fire protection

4. The Minister of Northern Affairs and National Resources said the Canada Foresty Act, passed in 1949, provided for Federal assistance to the provinces in various forestry fields, including forest fire protection. Shortly after enactment of the measure, the provinces were informed that assistance in the latter field could not be considered because of heavy commitments for national defence. Agreements had been made with all provinces except Quebec and Newfoundland, however, to assist with the making of forest inventories and with reforestation. This assistance was being given on the understanding that provincial governments would work towards sustained yield management. One of the most important prerequisites for this was adequate forest fire protection. There had continued to be many requests from a majority of provinces for assistance in fire protection, and, recently, the government of British Columbia had asked formally for such help in its brief on economic development. The Minister had discussed the matter with the Premier of British

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Columbia and, subsequently his department had devised a formula which might be used as a basis for extending assistance of the kind suggested.

Arguments in favour of proceeding on this course included the importance of the industry to the economy and, particularly, to our export trade; the inadequacy of present fire protection and the size of the annual fire losses; the encouragement which Federal assistance might give to provincial governments to increase their expenditures in the field; and the protection of the forests against possible wartime incendiary operations. It was also to be noted that, consequent upon the passage of the Canada Forestry Act, provincial governments and organizations felt the Federal government definitely intended to assist in forest fire protection. The public were becoming increasingly interested in forestry conservation and, finally, as inventory work neared completion, Federal contributions would become less and the government might be open to criticism if its forestry programme were reduced.

On the other hand, there were important reasons against taking this action. Forestry was properly a provincial responsibility. Once contributions were made for fire protection there would be continued pressure for the Federal government to increase its share of the burden. It seemed likely that Quebec would not participate in any joint programme and, if this were the case, it would result in further funds collected from that province being distributed to other provinces with no benefit to Quebec. Furthermore, provincial legislation should be fully applied and provinces should take stronger measures before the Federal government entered the field.

The government could either decide against assistance as Federal government policy, postpone action or grant assistance in the near future. If it was decided to follow the latter course, a formula was recommended involving a total contribution of $1 million in the first year increasing to a maximum of $4 million in the fourth year and allocated, in part equally amongst the provinces and, in part, on a percentage basis depending upon the amount of forested lands in each province and their expenditure on fire protection. It was desirable that a decision on the matter be reached shortly, in view of representations from the Premier of British Columbia.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 31,1954-Cab. Doc. 142-54).

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5. In the course of discussion, the following points emerged:

(a) It was questionable whether further Federal money should be appropriated for carrying out a provincial responsibility when fiscal arrangements between the Federal government and the provinces were in such an unsettled state. The provision of such types of aid was related to the whole problem of finding a more satisfactory solution to the central problem.

(b) The Canada Forestry Act provided for Federal assistance for fire protection and several of the provinces wished this to be made available in a tangible way. On the other hand, the Premier of Quebec had recently stated that forestry was a provincial matter and the Federal government should limit its activities to its own fields.

6. The Cabinet agreed that consideration of Federal assistance to the provinces for forest fire protection be postponed until more satisfactory fiscal arrangements had been worked out with the provinces; the Minister of Northern Affairs and National Resources to inform the Premier of British Columbia that the government was not yet prepared to grant financial assistance to the provinces for this purpose.

Remission of customs duties; Quebec-Labrador iron-ore development

7. The Minister of Trade and Commerce recalled that, in October 1951, Cabinet had agreed to the full remission of customs duties on production materials imported and used in the development of iron-ore deposits on the Quebec-Labrador boundary. This concession did not cover materials required for the townsite nor include remission of sales taxes. Subsequently, three claims for refunds amounting to a total of $3.3 million had been paid to the Iron Ore Company of Quebec. By far the largest of the claims was for twelve hundred steel gondola ore cars. Since more cars of this type would be used, it seemed, for expansion of operations rather than as initial equipment, and since business in Canadian plants producing equipment of this kind was dropping off, the Minister of National Revenue had recommended that the full duty be paid, in future, so that the usual tariff protection would be extended to Canadian manufacturers.

An explanatory memorandum was circulated.

(Memorandum, Minister of National Revenue, June 2, 1954-Cab. Doc. 144-54).

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8. In the course of discussion, it was pointed out that the Iron Ore Company would shortly be calling for bids for another 1200 hopper cars. It was uncertain whether the Canadian manufacturers were competitive with American producers of the equipment even with full tariff protection. Some arrangement however, might be made whereby a Canadian manufacturer, if awarded a contract for such cars for this company, could be refunded customs duties on imported components thus reducing the price to the company. It would not likely be acceptable to the Canadian public to have such a large order placed in the United States, and the importing company receive customs duty benfits from the government when employment in Canada was not at as high a level as it might be.

9. The Cabinet agreed,-

(a) that, in the event of further steel gondola-type ore cars being imported into Canada by the Iron Ore Company of Canada, in connection with the Quebec-Labrador iron ore development, full duty be paid in the ordinary way without provision for refund by Order in Council; and,

(b) that the Minister of Trade and Commerce, and the Minister of National Revenue consider the possibility of arranging for remission of customs duties on U.S. components of such cars if they were manufactured in Canada for the company.

United States foreign economic policy

10. The Secretary of State for External Affairs, referring to discussion at the meeting of May 27th, 1954, said a telegram had been received from the Canadian Ambassador to the United States suggesting that it might now be desirable to make known to the highest levels of the Administration in Washington Canada's concern about recent general developments in U.S. trade policy. This could be done either by the submission of another note to the State Department, by a letter written from the Prime Minister to the President, or by the Ambassador making representations himself to the Secretary of State and perhaps leaving an aide-memoire at the end of the conversation. Mr. Heeney felt the third of these alternatives was preferable, followed possibly by a call on the President's chief advisors in the White House.

11. The Cabinet noted the report of the Secretary of State for External Affairs on recent developments in trade relations with the United States, and agreed that the Canadian Ambassador in Washington, in the near future, make representations to the Secretary of State on U.S. foreign economic policy; the officials concerned in Ottawa to prepare, immediately, for consideration of Ministers, a draft aide memoire and instructions for the Ambassador.

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Export Credits Insurance Contract; shipments of wheat to Israel

12. The Minister of Trade and Commerce reported that a contract issued by the Export Credits Insurance Corporation to the Canada-Israel Corporation for the last fiscal year had expired and it would be advisable, in order to assist in financing further sales of wheat, to continue coverage for the next twelve months for sales on six-month terms. The granting of the coverage would assist in continuing the development of trade with Israel and the Board of Directors of the Corporation were of the opinion, that the proposed contract should be made, even though it would impose upon the Corporation a liability in excess of that which would normally be undertaken. Pursuant to section 21 of the Export Credits Insurance Act which provided for the making of contracts of an unusual size and for a larger than normal risk, the Minister submitted a recommendation to authorize the Corporation to enter into an insurance policy with the Canada-Israel Corporation at a premium rate of 1 percent and with a maximum liability of $5 million.

13. The Cabinet approved the recommendation of the Minister of Trade and Commerce made pursuant to section 21 of the Export Credits Insurance Act, and agreed that the Export Credits Insurance Corporation be authorized to enter into a contract of insurance with the Canada-Israel Corporation to cover shipments of wheat to Israel during the period from June 1st, 1954, to May 31st, 1955, provided the rate of premium charged for the policy was 1 percent of the gross invoice value of each shipment, and the maximum liability did not exceed more than $5 million; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-840, June 3).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 4th, 1954.

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No. 43-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, June 4th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Legislation; Bill to amend the Veterans Land Act; additional amendments

1. The Minister of Veterans Affairs, referring to discussion at the meeting of May 18th, 1954, submitted for consideration various amendments to the Veterans Land Act which were not now contained in the bill before the Committee on Veterans Affairs, but which he would like to have approved by Cabinet, as it was thought that the Committee would recommend them when reporting to the House on this measure.

One of the suggested amendments would provide that, when a veteran sold his V.L.A. property to a third party, that third party would be required to pay 5 percent on the balance of the monies owing instead of 3½ percent as prescribed by the original agreement with the Director.

Another important amendment would regularize a practice of long standing whereby the Director determined the cost of lands sold to veterans as including only those amounts expended therefor by the Director. As section 9 of the Act now stood, the Director was required to determine the cost to him of such lands as being not less than the amount actually expended therefor. The Auditor General had drawn attention to the anomaly arising out of present practices if, indeed, Parliament had intended "cost to the Director" to be synonymous with "cost to the Crown".

An explanatory memorandum was circulated.

(Memorandum, Department of Veterans Affairs, undated - Cab. Doc. 145-54)

2. In the course of discussion it was suggested that, if section 9 were to be amended as proposed by the Minister of Veterans Affairs, all government departments and agencies, when disposing of property in favour of the Director, should bear in mind that the amounts paid by the Director for these properties would constitute the only returns the Crown could expect from these properties, and, therefore, reasonably adequate valuations should be placed on such properties by the selling departments and agencies.

3. The Cabinet noted with approval the report by the Minister of Veterans Affairs concerning certain additional amendments to the Veterans Land Act, and agreed that the government would be prepared to support these amendments if and when they were recommended to the House by the Committee on Veterans Affairs.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 7th, 1954.

Items Discussed

Legislation; Motor Vehicle Transport Act	2.
Fisheries; price support policy	3.
Legislation; repeal of Physical Fitness Act	6.

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No. 44-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, June 7th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Legislation; Motor Vehicle Transport Act

1. The Minister of Transport, referring to discussion at the meeting of June 3rd, said that he had now been informed by the Minister of Roads of the Province of Quebec that the proposed Federal legislation on extra-provincial motor vehicle transport was not acceptable to the Quebec government, notwithstanding that section 5 had been re-written to restrict somewhat the powers reserved to the Governor in Council, and that a new section had been added which provided that the Act would only come into force in any province upon the issue of a proclamation of the Governor in Council declaring it to be in force in that province. Mr. Talbot reasserted the view that the only satisfactory solution, insofar as the government of Quebec was concerned, would be to obtain an amendment to the British North America Act which would transfer jurisdiction in this field from Parliament to the provincial legislature.

The Minister submitted and read a short statement he proposed to make on first reading of the bill in the House of Commons.

Copies of the draft bill were circulated.

2. In the course of discussion the following points emerged:

(a) All the provinces that had been consulted, except Quebec, were now prepared to regulate international and extra-provincial highway traffic under the terms of the proposed new Federal legislation. In the circumstances, the most advisable course would likely be to introduce the legislation immediately and to make it clear, in so doing, that the Act would only come into force in a province when the authorities in that province had expressed the wish to operate under its terms.

(b) As there had not been time to consult the other eight provinces concerned respecting the changes which had been made in section 5, and in view of the advanced stage of the current session, it was suggested that the measure be introduced immediately and that, concurrently, the Minister of Transport inform the provincial governments, by telegram, of the changes that had been made in the measure since it was last submitted to them for consideration.

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(c) It was further suggested that, in introducing the bill in the House of Commons, the Minister of Transport should make only brief reference to the fact that Quebec was the only province unwilling to carry out the procedure provided for in this measure. It would seem inadvisable, however, to make any reference to the view expressed by Quebec representatives that this matter should be disposed of by way of a constitutional amendment.

3. The Cabinet noted the report by the Minister of Transport regarding the unwillingness of the government of the Province of Quebec to agree to the procedures envisaged in the proposed Federal measure on extra-provincial motor vehicle transport and,-

(a) approved for introduction the revised bill as submitted by the Minister of Transport;

(b) approved, subject to certain minor modifications, the statement proposed to be made by Mr. Chevrier on first reading of the measure in the House of Commons; and,

(c) agreed that, concurrently with introduction of the bill, telegrams be sent to the various provinces concerned, informing them of the modifications which had been made in the bill since it was submitted to them for consideration.

Fisheries; price support policy

4. The Minister of Fisheries, referring to discussion at the meeting of March 10th, 1954, said that strong protests had been received following announcement of the government's decision not to renew price support for low quality fish in Labrador, Saguenay County and the Magdalen Islands. At the same time, there had been equally strong protests by the Maritime salted fish trade against the policy of giving support to certain areas of production while denying it to others.

In 1949, a committee under the chairmanship of the present Deputy Minister of Finance had considered price support generally, and had concluded that support in agriculture or fisheries should be used only in the event of a sharp or severe drop in price (over 20 percent) of a product of significant importance to a significant number of producers, in cases where the decline was considered to be of a temporary nature and where it was desirable to encourage the continued production of the product in question.

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This limited the use of price support to the main fishery products of each producing region, to the incidence of sharp price declines and to areas where fishing of the species (or product) was considered to be an economic venture.

A further serious limitation on the use of direct price support in fisheries was the danger of tariff retaliation by the United States, the principal market for most of our fishery products. This danger on one or two occasions (as with prairie frozen fish) had been overcome by a purchase and disposal programme which could not be said to affect, directly, products which were actually going to the market.

Price support in the form of floor prices or even deficiency payments was, therefore, limited to significant species of fish or fish products of economic value, which were exported to non-U.S. markets or sold domestically.

On the west coast, the significant species were salmon, halibut and herring. Salmon and halibut were exported in various forms to the U.S. and herring fish meal was also a large U.S. export. Therefore, price support on the west coast was practically impossible, if the above mentioned criteria were applied.

Similarly, on the east coast, the use of price support was limited to salted and cured products produced in areas where support to such products could not be construed to be subsidization of the fresh and frozen trade. All the major fisheries - fresh and frozen cod, etc., lobster and other shellfish - were excluded by the U.S. export factor.

The government had added an additional limitation by specifically denying future consideration of price support on fish produced on the Newfoundland Labrador in Saguenay County, Quebec, and to such products as bloaters. These limitations were based on the uneconomic aspects of these fisheries and the desirability of discouraging production. Thus, direct price support in fisheries would be limited to possible deficiency payments to Newfoundland shore-cure salted cod. However, in special cases, the alternative less direct purchase and disposal method could, when necessary, be used for a wider range of products.

Further deficiency payment programmes on salted cod confined to Newfoundland could possibly be justified on the grounds that the industry was in a transition from "old" to "new" methods of fish processing and it was desirable to encourage the existing fishing population to remain with the industry. Any such support would, however, be subject to strong criticism from other producing areas, Nova Scotia especially, particularly since the development programme was likely, in the long run, to increase further the competitive problem in salted and other fishery products.

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There was a growing tendency on the part of some fishermen and the trade to seek price support, not so much as a result of serious price declines but rather as a measure of income support to sub-marginal or other depressed areas, i.e. Saguenay, Magdalen Islands, North Shore of New Brunswick and all Newfoundland, particularly Labrador. As indicated, protests had been received against the government limitation on price support to Saguenay and Labrador. While it was probably sound policy that price support should not be initiated solely on the grounds of depressed conditions, it might be unsound to exclude such areas when price support was being given to the same product in other areas.

It was fully recognized that no precise answers to all the questions arising out of these problems could be given and that, in future, each request for support would have to be considered on its own merits. However, a restatement of general policy, at this time would be helpful as a guide to the industry and the Board.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 1, 1954- Cab. Doc. 143-54).

5. In the course of discussion it was suggested that it would be inadvisable to make any announcement as to the extent of price support, if any, for Newfoundland fisheries at the close of the current season, as there was some evidence that fairly substantial markets might be found for Newfoundland salt cod and that price support might not be required on an extended scale. Word had recently been received from the Minister of Public Works, who was presently in Europe, that Italy was prepared to purchase $3 million worth of salt cod and $2 million worth of salmon. Any new statement of policy should take into account and be consistent with the public undertaking already given to review the situation in Newfoundland salt codfish at the end of the marketing season in the spring of 1955.

6. The Cabinet noted the report by the Minister of Fisheries regarding protests which had been made following the government's previously announced policy of not continuing price support for uneconomic fisheries in such areas as Labrador, Saguenay County and the Magdalen Islands, and agreed that he should restate the general policy of the government on fisheries price support in order to make it clear,-

(a) that sharply declining prices were the dominant factor in arriving at a decision as to whether price support would be granted or not, and that price support would not be implemented solely as a means of bolstering income in areas which were depressed because of their geographic location or inadequate resources.

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(b) that specific areas of production or specific products would not be denied consideration of price support, as such, but that when consideration was given it would be based on the price factor and not on the basic low income of the area in question; the Board, in considering the justification for or application of price support, would bear in mind the appropriate level of production in respect to the market and the quality of the product being produced; and,

(c) that, when price support was justified for a particular segment of an industry but not in another segment of the same industry,- for example, salted cod in Newfoundland and the Maritime provinces - support would be given in such a way that it would apply to all areas; that is, an overall purchase and disposal programme rather than being limited to deficiency payments or other support confined to particular areas of production.

Legislation; repeal of Physical Fitness Act

7. The Minister of National Health and Welfare submitted a bill to repeal the Physical Fitness Act.

8. The Cabinet approved for introduction a bill to repeal the Physical Fitness Act as submitted by the Minister of National Health and Welfare.

Public Service Rearrangement and Transfer of Duties Act; transfer from Public Works to Federal District Commission of certain buildings in Kingsmere Park

9. The Prime Minister recommended that, under the authority of the Public Service Rearrangement and Transfer of Duties Act, certain buildings in Kingsmere Park known as "The Farm" and "Shady Hill", including lands appurtenant thereto, be transferred from the Department of Public Works to the Federal District Commission.

10. The Cabinet agreed that certain buildings in Kingsmere Park known as "The Farm" and "Shady Hill", including the lands appurtenant thereto, be transferred from the Department of Public Works to the Federal District Commission; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-848, June 7).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 8th, 1954.

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Items Discussed

Japan; Most-Favoured-Nation tariff treatment

Legislation; Pension Act amendments

South Saskatchewan River Project

Laurier House; position of curator

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4.

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No. 45-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE-CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, June 8th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Japan;Most-Favoured-Nation tariff treatment

1. The Prime Minister said that, consequent upon the exchange of the instruments of ratification of the Japanese Trade Agreement in Tokyo that day, the Minister of Finance had submitted a recommendation for the extension of Most-Favoured-Nation tariff treatment to Japan.

2. The Cabinet approved the recommendation of the Minister of Finance that Most-Favoured-Nation treatment be extended to Japan; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-850, June 8).

Legislation; Pension Act amendments

3. The Minister of Veterans Affairs referred to discussion at the meeting of June 2nd, when it was agreed that the government would be prepared to support additional amendments to the Pension Act recommended by the Committee on Veterans Affairs. One of the amendments involved advancing the deadline on marriages of World War I veterans from the 1st of January to the 1st of May 1954, and another would make additional awards in respect of administrative delays applicable to World War I as well as World War II veterans.

These changes, if approved, would require a resolution.

4. The Cabinet approved for introduction a resolution, as submitted by the Minister of Veterans Affairs, concerning certain additional amendments to the Pension Act which had been recommended by the Committee on Veterans Affairs.

South Saskatchewan River Project

5. The Minister of Agriculture, referring to discussion at the meeting of May 27th,1954, submitted and read a draft letter which he had prepared in consultation with the Minister of Justice and the Minister of Citizenship and Immigration in reply to a letter dated April 28th,1954, from the Premier of Saskatchewan concerning the South Saskatchewan River Project.

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He proposed to inform Premier Douglas that the Federal government would not be in a position to reach a decision in this matter unless two conditions were met. One was that the Federal government must not be called upon to subsidize, in any way, the hydro-electric power to be developed by the province. The other was that the Federal government must satisfy itself that it was truly in the national interest to make such large expenditures as a Federal contribution towards the construction of the proposed dam. The letter would also refer to the statement by Premier Douglas that the prävincial government would be called upon to spend $73 million on the project while the Federal government's share would only be $62 million and would point out that, although the provincial share was larger, all or a good proportion of this expenditure would be recouped by the province through revenues accruing from the users of the irrigation and power facilities,whereas the Federal expenditure would be an outright expenditure from which no direct financial return could be expected.

(Draft letter, Minister of Agriculture to Premier of Saskatchewan, June 7 , 1954).

6. Mr. Gardiner also submitted a schematic cross section of the South Saskatchewan River Project on which was shown the works to be paid for by the province and those the cost of which would be borne by the Federal government.

7. During the course of discussion it was pointed out,-

(a) that the draft reply to Premier Douglas, as submitted by the Minister of Agriculture, seemed satisfactory because, although it left the door open for further discussions with the government of Saskatchewan, it clearly indicated that the Federal government would not be in a position to reach a decision with regard to participation in the project unless and until the two main conditions referred to in the letter were met;

(b) that the schematic cross section of the project submitted by the Minister of Agriculture indicated a satisfactory allocation of responsibility for the several parts of the works between the Federal and provincial authorities and, in particular, made clear that the province would be responsible for the steel-lined conduits within the structure of the dam to take the water to the power house; and,

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(c) that, unless the provincial government proposed to contribute at least 25 percent of the cost of the main dam, in addition to assuming all costs directly related to power and to the distribution system for irrigation, it would hardly look as if all element of Federal power subsidy was to be effectively removed.

8. The Cabinet approved the draft reply to Premier Douglas' letter of June 7th,1954, concerning the South Saskatchewan River Project, as submitted by the Minister of Agriculture, subject to certain minor changes suggested by the Prime Minister.

Laurier House; position of curator

9. The Secretary of State mentioned that the post of curator at Laurier House would likely become vacant during the next year. The position was now held by a civil servant. It was suggested that, when the vacancy occurred, the salary attaching to this position might be reduced somewhat - say to about $5000 per annum - and future appointments made for a period of one or two years only, from nominees selected by the Canadian Historical Society. If this proposal were approved, it would be possible to grant,in effect, scholarships to persons from outside the Civil Service, such as university professors and historians, who could devote a year or two to research and, at the same time, act as curator of Laurier House.

The Minister recommended that this proposal be approved in principle and that, if any question were raised in the House concerning the position of curator at Laurier House, he might state that the suggestion outlined above had been made and that the government was giving serious consideration to it.

10. The Cabinet noted with approval the proposal submitted by the Secretary of State concerning the curatorship at Laurier House, and agreed that, in the event questions were raised in the House of Commons on this matter, he might say the government was now considering a suggestion that, in future, persons from outside the Civil Service and chosen by the Canadian Historical Society be appointed curator for periods of one or two years only, during which time they could both act as curator and devote themselves to historical research.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 10th, 1954.

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Items Discussed

Motor Vehicle Transport Act; St. Lawrence Seaway and Power project; report by Minister of Transport on discussions with Premier of Quebec	2.
Legislation; Pipe Lines Act amendment	3.
St. Lawrence Seaway project; U.S. proposal for participation	3.
Proposed procedures for annual review of departmental establishments and staff needs	5.
Diplomatic appointments	8.
Royal Commission on patents, copyright, industrial designs and trade marks legislation	9.
Canadian Broadcasting Corporation; French language TV outlet, Ottawa	10.
Legislation; Customs Act	10.
Legislation; Judges Act	11.

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No. 46-54

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, June 10th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Miuister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources.
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Motor Vehicle Transport Act; St. Lawrence Seaway and Power project; report by Minister of Transport on discussions with Premier of Quebec

1. The Minister of Transport said he had recently discussed several matters with the Premier of Quebec. Two of the more important had to do with the bill concerning extra-provincial motor vehicle transport, which had recently been introduced in Parliament, and with the construction of a 27 foot waterway in the Lachine section of the St. Lawrence Seaway and Power project.

It did not seem at all likely that Mr. Duplessis would agree to have the Motor Vehicle Transport Act proclaimed in force in the province of Quebec. He maintained that the proposed Federal legislation constituted an infringement on provincial rights and that, in effect, the legislation would enable the Federal authorities to interfere in purely provincial motor transport movements.

With reference to the St. Lawrence Seaway and Power project, Mr. Duplessis indicated quite clearly that he favoured joint development of power and navigation at Lachine, but not on a basis similar to the 1951 Agreement between Canada and the province of Ontario for the development of power in the International Rapids section. He felt that the 1951 agreement with Ontario loaded power development with costs that should properly be allocated to navigation. Furthermore, Ontario was in dire need of power whereas, because of recent developments at Bersimis and for other reasons, the province of Quebec did not need to develop the additional power potential at Lachine for some considerable time to come. He had suggested that it might be possible to work out some agreement under which the cost of common works could be equitably shared. It was feared, however, that the sort of conditions that Mr. Duplessis would insist upon as prerequisites of joint power and navigation development would be such that, in all probability, the Federal government would decide to proceed with independent construction of the navigation works at Lachine.

2. The Cabinet noted the reports by the Minister of Transport on discussions he had had with the Premier of Quebec on joint development of power and the deep waterway at Lachine and on the recently introduced motor vehicle transport bill.

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Legislation; Pipe Lines Act amendment

3. The Minister of Transport submitted a bill to amend the Pipe Lines Act. The main purpose of the measure was to ensure that a trustee for the bond holders or other persons in a similar position when carrying on the business of the company for the benefit of creditors was authorized "to construct or operate pipe lines for the transportation of oil or gas" within the meaning of the Act.

4. The Cabinet approved for introduction a bill to amend the Pipe Lines Act as submitted by the Minister of Transport.

St. Lawrence Seaway project; U.S. proposal for participation

5. The Secretary of State for External Affairs, referring to discussion at the meeting of May 6th,1954, said the Ambassador of the United States in Canada had left a Note, dated June 7th,1954, which, although it did not constitute a "specific proposal" in the sense of the Prime Minister's memorandum of January 9th,1953, to the U.S. Ambassador, suggested that detailed discussions take place between representatives of the two governments on the planning and execution of the Seaway development in both countries.

The Canadian reply to this Note could be made in three different ways.

The first course would be to welcome the information contained in the Note and to ask the U.S. government to put forward, for discussion, a specific and detailed proposal for modification of the arrangements for the construction of the Seaway as agreed in the exchange of Notes of June 30th,1952.

A second course of action would be to refer to the agreement of June 30th,1952, and, in response to the request made in the Note of June 7th, to set out a list of topics to be covered during the course of discussions between representatives of the two countries. If this procedure were adopted, the Canadian government would,in fact,be putting forward the outline of a specific proposal which the U.S. government had not done.

Finally, it would be possible merely to acknowledge the Note, to welcome the information that it contained and to suggest a meeting of officials in Ottawa on, say, June 28th, for which an agenda might be prepared through co-operation of the officials concerned in both countries.

An explanatory memorandum had been circulated.

(Secretary's memorandum, June 7,1954, and attached External Affairs memorandum - Cab. Doc.149-54).

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6. Mr. Pearson suggested that the third alternative was the most desirable course of action that could be followed at this time.

7. In the course of discussion the following points emerged:

(a) Too much emphasis had been placed, particularly in the United States, on the "joint" aspect of the counter-proposal now being made by the U.S. government. Apart from the question of tolls, there was really nothing "joint" about this proposal and it would be well, in future, to avoid using this expression. If it were finally decided that the United States, rather than Canada, should construct the canals in the International Rapids section of the St. Lawrence River, both countries could proceed to construct and operate their respective portions of the waterway between Lake Erie and Montreal on a completely national and separate basis. Any attempt to set up a truly joint scheme for the construction and operation of the Seaway would give rise to unending difficulties.

(b) The most sensible course of action at this time might be, simply, to acknowledge the U.S. Ambassador's Note of June 7th and to suggest that officials of both countries should meet at Ottawa at an early date for the purpose of reaching agreement on the agenda and procedure for intergovernmental discussions to be held at a later date.

(c) In reply to a question as to what would happen to the existing 14-foot canals in the International Rapids section in the event the 27-foot waterway were built in U.S. territory, it was suggested that it might be necessary to provide for the continuance of the 14-foot system in the Cornwall area because of the daily use being made of these canals by several large industries in that city. It would be recalled that, in the exchange of Notes of June 30th, 1952, the Canadian government had agreed to relieve the New York State Power Authority of any responsibility for continuing the 14-foot canal system, estimated to cost approximately $15 million, and had further agreed to have the St. Lawrence Seaway Authority contribute $15 million towards additional dredging in the power pool in the International Rapids section.

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These commitments, however, were contingent upon the 27-foot waterway being constructed entirely in Canada. Continuation of the 14-foot canals did not present a problem in the all-Canadian project since the Cornwall industries would, under this plan, be served by a 27-foot rather than a 14-foot system. However, if the canals were to be constructed on the U.S. side of the boundary, the question as to who should assume responsibility for the total of $30 million involved in these two matters remained an important question for discussion.

8. The Cabinet noted the report by the Secretary of State for External Affairs regarding a Note dated June 7th, 1954, which he had received from the U.S. Ambassador in Canada and in which the latter suggested that arrangements be made for discussions between representatives of both countries on the question of U.S. participation in the construction and operation of the St. Lawrence Seaway project and agreed that, in his reply, Mr. Pearson should acknowledge receipt of the note, welcome the information it contained, and suggest that a meeting of officials should take place at an early date in Ottawa for the purpose of reaching agreement on an agenda and procedure for subsequent intergovernmental discussions.

Proposed procedures for annual review of departmental establishments and staff needs

9. The Minister of Finance said the Treasury Board staff and the Civil Service Commission had been considering possible improvements in existing procedures for the review of departmental establishments. Since before the war, the size of the public service had nearly tripled and it continued to expand. The country was growing in size, and new functions were being undertaken by the government. The need for additional staff arising out of these two developments made it all the more necessary to ensure proper economy in the use of manpower in respect of those functions which were static or whose importance had been declining.

The main control over the size of the service was exercised by Treasury Board in dealing with estimates, but there were important additions to establishments, authorized from time to time, relying on the use of the general salaries vote and the provision of additional money in the supplementary or final supplementary estimates. As each new position was requested, its need was investigated by the Civil Service Commission and the reports made as a result were submitted to the Treasury Board for approval.

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The Commission's investigators were at a disadvantage, however, because they received many requests for small groups of positions throughout the year but seldom had time to conduct comprehensive reviews of overall staff needs. It had been possible, on occasions, to bring departments to the view that some positions asked for were not really required. Nevertheless, because of the natural inclination to pay attention to new work and new priorities, relatively few reductions in staff had taken place on account of other work falling into a lower category of urgency or ceasing to be carried out. There had been a few notable exceptions, where staffs of departments had been substantially reduced after an overall review of activities but, generally speaking, there had been little done by way of improving administrative methods and pruning out unnecessary staff. The present method of investigating piecemeal requests was time-consuming and comparatively ineffective in controlling the size of the Public Service. The Treasury Board staff and the officers of the Civil Service Commission had considered the problem and came to the conclusion that a procedure for a joint review by themselves and the departmental officers concerned, would, in the end, make possible an examination of departmental needs as a whole, and thereby lead to better control over the size of the Service and a saving of public money. The proposal would involve the creation of committees including the chief administrative officer of each department and a representative of the Civil Service Commission and the Treasury Board, which would review each departments establishment in advance of the submission of estimates. Each committee would determine the actual existing establishment and request the department to present its plan for any new positions required in the next fiscal year. That plan would then be examined and considered in the light of the department's entire establishment and programme. On the basis of this study a report would be prepared for each department, containing the departmental proposals for any additional personnel, together with the comments of the Commission and the Treasury Board. These would be included with the material on estimates and the Treasury Board would have before them and decide upon both the financial proposals and the personnel establishment required to carry out the proposed departmental programme. It would not consider any other requests for new positions in the course of the fiscal year except at the time it considered supplementary estimates or to implement a specific Cabinet decision or meet a clear emergency. Under this programme, the problem of coping with unnecessary or redundant staff would be facilitated. The co-operation of departments in reducing staff could probably be better secured if there was a process for placing into a reserve such staff as might not be required but whose qualifications indicated that there was a reasonable expectation of their

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useful employment elsewhere in the service. In the course of normal recruitment first consideration would be given to this reserve.

Comprehensive examinations of departments, as suggested, would take a good deal of effort at the beginning but, once the first reviews had been completed, the Commission's officers and the Treasury Board staff would be able to spend their time and energy in dealing with more important matters than reviewing dozens of unrelated requests each month. With the introduction of this system, it would also seem desirable to reduce the present amount of paper work and detail by delegating to the Civil Service Commission authority to reclassify positions up to a maximum of, say, $3600. It was felt that departments would be glad to plan staff needs on a yearly basis if it would eliminate the present effort and time spent in discussing personnel matters continually with the Treasury Board and the Commission.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 4, 1954- Cab. Doc. 146-54).

10. The Prime Minister felt that Ministers and their deputies would probably want to study the proposals before a decision was reached on them. It would also be desirable to review the workings of the Civil Service Act, as it seemed likely that some revision of it was required. He proposed to ask the Secretary to the Cabinet to convene a small committee, including the Civil Service Commissioners and the Secretary of the Treasury Board to make such a review. The information and views which could be obtained from this small committee would be useful, later in the year, in considering whether a revision of the Act was necessary and, if so, what it should include.

11. In the course of discussion, it was pointed out that any preliminary study of the Civil Service Act should be carried out as quietly and confidentially as possible. If it became known that a revision of that Act was being considered there would be undesirable publicity and speculation, particularly in Ottawa.

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12. The Cabinet ,-

(a) noted the report of the Minister of Finance regarding the proposed procedure for the annual review of departmental establishments and staff needs, and deferred discussion to a later meeting after an opportunity had been given to Ministers to consult their departments on it; and,

(b) noted with approval the proposal of the Prime Minister to request a small group of officials including the Civil Service Commissioners, to review the Civil Service Act and to report whether and in what manner it should be revised.

Diplomatic appointments

13. The Secretary of State for External Affairs submitted recommendations for certain diplomatic appointments.

14. The Cabinet approved the recommendations of the Secretary of State for External Affairs and agreed,-

(a) that the Hon. Thomas Clayton Davis be appointed Canadian Ambassador to Japan, effective August 15th,1954; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-888,June 10)

and,

(b) that George Loranger Magann, Esq., Canadian Ambassador to Switzerland, be concurrently Canadian Minister to Austria, effective May 18th, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-889, June 10).

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Royal Commission on patents, copyright, industrial designs and trade marks legislation

15. The Secretary of State, referring to discussion at the meeting of January 28th, 1954, submitted a recommendation for the appointment of a Royal Commission to inquire into the operation of the Patent Act, the Industrial Design Act, the Copyright Act, and any other related legislation.

In the debate on his estimates in the House of Commons, he had indicated he would bring to the attention of the government any suggestions which seemed appropriate for the purposes of the inquiry. The present terms of reference had been drawn up before the debate but appeared to cover the pertinent suggestions which had been made.

16. The Cabinet approved the recommendation of the Secretary of State and agreed,

(a) that, under the authority of Part I of the Inquiries Act, a commission of inquiry be established to inquire as to whether Federal legislation relating in any way to patents of invention, industrial designs, copyright and trade marks afforded reasonable incentives to invention and research, to the development of literary and artistic talent, to creativeness, and to making available to the Canadian public scientific, technical, literary and artistic creations and their applications, adaptations and uses, in a manner and on terms adequately safeguarding the paramount public interest, the whole in the light of present-day economic conditions, scientific, technical and industrial developments, trade practices and any other relevant factors or circumstances, including practices under or related to the said legislation and any relevant international convention to which Canada is a party, and to submit to the Governor in Council a report on their findings, with any recommendations that may appear to it advisable for changes in the said legislation; and,

(b) that the following commissioners be appointed,-

The Rt. Hon. J.L. Ilsley, of Halifax
(Chief Commissioner)
W.W. Buchanan, Esq., of Ottawa
Guy Favreau, Esq., of Ottawa;

an Order in Council to be passed accordingly

(Order in Council P.C. 1954-852, June 10).

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Canadian Broadcasting Corporation; French language TV outlet, Ottawa

17. Dr. McCann, referring to discussion at the meeting of January 7th, 1954, said representations had been made recently for the provision of separate English and French television broadcasts from Ottawa. Members of Parliament from the Ottawa area had also made speeches on the subject and an application had been received from Le Droit newspaper for the establishment of a privately owned television station. In the circumstances, the best solution appeared to be to allocate another channel in the Ottawa area for a C.B.C. French language transmitter. The cost would amount to $500,000 and could be provided from funds already at the disposal of the Corporation. A new building was now being constructed in Ottawa for TV purposes and space would be available in it for a second transmitter when required. The C.B.C. estimates would be before the House that evening and, if the proposal he had made was agreed to, an announcement could be made in Parliament.

18. In the course of discussion, it was pointed out that the mixed programmes in English and in French of the present Ottawa television service were not too popular. Two transmitters could be quite easily provided as had been done in the Montreal area. There would not likely be much criticism if this were done at this time.

19. The Cabinet noted the report of Dr. McCann and agreed that the Canadian Broadcasting Corporation be authorized to provide a second transmitter at Ottawa, to be used exclusively for French television broadcasts, at a cost of approximately $500,000, to be financed from funds already made available to the C.B.C.; an announcement to be made in the House of Commons accordingly.

Legislation; Customs Act

20. The Minister of National Revenue, referring to discussion at the meeting of November 19th, 1953, submitted a draft bill to amend further the Customs Act. There were two principal features in the measure. The first involved a revision of the valuation for duty provisions to provide full legal authority for certain administrative procedures already in effect in his department. The second revised the appeal procedure to enable appeals to be made to the Exchequer Court from any decision of the Tariff Board rather than decisions involving only questions of law.

A draft bill was circulated.

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21. In the course of discussion, it was pointed out that the bill contained major changes of government policy which would require careful consideration. Because the session of Parliament was so far advanced, it seemed undesirable to proceed with the measure at this stage.

22. The Cabinet agreed that the proposed amendments to the Customs Act regarding the valuation for duty provisions and the allowing of appeals to the Exchequer Court from any decision of the Tariff Board be not introduced in Parliament at its present session.

Legislation; Judges Act

23. The Prime Minister, referring to discussion at the meeting of June 2nd, said it still had to be decided whether or not salaries of judges were to be increased at the current session of Parliament. If anything was to be done immediately, the proposal for a flat increase of $2,000 for all holders of judicial appointments seemed the most desirable course to follow. No change should be made in the pension provisions for judges or for their widows.

24. In the course of discussion, it was pointed out that if the proposal were adopted, it might create additional difficulties in dealing with such matters as the present dispute between the management and employees of the railways . On the other hand, there never appeared to be a time when raising judicial salaries did not have some disagreeable repercussions. Having regard to all the circumstances it seemed preferable to increase salaries now, rather than to delay doing so until later. A flat increase of $2,000 could be defended relatively easily at the present time.

25. The Cabinet, after further discussion, approved in principle a flat increase of salary of $2,000 for all judges, which would not operate, however, to increase the pensions for judges or their widows; a resolution and draft bill to be prepared accordingly.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

June 11th, 1954.

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Items Discussed

Legislation; Judges Act amendment 2.

Ontario Association of Mayors and Reeves; representations respecting unemployment relief and financial problems of municipalities 2.

St. John's, Newfoundland; television broadcasting station 4.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Friday, June 11th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Legislation; Judges Act amendment

1. The Solicitor General submitted a draft resolution and bill to amend the Judges Act which had been prepared following the decision reached the previous day.

The purpose of the bill was to increase the salaries of Superior and County Court judges by $2,000 and to provide for an additional judge of the Court of Appeal for British Columbia and an additional judge for the Trial Division of the Supreme Court of Alberta. Provision was also made in the bill that, notwithstanding the increase of salaries, the pensions of judges would remain unchanged.

2. In the course of discussion the following points emerged:

(a) Judges' salaries had been increased in 1946 and again in 1951. In the circumstances, some doubt was expressed as to the advisability of providing another increase at this time.

(b) Some difficulty had been experienced in getting the best qualified people to accept appointments as judges because of the fact that such persons would suffer a substantial reduction in their income by accepting appointment. On the other hand, it would not seem that an increase of $2,000 in judges' salaries would,in practice,make it very much easier to appoint lawyers to the Bench in those circumstances where it was now difficult.

3. The Cabinet deferred decision on introduction of a measure to increase judges' salaries pending further consideration the following Monday when the Minister of Justice could be present.

Ontario Association of Mayors and Reeves; representations respecting unemployment relief and financial problems of municipalities

4. The Prime Minister said he had received a lengthy telegram from the President of the Ontario Association of Mayors and Reeves, meeting in annual session at Windsor, Ontario. The Association had submitted resolutions urging that the Federal government assume greater responsibility for unemployment relief payments and that a federal-provincial conference be convened at an early date for the purpose of re-examining the existing allocation of taxes in the light of the financial needs of the Federal and Provincial governments and of the municipalities.

(Telegram, President, Ontario Association of Mayors and Reeves to Prime Minister, June 10,1954).

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5. Mr. St-Laurent submitted and read a draft reply in which it was pointed out that both unemployment relief and the financial problems of municipalities were the constitutional responsibilities of the provinces and that the Association's representations should therefore be addressed to the provincial authorities. The draft reply also pointed out that the Federal government had assumed responsibility for unemployment insurance, which carried the great bulk of the load and relieved provinces and municipalities to such an extent that the remaining problem in normal times appeared to be within their financial capacity; that federal old age security pensions and assistance, family allowances, the forthcoming disability pensions and other social security and health measures reduced substantially the welfare burdens falling upon the municipalities and the provinces; and that Federal policies were directed to maintaining a high general level of income and employment.

6. In the course of discussion, the following points emerged:

(a) Surveys recently made in certain municipalities indicated that relief payments were on the whole very small and well within the financial means of those municipalities.

(b) The fact that the Federal government had, after an appropriate amendment had been made to the British North America Act, assumed responsibility for unemployment insurance had perhaps had the unfortunate effect of creating the impression, in some quarters, that the Federal government was responsible not only for the "insurance" but also for the "relief" aspect of unemployment.

(c) It might perhaps be advisable for government spokesmen to stress more than had been done to date the fact that, because of our geography and climate, full employment was not possible in Canada throughout the twelve months of the year and that, no matter what measures were taken, there would inevitably be greater unemployment during the winter than during the summer months.

7. The Cabinet noted the representations made by the Ontario Association of Mayors and Reeves concerning unemployment relief and the financial problems of municipalities, and approved, subject to certain modifications, the draft reply submitted by the Prime Minister.

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St. John's, Newfoundland; television broadcasting station

8. Dr. McCann, referring to discussion at the meeting of January 7th, 1954, said he had received a letter, dated June 11th, from the Secretary of State, concerning an application by the owners of radio station C.J.O.N. of St. John's, Newfoundland, for a license to establish a television broadcasting station in that city.

Decision on this application had been deferred on two previous occasions by the Canadian Broadcasting Corporation Board of Governors because Newfoundland, as a relatively new province, was more in need of having national service than the other provinces and because the proprietors of C.J.O.N., who were also the proprietors of the Sunday Herald, would, if granted a television license, be in a position effectively to dominate the sources of public information in that province to a much greater extent than was the case anywhere else in Canada.

In his letter of June 11th, Mr. Pickersgill had indicated that it would be difficult to change the government's television policy in this case and to establish a C.B.C. station at St. John's, because this would likely create difficulties in Saskatchewan and Alberta and, to a lesser degree, in New Brunswick, in which provinces it was not the intention, for the moment at least, to provide C.B.C. television service. On the other hand, the C.B.C. Board of Governors could hardly reject C.J.O.N's application since the C.B.C. had not designated St. John's as a reserved area and since there was no other applicant for a private station. In the circumstances, he suggested that it would be in the public interest, if the private broadcasting license were granted, for the C.B.C. to attach most stringent conditions to the license in order to ensure that an adequate proportion of C.B.C. material was televised over the St. John's station. In granting the license, it might also be stipulated that the C.B.C. reserved to itself an option, exercisable at the end of each year of operation, to take over the station for public operation at cost less depreciation.

9. In the course of discussion it was pointed out that it was understood the U.S. authorities would soon seek authority for the establishment of a U.S. Army television broadcasting station near St. John's. For this reason and because Newfoundland was a new province, there seemed to be good grounds to make an exception to accepted government policy in this case and to authorize the establishment of a C.B.C. station at St. John's at an early date. It was not felt that this would cause really serious difficulties in Saskatchewan, Alberta and New Brunswick, which were not to be given C.B.C. television

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service in the immediate future. It would be advisable, however, to ensure completion of the C.B.C. station at Halifax before a C.B.C. station was established at St. John's. The Chairman of the Canadian Broadcasting Corporation might be informed, privately, that the government would be prepared to approve the construction of a C.B.C. station at St. John's provided priority was given to completion of the Halifax station. It would be well, however, to avoid any public discussion of this matter while Parliament was still in session.

10. The Cabinet agreed that Dr. McCann inform the Chairman of the Canadian Broadcasting Corporation of the government's views respecting the establishment of a C.B.C. television broadcasting station at St. John's, Newfoundland, and suggest that the C.B.C. Board of Governors might agree to defer decision on the application by the owners of radio station C.J.O.N., St. John's, for a private television broadcasting license on the grounds that the Corporation was considering recommending to the government the establishment of a C.B.C. station in that city.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 14th, 1954.

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Items Discussed

Legislation; Judges Act amendment	2.
P.F.R.A.; St. Mary project; termination of contract with Mannix, Limited; reference from Treasury Board	3.
St. Lawrence Seaway project; U.S. proposal for participation	4.
Pollution of Rainy River near International Falls, Minnesota, and Fort Francis, Ontario	5.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, June 14th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin)

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Legislation; Judges Act amendment

1. The Prime Minister, referring to discussion at the meeting of June 11th, said it was desirable to reach a decision now as to whether the salaries of Superior and County Court Judges be increased by $2,000, and whether salaries be provided for additional judges for the Court of Appeal of British Columbia and for the Trial Division of the Supreme Court of Alberta.

2. In the course of discussion, the following points emerged:

(a) Because measures were now before the U.K. Parliament and the Congress of the United States to increase salaries of judges in both countries, the present would be a relatively favourable time to explain an increase in salaries for Canadian judges;

(b) Civil Service salaries had been raised several times and it would be necessary to deal with salaries of the senior civil servants in the near future. It might be desirable therefore to deal with judges' salaries at approximately the same time.

(c) A recommendation for an increase in war veterans' allowances had not been accepted and there was a possible industrial dispute coming up on the railways. An increase in judges' salaries at this time would likely arouse criticism because of the stand taken in the case of war veterans' allowances and would complicate the situation in respect of industrial disputes.

(d) Regardless of whether salaries were increased, there would probably have to be a debate on the subject of judges in any event, as additional judges were required in British Columbia and Alberta. Furthermore, it might be easier to justify an increase in salaries now rather than later in the year or at the beginning of 1955, when figures for unemployment might be higher than they were at present.

3. The Cabinet

(a) agreed that salaries for judges be not increased at the present time; and,

(b) approved for introduction a resolution and bill to amend the Judges Act to provide for an additional judge for the Court of Appeal for British Columbia and an additional judge for the Trial Division of the Supreme Court of Alberta.

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P.F.R.A.; St. Mary project; termination of contract with Mannix, Limited; reference from Treasury Board

4. The Prime Minister said that, on March 20th, 1953, the Treasury Board had approved entry into a contract with Mannix Limited,of Calgary,for construction of the North Dam at Ridge Reservoir on the St. Mary project at a cost of $585,573. The Minister of Agriculture had informed the Board that Mannix Limited had, by the end of August, 1953, completed most of the work under the contract except for about ten feet of the fill below the proposed top of the dam. Great pressure of water had developed in the foundations and some settlement had occurred. The Department of Agriculture thought it was not safe to carry the dam up to any greater height until the foundation water pressures were reduced and the contractor had consequently been instructed to cease work. Pressures had not shown much reduction and it might be some time before the work could be resumed, and drainage wells might have to be installed to accelerate drainage of the foundation.

In the circumstances, the Department of Agriculture considered it fair to relieve Mannix Limited of their obligations. As most of the work had been done and some material stockpiled for completion of the project, the Minister had recommended that the contract be terminated and the contractor paid for the work done in an amount not exceeding $583,000, it being understood that the balance of the work would be completed later at a cost of approximately $110,000. Thisproposal could be regarded as tantamount to making an ex gratia payment to the contractor.

By the terms of the contract the contractor was legally liable for the finishing of the project and was supposed to satisfy himself of every condition respecting the work at the time of making his tender. The Department had indicated, however, that only three weeks' had elapsed between publishing the advertisement asking for bids, and the closing of the bids, and there had not been time for detailed subsurface exploration, although departmental studies had been examined by bidders including Mannix. Treasury Board had considered the matter and referred it to the Cabinet.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, June 8,1954- Cab. Doc. 148-54).

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5. In the course of discussion, the following points emerged:

(a) If the proposal was approved, it would mean that the contractor would be paid in full for a project which had not been completed. In the light of the terms of the contract, there did not appear to be a case for following this course.

(b) There was not enough information at hand to reach a decision on the recommendation. If the government or one of its agencies told a contractor to cease work on a project, the question arose as to how a satisfactory settlement would be reached. The matter might be referred to a judicial or semi-judicial body to determine the rights of both parties in the circumstances.

6. The Cabinet deferred consideration of the reference from the Treasury Board on the proposed termination of the contract with Mannix Limited, of Calgary, for the construction of the North Dam at Ridge Reservoir on the St. Mary Project.

St. Lawrence Seaway project; U.S. proposal for participation

7. The Secretary of State for External Affairs, referring to discussion at the meeting of June 10th, reported that the Canadian officials who had been considering the situation arising out of the Note of June 7th from the Ambassador of the U.S. in Canada on the St. Lawrence Seaway, had come to the conclusion that it would be desirable not to hold a meeting with American officials until the U.S. government produced a specific proposal to participate in construction of the Seaway. He felt that, unless Canada gave a clear indication of a genuine wish to co-operate with the U.S., much harm could be done.

8. In the course of discussion, the following points emerged:

(a) There were cogent reasons why it would be desirable for the U.S. to come forward with a specific proposal. If this were not done early in the discussions, there was a danger of losing the tactical advantage enjoyed by Canada in having left the next move clearly up to the United States;

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(b) On the other hand, Canada had to proceed on good faith in these discussions. It would be desirable to hold a meeting and explain our present position and ask the U.S. authorities what they proposed to do. Detailed proposals could then be considered and, if they were not suitable, they could be rejected by Canada for good reasons.

9. The Cabinet noted the report of the Secretary of State for External Affairs regarding possible discussions between representatives from the United States and Canada concerning U.S. participation in the construction and operation of the St. Lawrence Seaway project, and re-affirmed its decision that, in reply to the Note received from the U.S. Ambassador in Canada, the Secretary of State for External Affairs suggest that a meeting of officials take place at an early date in Ottawa for the purpose of reaching agreement on an agenda and procedure for subsequent discussions.

Pollution of Rainy River near International Falls, Minnesota, and Fort Francis, Ontario

10. The Secretary of State for External Affairs said the U.S. Ambassador, in a recent Note, had informed him that representations had been made to the U.S. government alleging that the Rainy River near International Falls, Minnesota and Fort Francis, Ontario, was being polluted by industrial wastes from a neighbouring plant. This was contrary to the provisions of the Boundary Waters Treaty. The Ambassador had suggested that a reference be made to the International Joint Commission directing the Commission to make a thorough investigation of the matter, and to submit a report to the two governments with recommendations for remedial measures.

It was proposed by the U.S. government that the reference to the Commission by both governments should be in the same terms as a reference made in connection with the pollution of the waters of the St. Clair, St. Mary's and the Niagara Rivers. In the earlier reference, both governments had accepted the recommendations and charged the Commission with their implementation. With the concurrence of the Ministers of National Health and Welfare and Northern Affairs and National Resources, he recommended that, if the Ontario government agreed, the Canadian government concur in the suggestion put forward.

An explanatory memorandum was circulated.

(Minister's memorandum, June 9, 1954-Cab. Doc. 150-54).

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11. In the course of discussion, it was pointed out that this was a routine matter and, according to the Boundary Waters Treaty, both countries were obliged to accede to a request from the other party for a reference of this nature.

12. The Cabinet approved the recommendation of the Secretary of State for External Affairs, concurred in by the Ministers of National Health and Welfare and Northern Affairs and National Resources, and agreed that, if the government of Ontario agreed, the U.S. Ambassador be informed that Canada concurred in the suggestion of his government that a reference, in accordance with the terms submitted, concerning pollution of Rainy River, be forwarded to the International Joint Commission.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 15th, 1954.

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Items Discussed

Capital punishment; youth as a reason for commutation 2.

Board of Transport Commissioners; report on railway-highway crossing problem 3.

Parliamentary business; reference of redistribution problem to Standing Committee on Privileges and Elections 4.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, June 15, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs and
National Resources
(Mr. Lesage).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

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Capital punishment; youth as a reason for commutation

1. The Solicitor General submitted for consideration the case of a young man, 19 years of age, who had been tried, found guilty of murder and sentenced to hang. On the strength of evidence presented at the trial, there seemed little doubt that the accused was sane of mind, that the crime had been planned well in advance of its commission and that the murder was a brutal one, committed for mercenary reasons. The jury, however, had accompanied its verdict of murder with a very strong recommendation for mercy. The trial judge had stated in his report on the case that, because of the youth of the accused, he was prepared to join in the jury's recommendation.

2. In the course of a lengthy discussion, the following points emerged:

(a) It was a practice of long standing in Canada not to allow convicted murderers to be hanged unless they were 18 years of age, or more, at the time the sentence was executed. There had been two cases of persons having committed murders before reaching the age of 18 who had been hanged but, in each such case, the sentenced persons became 18 before the sentences were executed.

(b) It did not seem advisable to extend this practice to all persons below the age of 21. As long as capital punishment remained part of Canada's criminal legislation, there did not seem to be any good reason, all things being equal, why a person should not be made to suffer the consequences of his crime whether he be 19 or 21.

(c) In the case presently under review, there did not seem to be any mitigating circumstance except the youth of the accused, and possibly the unfavourable family environment in which he had been brought up as a child. However, the jury had accompanied its verdict of murder with a very strong recommendation for mercy and the trial judge had, because of the accused's youth, concurred in this recommendation.

(d) The somewhat surprising recommendations for clemency that accompanied certain clear-cut murder cases where neither insanity nor youth were a consideration, could perhaps be explained by the fact that certain juries might include a few people who were opposed, in principle, to capital punishment, and who would prefer to bring in a verdict of manslaughter. In such cases it was not impossible that the other jurors would agree to an accompanying recommendation for mercy in order to be in a position to bring in a unanimous verdict of murder.

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(e) Although it would seem inadvisable to establish the practice of commuting death sentences to life imprisonment in all cases where the verdict of murder had been accompanied by a recommendation for mercy, it should, nonetheless, be borne in mind that, if the Crown disregarded such recommendations too frequently, this might create the impression that such recommendations were ineffectual in practice, and might lead certain juries to bring down convictions of manslaughter in cases where a conviction of murder was clearly indicated.

(f) A final consideration was that recommendations for mercy were made by juries and judges after painstaking examinations of all the evidence available, and it was therefore difficult to question the reasonableness of such recommendations on the strength of the necessarily remote and impersonal examination which members of the government could make of the details of any case.

3. The Cabinet noted the report of the Solicitor General and agreed,-

(a) that commutation of the death sentence to life imprisonment be recommended in the case under review;

(b) that it would be inadvisable to accept as a principle that convicted murderers under the age of 21 should not be hanged;

(c) that, nonetheless, youth could be a consideration in arriving at a decision whether or not to commute a death sentence; and,

(d) that, without adopting as a principle that recommendations for mercy by juries and trial judges should always be accepted, it would be inadvisable to disregard such recommendations too frequently as this might lead some juries to bring in unjustified verdicts.

Board of Transport Commissioners; report on railway-highway crossing problem

4. The Minister of Transport said that, following enquiries in the House of Commons, he proposed to table the report of the Board of Transport Commissioners for Canada on the railway-highway crossing problem, which had been submitted to Cabinet on May 20th, 1954.

5. The Cabinet agreed that the Minister of Transport table, in the House of Commons, the report dated May 10th, 1954, of the Board of Transport Commissioners on the railway-highway crossing problem in Canada.

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Parliamentary business; reference of redistribution problem to Standing Committee on Privileges and Elections

6. The Secretary of State mentioned that, from statements made in the past, it might be thought that a promise had been made to refer the question of the means of making electoral redistribution to the Standing Committee on Privileges and Elections during the course of this session. He had discussed this matter with the Chief Electoral Officer and was of opinion that there would be little point in such a reference unless and until a detailed study of this question had been prepared for submission to the Committee.

It might be possible to convene the Standing Committee with a view to suggesting that its study of redistribution be postponed until such time as a suitable person could be appointed to review this problem in detail and to submit a report for the Committee's information.

7. The Cabinet noted the report of the Secretary of State and agreed that the question of electoral redistribution be not referred to the Standing Committee on Privileges and Elections during the course of the current session of Parliament.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

June 17th, 1954.

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Items Discussed

Export of arms to Israel	2.
Consultations with Czechoslovakia on trade and financial matters	2.
Prairie Farm Rehabilitation; St. Mary project, Alberta; termination of contract with Mannix Limited	4.
Centenary celebrations; Ottawa	5.
Appointments; Queen's Counsel	6.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, June 17th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue,
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Associate Minister of National Defence
(Mr. Campney)
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Export of arms to Israel

1. The Secretary of State for External Affairs reported that Israel had asked the Canadian Commercial Corporation to quote on 129,000 lbs. of propellant charge for 25-pounder guns, valued at approximately $912,250. The Department of National Defence had indicated that this amount of powder would last for less than a month in time of warfare, but, in peacetime, would meet Israel's training needs for over a year, and had concluded, therefore, that the quantity would not be in excess of Israel's legitimate requirements. United Kingdom authorities would have no objection to this export. On the other hand, the United States was seriously concerned that Israel was attempting to increase its holdings of large calibre ammunition. Added to the amount of such ammunition which Israel already possessed, the United States believed the amount covered in this possible transaction could not be justified for defensive purposes. He recommended that the Canadian Commercial Corporation be authorized to submit a quotation on half of the amount requested.

2. In the course of discussion, it was pointed out that it might be possible, as time passed and if our price were right, to allow the export of the full amount of powder in question.

3. The Cabinet noted the report of the Secretary of State for External Affairs that Israel had asked the Canadian Commercial Corporation to submit a quotation on 129,000 lbs. of propellant charge for 25-pounder guns, valued at approximately $912,250, and agreed that the Corporation be authorized to submit a quotation on approximately half of the total requested and that, if an order for this amount was eventually received from Israel, an export permit be granted.

Consultations with Czechoslovakia on trade and financial matters

4. The Secretary of State for External Affairs, referring to discussion at the meeting of May 13th, 1954 said Canadian officials had now held consultations with a delegation from Czechoslovakia, and provisional agreement had been reached on the problem of valuing Czech imports into Canada in accordance with Canadian custom laws and on the question of settling the outstanding loan.

The basis of understanding on the valuing of imports was to recognize that, owing to the character of the economic system of Czechoslovakia, neither fair market values nor cost of production as prescribed by sub-sections (1) and (3) of section 35 of the Customs Act could be satisfactorily established. It was proposed to resort to sub-section (2) of section 35 which provided that, where

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valuation for duty cannot be arrived at under sub-section (1), the value for duty shall be the nearest ascertainable equivalent. Home market values obtaining in other countries might provide a basis for determining this equivalent. However, in the unlikely event of this interpretation being brought before the Tariff Board or the Exchequer Court, consideration might have to be given, in the future, to amending the Customs Act. In practice, it was expected that the certified invoice value would generally be acceptable. If Canadian authorities found that Czech goods were being imported at questionable values, the Department of National Revenue would communicate with the Czech legation in Ottawa or the Canadian legation in Prague. To facilitate actual operation, the Czech delegation had signified the agreement of their government to the appointment of an official from the Department of National Revenue to the Canadian legation in Prague as an attache.

In regard to the loan, under a proposed schedule of payments, the Czech government would pay, on December 31st, 1954, the accumulated interest ($624,375) in full, and pay the principal, amounting to $9,990,000, in five equal instalments, plus interest, over a period of 2 years commencing June 30th, 1955. While Canada had stipulated that the loan and the customs problem should not be formally linked together in negotiations, the Czech government had made these payments dependent upon the implementation of the customs arrangement.

On the question of trade, the Czech delegation had been informed of the general nature of present restrictions on the export of strategic materials. They had expressed the willingness of their government to purchase Canadian goods of various kinds during 1954 in an amount equal to the value of Czech sales to Canada in the same period. It was recommended, with the concurrence of the Ministers of Trade and Commerce, National Revenue and Finance, that the arrangements reached at the negotiations be accepted.

An explanatory memorandum was circulated.

(Minister's memorandum, June 17, 1954 and attached memoranda on trade and customs matters- Cab. Doc. 152-54)

5. In the course of discussion, the following points emerged:

(a) It appeared doubtful if the proposed method of valuing goods for duty purposes would bring about any serious modification in present values and it would not be any easier than it was now for the Czechs to dump goods on the Canadian market.

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(b) The stationing of a customs attache in Prague was a face-saving device for the Czechs, who did not want Canadian customs inspectors moving in and out of their country at frequent intervals. The attache would probably remain in Prague for some months each year and undertake other duties in other European countries for the balance of the time.

(c) If all payments on the loan were made as planned, it would be liquidated on the date as originally set. No interest would be paid on the interest already owing.

(d) As an immediate announcement about the arrangements might provoke a lengthy debate in Parliament, it would be desirable to defer any publicity on this subject until the present session of Parliament had prorogued.

6. The Cabinet approved the recommendation of the Secretary of State for External Affairs concerning trade and financial relations with Czechoslovakia, and agreed,

(a) that the Minister of National Revenue be authorized to accept and implement the arrangements on customs matters in accordance with the terms submitted;

(b) that the Minister of Finance be authorized to accept the arrangements as proposed for the settlement of the Czech loan;

(c) that the Minister of Trade and Commerce be authorized to accept the understandings reached on trade matters; and,

(d) that efforts be made to defer any announcements thought necessary about the conclusions reached at the negotiations until the present session of Parliament was prorogued.

Prairie Farm Rehabilitation; St. Mary project, Alberta; termination of contract with Mannix Limited

7. The Minister of Agriculture, referring to discussion at the meeting of June 10th, recalled the circumstances which led to the suspension of work on the North Dam at Ridge Reservoir on the St. Mary project. Of the extra $110,000 which would be required to complete the balance of the work, $65,000 could be attributed to unforeseen foundation difficulties. There was no possibility of going ahead with the work for at least two years.

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8. In the course of discussion, the following points emerged:

(a) The difficulties which the contractor encountered were normal risks which were undertaken when any contract of this character was signed. It might be that the government would have to pay a proportion of the contract price, but it should not pay the full amount when the work had not been completed.

(b) The matter could be referred to the Department of Justice for an opinion as to how much was owed the contractor for the work he had done, having in mind that a substantial amount of money would still be required for completion of the dam. If an opinion upon which an adjustment could be based was available, there would be fewer grounds for criticism than if a straight ex gratia payment were made without any apparent justification.

9. The Cabinet agreed that the question of the contract with Mannix Limited, of Calgary, for construction of the North Dam at Ridge Reservoir on the St. Mary project, together with information on the work done on this project and circumstances affecting it, be referred to the Department of Justice for an opinion as to how much money the government owed Mannix Limited for the work completed, having regard to the fact that the government gave instructions to suspend further work on the project for a considerable period.

Centenary celebrations; Ottawa

10. The Secretary of State, referring to discussion at the meeting of May 6th, 1954, said the Mayor of Ottawa now suggested that there be a Trooping of the Colour Parade on July 1st as a Federal ceremony only, and that a civic ceremony to mark Ottawa's centenary be held at a later date. If it were agreeable, he would write to the Mayor confirming this arrangement.

11. The Cabinet noted with approval the intention of the Secretary of State to confirm with the Mayor of Ottawa that the Trooping of the Colour Parade, on July 1st, would be purely a Federal ceremony, and that a civic ceremony to mark the centenary of Ottawa would be arranged by civic officials at a later date.

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Appointments: Queen's Counsel

12. The Minister of Justice submitted a recommendation for the appointment of a Queen's Counsel.

13. In the course of discussion it was pointed out that, usually, Federal officials appointed to be Queen's Counsel were doing Court work and appeared in some instances in the Supreme Court. This did not apply in the present instance and the appointment, if approved, might create a precedent. On the other hand, the person in question had practised at the bar for 22 years and was a senior legal adviser in the service of the government.

14. The Cabinet approved the recommendation of the Minister of Justice that William Nason, Esq., of Ottawa, Chief of the Legal Division of the Department of Northern Affairs and National Resources, be appointed a Queen's Counsel; and Order in Council to be passed accordingly.

(Order in Council P.C. 1954-894, June 17)

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

June 21st, 1954.

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Items Discussed

Speech from the Throne	2.
St. Lawrence Seaway project; U.S. proposal for participation	2.
Pacific Great Eastern Railway; request from British Columbia government for assistance in extension from Squamish to Vancouver	2.
Civil Service; summer working hours	4.
Proposed procedure for annual review of departmental establishments and staff needs	5.
War Claims Regulations; amendment	6.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Monday, June 21st, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Speech from the Throne

1. The Prime Minister submitted a draft Speech from the Throne for the closing of the present session of Parliament.

2. The Cabinet noted the draft Speech from the Throne and agreed that any suggested revisions which Ministers might think desirable be submitted to the Prime Minister.

St. Lawrence Seaway project; U.S. proposal for participation

3. The Prime Minister, referring to discussion at the meeting of June 14th, said that the Secretary of State for External Affairs had put forward proposals as to the composition of the group of officials to meet with U.S. officials to prepare an agenda and procedure for discussions on possible U.S. proposals for participation in the Seaway. If it was thought necessary to gain information from other officials, appropriate arrangements could be made to have them present as and when required.

4. The Cabinet noted with approval the proposals that the Canadian group taking part in discussions with American officials, to arrange an agenda and procedure for subsequent intergovernmental discussions on possible U.S. participation in the St. Lawrence Seaway project consist of the Secretary to the Cabinet, as Chairman, Mr. M.H. Wershof, Vice Chairman, Mr. R.A.C. Henry, and one additional representative each from the Departments of Transport, External Affairs and Finance with Mr. Pelletier of the Privy Council Office as Secretary.

Pacific Great Eastern Railway; request from British Columbia government for assistance in extension from Squamish to Vancouver

5. The Prime Minister said the Premier of British Columbia had written to him on May 18th, 1954, asking the Federal government to assume at least one-half of the cost of extending the Pacific Great Eastern Railway from Squamish to Vancouver. In his letter, Mr. Bennett had referred to the need of adequate railway transportation in developing the natural resources of the province. He had outlined the extent and potential of the undeveloped resources and had referred to British Columbia's contribution to the national wealth. In the opinion of the engineers retained by the province, the cost of extending the railway from Squamish to North Vancouver would be approximately $10.5 million. It could be inferred that a further request might be made in the future for assistance in extending the P.G.E. into the Peace River Block.

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Only an interim acknowledgment had been sent and consideration should be given as to whether or not a more substantive reply should be made dealing with the implications of the request in detail.

(Letter, Premier of British Columbia to Prime Minister, May 18,1954)

6. In the course of discussion, the following points emerged:

(a) It was not urgent to send a reply to British Columbia at this time. It might be useful to have the request examined by the same committee of officials who studied the proposals for C.N.R. branch lines in the Chibougamau area in Quebec and from Hillsport to Lake Manitouwadge in Ontario.

(b) Railway extensions which had received capital assistance from the government had only been undertaken after an economic study had been made of the projects concerned. When a proposal had first been put forward by British Columbia, in December, 1953, seeking assistance for an extension of the P.G.E. from Squamish to Vancouver, and from Prince George to the Peace River Block, the C.N.R. had studied the matter and a preliminary estimate revealed that the cost of the southern portion of the project would approximate more nearly $30 million than $10.5 million. The appraisal which had been made then could be given to the committee for its further study of the proposal.

(c) Meeting the B.C. request would involve a new policy for assistance in building railways. The subsidy granted for the extension of the P.G.E. to Prince George amounted to $15,000 a mile. In considering extensions in the Chibougamau area, the rise in prices, since previous subsidies of this character were granted was taken into account and it had been considered that the government could not go much beyond $20,000 a mile. The present request from British Columbia would involve an expenditure greatly in excess of this amount.

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(d) A survey conducted in 1945 revealed that the P.G.E. would not be a profitable operation unless freight traffic exceeded one million tons annually. Thus far, the total amount was nowhere near this figure.

7. The Cabinet agreed that the proposal of the Premier of British Columbia, for the Federal government to assume at least one-half of the basic cost of extending the Pacific Great Eastern Railway from Squamish to North Vancouver, be examined by the same Committee of officials which considered the matter of construction of branch lines from Hillsport to Lake Manitouwadge in Ontario and in the Chibougamau area in Quebec and a report made to Cabinet.

Civil Service; summer working hours

8. The Secretary of State reported that the Treasury Board had considered proposals from the Civil Service Commission concerning summer working hours. It had been recommended that, during the months of July and August, there should be a reduction of an hour a day for office workers on the year-round five-day week. This group constituted the great majority of office workers and worked an average of 38.2 hours. There was a comparatively small number of office workers who worked 39 hours a week for most of the year and who were entitled, by section 88 of the Civil Service Regulations, to a 10-week summer period of 35 hours per week. In addition, there was the problem of the early closing of offices on hot days.

The Treasury Board had felt it undesirable to reduce further the working hours of the vast majority of office workers of the Civil Service now on the 5-day week and had submitted the whole matter to Cabinet for consideration. There had been, in the past, considerable differences in practice in various Ottawa offices regarding closing on hot days.

9. Mr. Pickersgill recommended that no change be made in the number of hours worked by civil servants on the 5-day 38.2 hour week but that, for those who still worked the 39 hour week and were governed by section 88 of the Civil Service Regulations, the designated 10-week period run from June 28th to September 4th, inclusive.

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10. In the course of discussion, it was suggested that there was enough criticism now about the length of time the Civil Service worked and, in view of the recent adoption of the five-day week, there should be no reduction in the number of hours during the summer period. However, a summer period of shorter working hours should be designated for those who were entitled to it under the regulations. It still seemed desirable to allow deputy ministers discretion in the closing of offices on hot days.

11. The Cabinet noted the report of the Secretary of State and agreed:

(a) that, during the summer period, there should be no reduction in the number of hours worked by office workers of the Civil Service in areas where the 5-day week of 38.2 working hours was in effect;

(b) that, in accordance with section 88 of the Civil Service regulations, the designated 10-week summer period for office workers normally working 39 hours run from June 28th, to September 4th, inclusive; and,

(c) that the closing of offices on hot days during the summer period be left to the discretion of deputy ministers.

Proposed procedure for annual review of departmental establishments and staff needs

12. The Minister of Finance, referring to discussion at the meeting of June 10th, said it would be desirable if a decision could be taken as to whether or not the proposals put forward by the Treasury Board and the Civil Service Commission should be implemented.

13. In the course of discussion, it was pointed out that the suggestions made were most useful ones and it would be helpful if they could be put into effect. It was not intended that they be made applicable to National Defence immediately.

14. The Cabinet approved the procedure for an annual review of departmental establishments and staff needs, as proposed by the Minister of Finance and concurred in by the Civil Service Commission, and agreed that the system be implemented as soon as practicable.

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War Claims Regulations; amendment

15. The Secretary of State submitted a recommendation to amend the War Claims Regulations to provide for the insertion of a lower figure for property claims to be settled on a first priority basis, i.e. $2500 rather than $5000, and for extension of the date to September 30th, 1954, on which notices of claims might be received. The first of these suggestions had been put forward by the Treasury Board on considering recommendations for payments received from the War Claims Commission and had been subsequently concurred in by the Commission. As far as the second was concerned, 17 small claims, totalling $45,000, had been received from civilians. The people involved appeared to be poor and perhaps illiterate individuals who had not heard about the deadline. If the date were extended for a further period, the Commission felt that it would be unlikely that many more claims would be received.

16. In the course of discussion, the following points emerged:

(a) The proposal might imply that certain larger claimants would, in the long run, receive a smaller amount of money than they otherwise would have.

(b) The extension of the date for receipt of notices could be justified quite easily on the grounds that there were only a few claimants and they were in unfortunate circumstances. The date, however, should be sufficiently advanced to allow the receipt of what further few claims there might be, rather than extended just for the purpose of adjudicating claims already sent to the Commission.

(c) A simple announcement in Parliament of the proposed action rather than elaborate advertising of the change would appear to be all that was necessary.

17. The Cabinet approved the recommendation of the Secretary of State and agreed,-

(a) that the War Claims Regulations be revised to provide for:

(i) the insertion in the order of priorities of a lower figure for property claims to be settled on a first priority basis, i.e. $2500 rather than $5000.

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(ii) the extension of the date from December 31st, 1953, to September 30th, 1954, for the filing of all claims with the War Claims Commission;

an Order in Council to be passed accordingly

(Order in Council P.C. 1954-920, June 21)

and,

(b) that an announcement of the above changes be made in Parliament.

R.B. Bryce
Secretary to the Cabinet.

P.C. 1954-920
1954-06-21

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TOP SECRET

CANADA

CABINET CONCLUSIONS

VOL. XL

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CABINET CONCLUSIONS

Meeting

June 22nd, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Tuesday, June 22nd, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Immigration; review of programme for 1954

1. The Minister of Citizenship and Immigration, referring to discussion at the meeting of December 17th, 1953, reported that senior officials of the departments most concerned with immigration and employment questions had considered, at a meeting last month, the advisability of deliberately curtailing the 1954 immigration programme because of less favourable employment conditions. There had been some divergence of opinion but the representatives of all departments concerned, however, had agreed that some caution should be exercised in the selection of trades and occupations considered likely to be in demand in Canada.

In 1953, a total of 168,868 immigrants entered Canada. Arrivals for the four-month period ending April 30th,1954, totalled 44,877 - an increase of 5,822 or 15 percent,over the 39,055 admitted during the first four months of 1953. Anticipated intake during May, June and July should bring total admissions during the current year to approximately 103,000, which would be slightly higher than the 98,033 who arrived in the corresponding seven-month period ended July 31st, 1953. It was not expected,however, that immigration during the last five months of 1954 would be as large as in 1953, during which period 70,835 immigrants were admitted. There was every reason to believe that the total number of arrivals during the course of the year would fall considerably below the figure of 160,000 approved by Cabinet in December,1953.

The Department of Citizenship and Immigration until now had been successful in placing immigrants coming for open placement, although the process had been slower than in past years for the same period, due to generally less favourable employment conditions.

In view of the above, he recommended that visas be granted to immigrants for open placement for arrival only up to September 30th instead of October 31st, as had been the case the previous year. After the end of September, only close relatives would be admitted. He recommended further that the immigration programme be again reviewed early in September to reach a decision as to the date on which immigrant movements should begin the following spring and as to the magnitude of the 1955 programme.

An explanatory memorandum was circulated.

(Minister's memorandum, undated, Cab. Doc. 153-54).

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2. In the course of discussion the following points emerged:

(a) It was suggested that a closer check might be made of applications for admission of close relatives during the winter months, as such arrivals, if too numerous, might give rise to employment problems.

(b) If farm workers were to arrive in time to be of use, particularly in western Canada, it would be necessary to process, in mid-winter, applications for the admission of persons in this category.

(c) It was reported that, recently, there had been greater opportunities for the transfer of funds from the United Kingdom to Canada by British immigrants.

3. The Cabinet noted the report by the Minister of Citizenship and Immigration regarding immigrant admissions during 1954 and agreed,-

(a) that the immigration programme for 1954, as approved by Cabinet in December, 1953, be left unchanged, except that visas would be granted to immigrants for open placement for arrival only up to September 30th, 1954, (instead of October 31st, as had been the case the previous year); and,

(b) that immigration policy be again reviewed early in September, 1954.

Immigration; admission of Chinese and West Indians

4. The Minister of Citizenship and Immigration, said that, from time to time, representations had been made seeking removal of some of the restrictions on the admission to Canada of Chinese and West Indians as immigrants. For the past two years only close relatives and so-called "meritorious cases" had been admitted.

If it were felt that a less restrictive policy should be adopted, it might be possible either to increase the number of admissions under the "meritorious cases" category, or, alternatively, to establish quotas for admission from China and the West Indies.

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One of the anomalies in the present situation was that American Negroes could migrate freely to Canada - although movements of this kind were very rare - whereas residents of Jamaica and the other British Colonies in the West Indies were not admissible unless they were close relatives of Canadian residents or could be classed in the "meritorious case" category.

5. The Cabinet noted the report of the Minister of Citizenship and Immigration on the admission of Chinese and West Indians and agreed that the present policy of admitting only close relatives or "meritorious cases" be left unchanged.

Former Newfoundland employees now with Canadian railways; special pension arrangements

6. The Minister of Transport, referring to discussion at the meeting of January 28th, 1954, submitted a draft Order in Council to carry into effect contributory pension arrangements for former Newfoundland public servants who, on April 1st, 1949, had been transferred to the Canadian National Railways. These arrangements had now been approved by the Newfoundland government and by the Canadian National Railways by whom they would be administered.

7. In the course of discussion the following points emerged:

(a) The new contributory pension scheme would, in effect, give the employees concerned pension treatment that paralleled, as closely as possible, that made available to former Newfoundland civil servants who, after April 1st, 1949, had become federal civil servants.

(b) In some respects, the scheme might appear to go beyond the commitment set out in section 39 of the Terms of Union and it was hoped that this would not result in creating a demand for more favourable pension treatment for employees of certain other Canadian railways merged, from time to time, with the Canadian National Railways.

8. The Cabinet approved the recommendation of the Minister of Transport for a new contributory pension scheme for former Newfoundland public servants who, on April 1st, 1949, had been transferred to the Canadian National Railways; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-922, June 22).

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Fisheries; proposed importation of five fishing vessels from the United Kingdom

9. The Minister of Transport said the Minister of Trade and Industry of the Province of Nova Scotia, had written to him, on May 27th, stating that the government of Nova Scotia was prepared to assist, financially, an English company which proposed to incorporate in Canada, under the name "Mercury Fisheries Limited", for the purpose of further developing the herring fishing of the Gulf of St. Lawrence on a commercial basis. Mr. Dauphinee had sought the co-operation of the Federal government in order to allow the transfer to Canadian registry of five U.K. vessels required by the company in the proposed undertaking. One of these was a refrigerated ship which would serve as the company's fish packing plant in the early stages of the experiment and the other four were drifter-trawlers of a type not presently available in Canada.

Results of experiments by the Fisheries Research Board had indicated a volume of revenue from $150,000 in the first year, with excellent prospects for expansion.

It was for consideration whether the government should modify its trawler policy in this instance. The Canadian Maritime Commission, which had examined the proposal, had recommended possible modification to allow the transfer of the five vessels on the condition that the company undertook to have three new trawlers built in Canadian shipyards.

10. The Cabinet noted the report of the Minister of Transport and deferred decision on a proposal that an English company be allowed to transfer five fishing vessels from U.K. to Canadian registry for the purpose of developing the herring fisheries of the Gulf of St. Lawrence, pending further consideration at a subsequent meeting when the Minister of Public Works and the Minister of Fisheries could be present.

St. Lawrence Power project; customs and immigration arrangements

11. The Minister of National Revenue reported that, following inquiry by the Chairman of the Ontario Hydro-Electric Power Commission, there had been discussions and correspondence between officials of his Department and the Department of External Affairs on special customs and immigration arrangements that might be agreed on with the United States in connection with the movement of equipment, materials and personnel across the international boundary when construction was commenced on the power development project in the International Rapids Section of the St. Lawrence River.

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12. In the course of discussion it was suggested that, -

(a) if a reciprocal agreement could be worked out with the United States, under which customs and immigration requirements might be waived in the international section of the St. Lawrence River during the period of construction not only of the power project but of the Seaway, this might be of advantage to all concerned;

(b) a complete remission of customs and excise duties on equipment and materials to be used in the St. Lawrence power project might possibly establish precedents that could be embarrassing and expensive in the future;

(c) a complete removal of immigration restrictions on American workers who might be employed on the project in Canadian territory might give rise to criticism by Canadian labour unions; and,

(d) officials of the Departments most concerned might be asked to consider all the implications of this problem and to submit recommendations as to how the problem could best be met.

13. The Cabinet noted the report by the Minister of National Revenue regarding special customs and immigration arrangements that might be made with the United States on the movement of equipment, materials and personnel across the Canada-U.S. boundary during the joint construction by the Ontario Hydro-Electric Power Commission and the New York State Power Authority of the St. Lawrence power project, and agreed that the Secretary to the Cabinet convene an ad hoc committee comprising representatives of the Departments of External Affairs, Finance, National Revenue, Citizenship and Immigration, Labour and Transport, to consider all the implications of any such special arrangements that might be made and to submit recommendations as to how the problem might best be met.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 24th, 1954.

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Items Discussed

Agreement on North Atlantic Ocean Weather Stations; acceptance and deposit 2.

Central Mortgage and Housing Corporation; building standards 3.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in Room 201, of the House of Commons, on Thursday, June 24th, 1954, at 2:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Defence
(Mr. Claxton),
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
and Acting Minister of Public Works
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Martin)

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P.C. 1954-1203

Agreement on North Atlantic Ocean Weather Stations; acceptance and deposit

1. The Secretary of State for External Affairs, referring to discussion at the meeting of January 21st, 1954, said an agreement on North Atlantic Ocean Weather Stations had been reached at the Fourth International Civil Aviation Conference at Paris in February, 1954. The agreement had been signed by the delegates and would come into force not earlier than July 1st, 1954, upon deposit of articles of acceptance with the Secretary General of I.C.A.O. by nations operating an aggregate of not less than fifteen vessels. It would continue to June 30th, 1956 and thereafter, on a year to year basis, unless notice was given the Secretary-General, by those governments responsible for operating not less than 2 vessels, at least a year prior to the termination of the last previous extension. By the terms of the agreement, Canada would continue to provide one weather ship in the North Atlantic,-a smaller commitment than the contribution of one ship and $210,000 per annum in cash previously authorized. The Minister of Transport, with his concurrence, had recommended acceptance of the agreement and deposit of the instrument of acceptance with the Secretary-General of I.C.A.O.

An explanatory memorandum was circulated.

(Memorandum, Minister of Transport, June 22, 1954- Cab. Doc. 154-54).

2. In the course of discussion, the following points emerged:

(a) At one stage the United States had indicated that it would withdraw all its ships from the weather station programme and this had caused considerable concern. However, the U.S. attitude had changed and they were now contributing only two or three fewer ships than previously.

(b) The Organization was allowed to draw on certain small funds available to it for extraordinary expenses which it might incur. After that, however, clause 12 of the agreement enabled the Organization to make a levy, in equal shares, on the contracting parties for such expenses and this appeared to involve an undesirable open-ended commitment. A similar clause, however, had been in the old agreement and it had not led to any demands on the participating governments. It seemed doubtful if it would give rise to any difficulty in the future. There was, also, a provision for withdrawal from the agreement.

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Agreement on North Atlantic Ocean Weather Stations; acceptance and deposit

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3. The Cabinet approved the recommendation of the Minister of Transport, as concurred in by the Secretary of State for External Affairs, that the International Agreement on North Atlantic Ocean Stations, signed at Paris, February 28th,1954, be accepted by Canada, and that the Secretary of State for External Affairs deposit an instrument of acceptance with the Secretary-General of the International Civil Aviation Organization; an Order in Council to be passed accordingly.

Central Mortgage and Housing Corporation; building standards

4. The Minister of Citizenship and Immigration, as Acting Minister of Public Works, recalled that a booklet on building standards had been prepared by the National Research Council in consultation with trade associations. This new National Building Code, which had been under preparation for a long time, had been issued on June 1st, and it was expected that, in due course, it would be followed by the trade and adopted as law by many municipalities. Amongst the requirements recommended, was one that roof sheathing boards should not exceed 6 inches in width. The Central Mortgage and Housing Corporation, in March of this year, had prescribed minimum standard requirements for the planning and construction of and materials for buildings upon which loans could be made under the National Housing Act. It was laid down here that boards for roof sheathing should not exceed 8 inches in width. The C.M.H.C. standards were in effect, but those of the National Research Council had not yet been adopted.

Producers of sheathing 10 and 12 inches wide had not been given any warning of the change in specifications by the Corporation and they had large quantities on hand of such wide boards for which there was no market. It seemed desirable to consider whether the government should ask the Corporation to suspend for a time this feature of its published requirements.

5. In the course of discussion, the following points emerged:

(a) It would not be possible to get much dry lumber of the size prescribed in the C.M.H.C. regulations for the current building season, and the market for 10 and 12 inch sheathing already cut would be seriously jeopardized if the new requirement for roof sheathing remained in effect.

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(b) The main reason given by the C.M.H.C. for the regulation was that wider boards warped and asphalt roofing laid on top was liable to become loose.

(c) It was not good policy to have C.M.H.C. building regulations differ in important aspects from the building code produced by the N.R.C. The requirements for roof sheathing should be suspended for the current season until stocks of the wider varieties of lumber were used up and until the possibility of reconciling the N.R.C. and C.M.H.C. standards in this respect was examined.

6. The Cabinet noted the report of the Acting Minister of Public Works and agreed that the Acting Minister should take this matter up with the President of the Corporation and ask the Corporation to suspend its prescribed standard requiring that boards used for roof sheathing be no more than eight inches wide.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

June 30th, 1954.

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Cabinet Defence Committee; report of Minister of National Defence; mid-Canada warning line	2.
Production of tritium for the United Kingdom	4.
International Joint Commission; Libby Dam Application	5.
International Court of Justice; nomination of candidates for election	7.
Proposed Guide to Canadian Government Organization	8.
Immigration; the case of Hal Banks	9.

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber on Wednesday, June 30th, 1954, at 10.30 a.m. and 4.00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair, (for morning meeting only)
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe), (for morning meeting only)
The Minister of National Defence
(Mr. Claxton), (for morning meeting only)
The Minister of Transport
(Mr. Chevrier), (for morning meeting only)
The Minister of National Health and Welfare
(Mr. Martin), (for morning meeting only)
The Minister of Finance
(Mr. Abbott), (for morning meeting only)
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson), (for morning meeting only)
The Minister of Justice
(Mr. Garson), (for morning meeting only)
The Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney), (for morning meeting only)
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald), (for afternoon meeting only)
The Secretary of State
(Mr. Pickersgill), for morning meeting only)

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

Also present: (for discussion recorded in paragraphs 1 to 5)

The Prime Minister of the United Kingdom
(Sir Winston Churchill),
The Secretary of State for Foreign Affairs
of the United Kingdom
(Mr. Eden),
The Adviser to the United Kingdom Government
on atomic matters
(Lord Cherwell),
The High Commissioner for the United Kingdom
(Sir Archibald Nye)

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Discussion with Sir Winston Churchill and Mr. Anthony Eden

1. The Prime Minister welcomed Sir Winston Churchill, Mr. Eden, Lord Cherwell and Sir Archibald Nye, and invited Sir Winston to tell the Cabinet something of the important talks which he and Mr. Eden had been having in Washington.

2. Sir Winston and Mr. Eden proceeded to explain the discussions and agreements concerning Indo-China, the European Defence Community and the British base in Egypt. During and after this exposition a number of questions were asked and answered and discussion ranged over these subjects and others. Before concluding, Sir Winston went on to emphasize that he felt the best and perhaps the only defence against the terrible nuclear weapons that had now been developed was the deterrent effect of the power to retaliate in kind, which must be preserved and multiplied.

3. The Prime Minister expressed his appreciation and that of his colleagues for the remarks of Sir Winston and Mr. Eden.

Cabinet Defence Committee; report of Minister of National Defence; mid-Canada warning line

4. The Minister of National Defence, referring to discussion at the meeting of November 4th, 1953, said that, at its last meeting, the Cabinet Defence Committee had considered again the proposal to construct an aircraft warning line across Canada in the general vicinity of the 55th parallel of latitude. Studies had been undertaken by the R.C.A.F. and the U.S.A.F. to develop characteristics, specifications for types of equipment to be used, cost estimates and manpower requirements. It was now estimated that the cost of that portion of the line running from Hopedale on the Labrador Coast to the mountains west of Edmonton would be of the order of $120 million. There were still many uncertainties about the location of the system in British Columbia, but its cost might amount to $20 million. Manpower requirements were estimated to be 600 persons on the line itself, with a further 300-600 necessary for support. The line would consist mainly of McGill Fence type equipment, making use of the "doppler effect", supplemented by scanning radars. It would provide cover from ground level up to 60,000 feet and could detect but not identify inbound and outbound aircraft. Its primary purpose was to provide a warning to enable Canadian and U.S. fighters to get into the air considerably earlier than would otherwise be possible and in sufficient time to meet attacking bombers as far away from the more heavily populated areas as possible. It would also give warning for take off and dispersal of the aircraft of the Strategic

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Air Command of the United States. It was planned to construct a test section of the line in the Flin Flon area in the summer of 1955 and complete the whole project by the end of 1957. Consideration was also being given to the establishment of an early warning line in the far north largely on the coast of the mainland. In addition, the United States had decided to provide sea wings for warning purposes from Hawaii to Alaska in the Pacific and from Newfoundland to the Azores in the Atlantic.

It would be desirable for Canada to construct the mid-continent line alone because with American participation there would be less Canadian control, costs would almost certainly be greater and the delays would likely be considerable. Furthermore, by undertaking the project alone and quickly Canada could demonstrate to the United States its active participation in continental defence. It could be assumed that a proposal would be made, in due course, to the government on the far northern line. The nature of this line, the expected difficulties of transporting to the area equipment and supplies required for its construction, and its vital importance to the U.S. Strategic Air Command all made it desirable that it should be a joint U.S.-Canadian project. The sea wings were principally for the protection of the United States, were likely to be very expensive and should be constructed by the United States alone.

5. Mr. Claxton described the equipment to be used on the mid-continent line, explained some of its capabilities, and told how the system would operate. He also described the type of aircraft which were now considered likely to be available to the Soviet Union in the next few years following the evidence secured at the time of the May Day fly-past in Moscow.

The Committee had recommended that a warning line in the vicinity of the 55th parallel be constructed as a Canadian project. It had also noted that a proposal to construct a distant early warning line would probably be made in the near future.

6. In the course of discussion the following points emerged:

(a) The cost of the line on the 55th parallel would come from current taxes and would not be a capital expenditure.

(b) Even the best possible warning system could not provide complete safety. Nevertheless, in the light of all the circumstances, it appeared to be a necessary element in our defences and should be built as a Canadian project.

(c) If the recommendation of the Committee were accepted, the U.S. authorities should be informed, but in doing so the project should not be linked with other possible continental defence features.

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7. The Cabinet noted the report of the Minister of National Defence concerning discussion at the last Cabinet Defence Committee meeting and agreed that an aircraft warning line in the vicinity of the 55th parallel of latitude from Hopedale, Labrador, to the mountains near the British Columbia-Alberta boundary be constructed by Canada at a cost estimated to be of the order of $120 million, the money to be provided from current appropriations for the Department of National Defence and the appropriations now contemplated for the next few years; it being understood that the construction of the section of the line across British Columbia would be considered at a later meeting, following reports on further surveys and studies.

Production of tritium for the United Kingdom

8. The Minister of Trade and Commerce stated that Sir Winston Churchill and Lord Cherwell had asked if it would be possible to secure a quantity of tritium for the United Kingdom's nuclear programme. This isotope of hydrogen was a key item for the production of thermonuclear weapons and could only be manufactured in atomic piles of certain types. The United Kingdom would not have a pile suitable for this purpose for several years but understood that the Canadian piles at Chalk River would be suitable. They proposed to ship to Canada sealed material to be irradiated in the Canadian pile. After treatment, the product would be returned to the United Kingdom and the tritium extracted there.

The use of the Canadian pile for this purpose would conflict with its use for other purposes and require a substantial re-arrangement of plans for the use of the pile. The cost of providing this service to the United Kingdom was estimated to be of the order of $8 million. It was for consideration whether the request should be met, and, if so, how it would be financed.

9. In the course of discussion the following points emerged:

(a) Canada was already providing material for the U.S. atomic bomb programme on a commercial basis. While there was an understandable reluctance to become involved in the production of hydrogen bombs, there seemed no reason, in principle, why work could not be done for the United Kingdom similar in general nature to that done for the U.S., if the facilities were available.

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(b) The financial implications of the proposal would have to be worked out in detail. It might be that the mutual aid programme for the next year or two would be such that funds could be provided from that source to meet the cost. On the other hand, the service might be provided on a straightforward commercial basis as was the production of plutonium for the United States.

10. The Cabinet noted the report of the Minister of Trade and Commerce, and agreed, in principle, that tritium might be produced by Atomic Energy of Canada Limited for the United Kingdom, the financial arrangements for covering the cost of furnishing the service (estimated to be perhaps as much as $8 million) to be settled in due course following further discussions between the two governments.

International Joint Commission;
Libby Dam Application

11. The Secretary of State for External Affairs reported that the United States government had, on May 27th 1954, submitted to the International Joint Commission a new Application for an Order of Approval for the construction of a dam on the Kootenay River near Libby, Montana. Under the Commission's rules of procedure, interested parties had until July 8th to file Statements in Response.

It would be recalled that an earlier application for approval of the Libby Dam project had been filed by the U.S. government on January 12th, 1951. This application, however, had been later withdrawn.

The U.S. position was that the United States should be required to pay the value of real property in Canada damaged by the construction and operation of the dam and the cost of providing alternative facilities for transportation and other services made necessary by the construction and operation of the dam. The U.S. government felt also that these payments should be made in cash and that no other indemnity or recompense should be required.

On the other hand, it was suggested that the Canadian position on this question should be,-

(a) that Canada and the Province of British Columbia should preserve all rights under Article II of the Treaty of 1909. (This Article provides that any diversion or interference with waters which flow across the boundary resulting in any injury on the other side of the boundary shall give rise to the same rights and entitle the injured parties to the same legal remedies as if such injury took place in the country where the diversion or interference occurs.)

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(b) that any rights which might be granted should be for a period not exceeding the legal life of the project;

(c) that indemnity for loss and property damage and the cost of rehabilitation of facilities should be paid for either in power free of charge or in cash; and,

(d) that indemnity for loss of resources which could otherwise be used should be in terms of power delivered at cost to the government of British Columbia; the amount of power to include

(i) a share of on-site power proportional to the increase made available by encroachment on Canada and in head contributed by the increase in water; and,

(ii) a share of down-stream benefits proportional to the land and storage made available in Canada.

A draft Statement in Response to the latest application had been prepared by an interdepartmental committee comprising representatives of the Departments of Northern Affairs and National Resources, Mines and Technical Surveys, Trade and Commerce, Finance, National Defence, External Affairs, and the Canadian Section of the International Joint Commission. An important new factor that was kept in mind in preparing this draft was the recently explored possibility of diverting part of the waters of the Kootenay River northward into the Columbia river at Canal Flats. Such a diversion might be advantageous, as it would appear to result in a net gain in power potential on the Columbia in Canada, although it would result in a decrease in power potential on the Kootenay in both Canada and the United States. Full details of this project were not yet available but it seemed likely that its advantages to Canada would be offset, in part at least, if a share of the power from Libby were made available to Canada.

He recommended that the revised draft Statement in Response, which had been cleared with the Premier of British Columbia, be approved and that Mr. D.H.W. Henry, of the Department of Justice, be designated as Counsel for Canada in connection with this application.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 26, 1954-Cab. Doc. 157-54).

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12. The Cabinet noted the report of the Secretary of State for External Affairs on the application made to the International Joint Commission by the U.S. government on May 27th, 1954, for an Order of Approval for the construction of a dam on the Kootenay River near Libby, Montana, which would create a reservoir about one hundred miles in length, the upper forty-two miles of which would be in Canada, and approved,-

(a) the text of the revised draft Statement in Response to this application as submitted by the Secretary of State for External Affairs; and,

(b) the designation of Mr. D.H.W. Henry, of the Department of Justice, as Counsel for Canada on this application.

International Court of Justice; nomination of candidates for election

13. The Secretary of State for External Affairs said that the terms of five members of the International Court of Justice expired on February 5th, 1955. Successors were to be elected at the forthcoming session of the General Assembly. The Secretary-General had requested that nominations be submitted to him by July 15th.

The scheme of nomination provided for the appointment by each government of a panel of four jurists competent in international law. This panel may nominate four candidates to the Secretary General. These nominating panels were known as National Groups. Provision was made for the appointment of Groups on a continuing basis, members serving for six years.

In Canada, the practice had been to establish Groups on an ad hoc basis when a Canadian was eligible for election. National Groups comprising members of the Bench were appointed in Canada in 1945 and again in 1948. A Group was not constituted for the 1951 elections.

It was now considered desirable to establish a Group to make nominations, notwithstanding that a Canadian could not be elected at this time, since Judge Read's tenure of office would continue until 1958. The provisions of the Statute of the Court suggested that participation in the nominating procedure was expected of each member state. Additionally, Canada was interested in ensuring, as far as possible, the selection of jurists of high calibre as candidates for the Court.

It would be advantageous to have the Group established on a continuing basis as were the Groups of both the United Kingdom and the United States. It was also considered desirable that the various branches of the legal profession - i.e. the bench, the practising bar, the law faculties of the Universities, and the government service, be represented.

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An explanatory memorandum had been circulated.

(Minister's memorandum, June 28, 1954-
Cab. Doc. 156-54).

14. The Cabinet noted the recommendation of the Secretary of State for External Affairs, concurred in by the Minister of Justice, concerning a continuing procedure for making Canadian nominations for election to the International Court of Justice, and agreed,-

(a) that a National Group be appointed by Canada for the purpose of making nominations to be submitted to the Secretary-General of the United Nations in connection with the forthcoming elections to the International Court of Justice;

(b) that the Group be established on a continuing basis and that members be requested to serve for a period of six years on the understanding that they might resign at their convenience; and,

(c) that Mr. Justice Rand of the Supreme Court of Canada, Dr. Cecil Wright, Q.C., Dean of the Law School of the University of Toronto, Mr. F. Philippe Brais, Q.C., Montreal, and Mr. M.H. Wershof, Legal Adviser of the Department of External Affairs, be appointed to the Group.

Proposed Guideto Canadian Government Organization

15. The Secretary of State said many requests had been made by the general public, as well as by educational institutions, government departments and public bodies, seeking comprehensive information on the organization of the Federal government, particularly on the functions and scope of operations of the various departments and agencies of government. This information was not provided in accurate and readily available form in any single publication.

It was suggested that there should be available a guide or directory which would include some of the information found in the Canadian Parliamentary Guide, but would concern itself only with the Federal field and would describe the various departmental functions and organization in addition to the information about Parliament.

He recommended that this proposal to publish a Guide to Canadian Government Organization be referred to a small committee of officials to include representatives of the Department of the Secretary of State, the Department of Public Printing and Stationery, the Treasury Board, the Privy Council Office and the Public Archives, for consideration and report.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 26, 1954-
Cab. Doc. 127-54).

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16. The Cabinet approved the recommendation of the Secretary of State and agreed that a committee of officials, comprising representatives of the Department of Secretary of State, the Department of Public Printing and Stationery, the Treasury Board Office, the Privy Council Office and the Public Archives, consider the practicability and desirability of publishing a guide or directory to Canadian government organization, which would contain comprehensive information on the organization of the Federal government, particularly with regard to the functions and organization of the various departments and agencies of government; the committee to report to the Secretary of State.

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Immigration; the case of Hal Banks

17. The Minister of Citizenship and Immigration, referring to discussion at the meeting of February 25th, 1954, said that Hal Banks had first come to Canada several years ago for the purpose of cleaning up a difficult labour situation that had arisen in Great Lakes shipping by reason of the fact that the majority of the seamen in this area belonged to the communist-dominated Canadian Seamen's Union. He had remained in Canada since that time as Canadian Head of the Seafarers' International Union, which had replaced the Canadian Seamen's Union in Great Lakes shipping. He had been granted permanent landing some two years ago.

It would be recalled that many representations had been made to the effect that Mr. Banks should be deported on the grounds that he had a criminal record and was otherwise undesirable. The case had been reviewed by a Board of Inquiry established under the provisions of the Immigration Act and that Board had recommended that Banks be deported.

As Minister of Citizenship and Immigration, he would have to decide, finally, whether to accept the Board's recommendation or whether Mr. Banks should be allowed to remain in Canada.

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Banks had been of real service to Canada in the labour troubles of some years ago on the Great Lakes.

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18. In the course of discussion, it was suggested that if Mr. Banks were now applying for permanent landing this would probably not be granted. However, as permanent landing had been granted some two years ago, there did not seem to be sufficient grounds to warrant deportation at this time.

19. The Cabinet noted with approval the report of the Minister of Citizenship and Immigration that he proposed to allow Mr. Hal Banks' appeal to be permitted to remain in Canada notwithstanding the adverse report of the Board of Inquiry which had reviewed his case.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

July 1st, 1954.

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Items Discussed

Television; proposed Canadian Broadcasting Corporation station at St. John's, Nfld. 2.

Cabinet; resignations and appointments 3.

Supreme Court; appointments 4.

St. Lawrence Seaway Authority; bringing Act into force; appointments 5.

External Affairs; appointments 5.

Transport; appointment of Deputy Minister 5.

Judicial appointments 6.

Acting Ministers; Treasury Board; appointments 6.

Public Service Rearrangement and Transfer of Duties Act; transfer of Farmers' Creditors Arrangement Act administration 6.

Public Archives Act and National Library Act; designation of Minister 7.

Legislation; preparation of programme for next session of Parliament 7.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, July 1st, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Defence
(Mr. Claxton,
The Minister of Transport
(Mr. Chevrier),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of Finance
(Mr. Abbott),
The Minister of National Revenue
(Dr. McCann),
The Minister of Justice
(Mr. Garson),
The Minister of Citizenship and Immigration
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Associate Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Secretary of State
(Mr. Pickersgill),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Television; proposed Canadian Broadcasting Corporation station at St. John's, Nfld.

1. Dr. McCann referred to discussion at the meeting of June 11th, 1954, when it was agreed that the Board of Governors of the Canadian Broadcasting Corporation might, with advantage, defer decision on an application for a private television broadcasting station at St. John's Newfoundland, pending re-examination of the desirability and practicability of erecting a national station in that city.

The Board of Governors had now recommended that authority be granted for the construction and operation of a C.B.C. television broadcasting station at St. John's. The cost was estimated at approximately $1.5 million, but only $300,000 would be required during the current year.

Some time ago the government had agreed that the C.B.C. should install television stations in all the provinces except Alberta, Saskatchewan, New Brunswick and Newfoundland. These stations were now either in operation or in course of construction. The C.B.C. felt that there were a number of special circumstances which made the installation of a C.B.C. station at St. John's desirable at this time.

2. In the course of discussion the following points emerged:

(a) Because Newfoundland had become part of the Canadian Confederation only in 1949, it had more need than other provinces for typically Canadian broadcasts. It was perhaps the most isolated of all the provinces and perhaps also the most subject to American influence. For these and other reasons there would no doubt be considerable advantage in having the C.B.C. provide national television service in St. John's.

(b) On the other hand, economic conditions were such that a television station at St. John's would likely incur larger annual deficits than would be the case in almost any other province.

(c) The C.B.C. had received numerous representations from various organizations in Newfoundland which strongly favoured national television service in preference to the alternative privately-owned and operated facilities.

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(d) No matter how powerful a station was built at St. John's, its coverage would likely not extend beyond the Avalon Peninsula. Because of the fairly limited audience to be served, and the difficulties that the C.B.C. would encounter in providing a national service in Newfoundland, it would be well to consider whether an expenditure of $1.5 million was warranted at this time when New Brunswick, Alberta and Saskatchewan would still remain without service.

(e) It might be preferable to allow the erection of a privately owned and operated station provided the C.B.C. exercised careful control over the material broadcast. The real objection here was that the current applicants for a private station were also the owners of the most influential radio station and newspaper in St. John's and if granted a television license would have a virtual monopoly on the more important public information media in the province.

3. The Cabinet noted the report of Dr. McCann and,

(a) deferred decision on a recommendation of the Board of Governors of the Canadian Broadcasting Corporation that authority be now granted for the construction of a C.B.C. television broadcasting station at St. John's, Newfoundland;

(b) agreed that Mr. Pickersgill review this subject when he was in Newfoundland and report to Cabinet; and,

(c) agreed that Dr. McCann request the Canadian Broadcasting Corporation to submit an estimate of the annual operating deficit likely to be incurred if a national television broadcasting station were erected at St. John's.

Cabinet; resignations and appointments

4. The Prime Minister announced that he had accepted, that day, the resignations of Mr. Claxton as Minister of National Defence, of Mr. Chevrier as Minister of Transport and of Mr. Abbott as Minister of Finance.

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5. The Cabinet noted the report by the Prime Minister on his intentions, as set out hereunder, regarding new appointments to the government and certain changes in ministerial portfolios:

(a) New appointments

(i) George Marler, until that day member of the Legislative Assembly of the Province of Quebec, to be Minister of Transport;

(ii) Roch Pinard, until that day Parliamentary Assistant to the Secretary of State for External Affairs, to be Secretary of State.

(b) Changes in Portfolios

(i) Mr. Harris to be Minister of Finance;

(ii) Mr. Campney to be Minister of National Defence;

(iii) Mr. Pickersgill to be Minister of Citizenship and Immigration.

Supreme Court; appointments

6. The Prime Minister reported on a proposed appointment to the Privy Council and submitted a recommendation for certain appointments to the Supreme Court of Canada.

7. The Cabinet agreed,-

(a) that Mr. Justice Patrick Kerwin be appointed Chief Justice of Canada;

(b) that the Honourable Douglas Abbott be appointed a Puisne Judge of the Supreme Court of Canada;

Orders in Council to be passed accordingly;

(Orders in Council P.C. 1954-998 and -999, July 1)

and,

(c) noted the Prime Minister's intention of recommending that Mr. Justice Kerwin be appointed a member of the Privy Council.

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St. Lawrence Seaway Authority; bringing Act into force; appointments

8. The Prime Minister submitted recommendations for bringing the St. Lawrence Seaway Authority Act into force and for appointment of the President and Members of the Authority.

9. The Cabinet agreed,-

(a) that the St. Lawrence Seaway Authority Act, as a whole, be brought into force on July 1st, 1954; and,

(b) that the Honourable Lionel Chevrier be appointed President and that Charles Gavsie, Esq., and Charles W. West, Esq., be appointed members of the St. Lawrence Seaway Authority;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1000 and -1001, July 1).

External Affairs; appointments

10. The Prime Minister submitted recommendations for the appointment of an Under Secretary and the designation of an Associate Under Secretary of State for External Affairs.

11. The Cabinet agreed that Mr. Jules Leger be appointed Under Secretary of State for External Affairs, and that Mr. R.A. MacKay, be designated Associate Under Secretary of State for External Affairs; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1006 and -1007, July 1).

Transport; appointment of Deputy Minister

12. The Prime Minister submitted a recommendation for the appointment of a Deputy Minister of Transport to replace Charles W. West, Esq., who was vacating this post to accept appointment as a member of the St. Lawrence Seaway Authority.

13. The Cabinet agreed that J.R. Baldwin, Esq., be appointed Deputy Minister of Transport; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1008, July 1).

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Judicial appointments

14. The Prime Minister submitted certain recommendations for judicial appointments in British Columbia and Alberta.

15. The Cabinet approved the following judicial appointments in British Columbia and Alberta; Orders in Council to be passed accordingly;

(a) the Honourable H.W. Davey to be a Justice of Appeal of the Court of Appeal for British Columbia;

(b) Harold W. McInnes, Esq., to be a judge of the Supreme Court of British Columbia;

(c) M.M. Porter, Esq., to be a judge of the Appellate Division of the Supreme Court of Alberta; and,

(d) Neil Primrose, Esq., be a judge of the Trial Division of the Supreme Court of Alberta.

(Orders in Council P.C. 1954-1009, 1110, 1111 and 1112, July 1).

Acting Ministers; Treasury Board; appointments

16. The Prime Minister submitted certain recommendations for the appointment of Acting Ministers and the reconstitution of the membership of the Treasury Board, consequent upon ministerial changes taking place that day.

17. The Cabinet noted with approval the Prime Minister's recommendations concerning the appointment of certain Acting Ministers and the reconstitution of the Treasury Board; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1102 and-1103, July 1).

Public Service Rearrangement and Transfer of Duties Act; transfer of Farmers' Creditors Arrangement Act administration

18. The Prime Minister submitted a recommendation for the transfer of functions of the Minister of Finance under the Farmers' Creditors Arrangement Act to the Minister of Justice.

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19. The Cabinet agreed that, under the provisions of the Public Service Rearrangement and Transfer of Duties Act, the functions vested in the Minister of Finance by the Farmers' Creditors Arrangement Act be transferred to the Minister of Justice; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1005, July 1).

Public Archives Act and National Library Act; designation of Minister

20. The Prime Minister recommended that the Minister of Citizenship and Immigration be designated as "the Minister" for the purposes of the Public Archives Act and the National Library Act and "the appropriate Minister" under the Financial Administration Act.

21. The Cabinet agreed that the Minister of Citizenship and Immigration be designated as "the Minister" under the Public Archives Act and the National Library Act and "the appropriate Minister" under the Financial Administration Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1004, July 1).

Legislation; preparation of programme for next session of Parliament

22. The Prime Minister said that, although a good portion of the government's legislative programme for the last session of Parliament was ready for introduction when Parliament convened in the fall of 1953, the situation had not been fully satisfactory.

All departments and agencies should be informed immediately that all government legislation (other than budget and appropriation bills) to be introduced during the next session of Parliament would have to be ready, in printed form, for introduction before Parliament convened. Any legislation not ready by that time would have to be postponed until the next session unless it was of an urgent nature. All departments and agencies should be asked immediately to submit their proposals at the earliest possible date to ensure that the draftsmen of the Department of Justice could complete the preparation of the legislation before Parliament met.

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23. The Minister of Justice reported that the Secretary to the Cabinet had, before the end of the last session of Parliament, written to all Ministers requesting early information as to their departmental legislative programmes for the coming session. Some replies had already been received.

24. The Cabinet agreed that all government departments and agencies be informed, immediately, that government legislation for introduction during the next session of Parliament (other than budget and appropriation bills) should be ready, in printed bill form, before Parliament met, and that any legislation not ready at that time would likely be postponed until the next ensuing session unless it was urgently needed.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

July 6th, 1954.

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Items Discussed

Gut Dam; claims for damages; establishment of international arbitral tribunal 2.

Veterans Affairs; establishment of a War Memorials' Advisory Committee 3.

St. Lawrence Seaway Project; report on meetings of Canadian and U.S. officials 4.

Legislation; programme for next session of Parliament 5.

Air Transport Board; appointment of Chairman 5.

Deputy Ministers; increases in salaries 6.

U.S. Secretary of Defence; comments on St. Lawrence Seaway Project and on continental defence 7.

tional Revenue; appointment of Deputy Minister (Taxation) 9.

..tional Harbours Board; re-appointment of member 9.

Table of Precedence; modifications 10.

Fisheries; proposed importation of five fishing vessels from the United Kingdom 10.

Immigration; admission of Chinese children between the ages of 21 and 25 11.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Tuesday, July 6th, 1954, at 3.00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill)
The Minister of Transport
(Mr. Marler)
The Secretary of State
(Mr. Pinard)

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier)

Also present: (for discussion recorded in paragraphs 15-22)

The Secretary of Defence for the United States
(Mr. Wilson),
The Military Assistant to the Secretary of
Defence for the United States
(Colonel Randall)

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Gut Dam; claims for damages; establishment of international arbitral tribunal

1. The Secretary of State for External Affairs reported that, following the decision of the meeting of June 12th, 1953, officials of the departments most concerned had discussed with representatives of the Lake Ontario Land Development and Beach Protection Association Incorporated, the possibility of establishing an international arbitral tribunal for the purpose of determining liability and awarding damages, if any, for alleged injuries to property arising out of the construction and operation of the Gut Dam in the St. Lawrence River, near Prescott, Ontario. It was understood, at the time, that any formal agreement that might be reached in this matter would be submitted to Cabinet for approval before the question was taken up formally with the United States.

Representatives of the Association had now accepted the principle of international arbitration, and drafts of a possible Canada-U.S. agreement to set up such a tribunal had been exchanged between the Association and the Department of External Affairs.

It now appeared that the United States government was prepared to join with Canada in the establishment of appropriate arbitral machinery. In a note dated June 23rd, 1954, from the U.S. Embassy at Ottawa, it was suggested that, since the majority of the claimants had come to accept the principle of arbitration, the U.S. government believed it advisable to resume the inter-governmental negotiations which had remained dormant since April, 1953, and enclosed a draft agreement for consideration by the government of Canada. The draft submitted, although a slight improvement over the last counterdraft from the Association, would require additional revision before it could be considered acceptable by Canada.

The U.S. Embassy at Ottawa had indicated that a bill would be introduced that month in Congress by two congressmen from New York State to provide funds for the U.S. share of the expenses for the proposed arbitration. This legislation was to be introduced in the expectation that an arbitration agreement could later be reached between the two governments.

The Minister recommended that negotiations be resumed with the U.S. State Department and that the Lake Ontario Land Development and Beach Protection Association be advised accordingly.

An explanatory memorandum had been circulated

(Minister's memorandum, July 5, 1954- Cab. Doc. 158-54).

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2. The Cabinet noted the report of the Secretary of State for External Affairs and agreed,-

(a) that, in reply to his note of June 23rd, 1954, the U.S. Ambassador to Canada be informed by the Minister that the Canadian government was prepared to have negotiations resumed between representatives of the Canadian and U.S. governments on the proposal for the establishment of an international arbitral tribunal to determine the liability and award damages, if any, arising out of the construction and operation of Gut Dam, and that it was suggested that such negotiations be resumed in Ottawa during the week commencing July 19th, 1954; and,

(b) that the Lake Ontario Land Development and Beach Protection Association Inc., be informed that, since the United States government had expressed the desire to resume inter-governmental negotiations, further discussion between Canadian officials and the claimants would appear to be unnecessary.

Veterans Affairs; establishment of a War Memorials' Advisory Committee

3. The Minister of Veterans Affairs, referring to discussion at the meeting of February 11th, 1954, reported that, in 1949, the Imperial War Graves Commission had approved a proposal for the erection, in Canada, of a memorial to commemorate members of the air forces of the Commonwealth who lost their lives while serving in units operating from bases in Canada or in the United States and had no known graves. The Commission had now urged that the Canadian government reach a decision as to the site and nature of such memorial.

The Minister recommended that a War Memorials' Advisory Committee, comprising representatives of the Armed Forces, Veterans' Organizations, the Federal District Commission and the Department of Veterans Affairs, be appointed to advise him, not only concerning the site and nature of the Air Force Memorial to be erected at the expense of the Imperial War Graves Commission, but also regarding the nature, plan, design or location of any building or other work, including alterations or extensions thereof, within the National Capital District, to commemorate the exploits of the Armed Forces of Canada during the war or during service in a theater of operations. It was noted in this connection that the World War II Book of Remembrance would be completed by October, 1955, and some consideration should now be given to the nature and location of a suitable repository.

4. The Cabinet agreed that the Minister of Veterans Affairs establish an Advisory Committee to consider and to report to him on the site and nature of a memorial to be erected in Canada by the Imperial War Graves Commission to commemorate members of the Air Forces of the Commonwealth who had lost their lives while serving in units operating from bases in Canada or in the United States and had no known graves, it being understood that the Minister might call upon that committee for advice regarding war memorials, generally, and particularly as to the choice of a suitable repository for the World War II Book of Remembrance.

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St. Lawrence Seaway Project; report on meetings of Canadian and U.S. officials

5. The Secretary to the Cabinet reported briefly that meetings had been held between Canadian and U.S. officials on July 5th and 6th, for the purpose of exploring the problems that arose out of a U.S. proposal to participate in the construction and operation of a portion of the St. Lawrence Seaway.

The Canadian officials had given some indication as to the stand likely to be taken by the Canadian government on such matters as the contribution of $15 million to the power companies to assist in meeting the cost of additional dredging in the bed of the river, the protection of the interests of Canadian and foreign shipping destined to Canadian ports in the Great Lakes, and the merits of joint versus unilateral tolls.

The U.S. officials generally recognized the equity of the Canadian position but said the Wiley Act made it difficult, if not impossible, to meet the Canadian suggestions without some further action by Congress. They also expressed a strong preference for joint tolls and suggested that it would be desirable if agreement could be reached between Canada and the United States that neither country would duplicate already existing navigation facilities without first consulting the other.

There was also some discussion concerning the treaty obligations of both Canada and the United States vis-a-vis foreign countries, and it was agreed that the legal officers of Canada and the United States should explore this situation further with a view to preparing a full report on the matter prior to the inter-governmental meetings.

It was thought by both sides that the Canadian and U.S. governments would likely agree to hold these inter-governmental discussions sometime during the latter part of the month.

6. In the course of discussion the following points emerged:

(a) Some of the American officials participating in the July 5th and 6th discussions had endeavoured to impress upon Canadian Ministers and officials that the U.S. Administration attached great importance to the implementation of the Wiley Act, which was one of the very few legislative successes achieved by the Administration.

(b) One possibility examined by Canadian officials was that, in the event the United States were to construct the 27-ft facilities in the International Section, Canada should construct, immediately, certain 27-ft channelling and the essential portions of a 27-ft lock in the dyke of the Canadian side of the boundary, since this could be done more cheaply in advance rather than after the pool had been filled and would permit cheaper and quicker completion of the 27-ft system on the Canadian side at a later date when the increase in traffic warranted such a course of action. Some doubt was expressed as to whether this would be worth while.

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(c) The Canadian government should make every effort to ensure that, in the event the United States constructed the canals in the International Section, Canadian and foreign shipping destined to Canadian ports should be afforded adequate protection against possible U.S. restrictions that might hamper the movement of Canadian trade through the "Wiley" canals.

(d) If the United States constructed the canals in the International Section, the Canadian government should not be required to retain responsibility for contributing $15 million towards additional excavation in the bed of the river since this excavation formed an integral part of the canal system in that area.

7. The Cabinet noted the report by the Secretary on meetings held on July 5th and 6th by Canadian and U.S. officials to explore the problems arising out of the U.S. proposals for the participation and construction of a portion of the St. Lawrence Seaway and to prepare an agenda for subsequent inter-governmental meetings.

Legislation; programme for next session of Parliament

8. The Prime Minister, referring to discussion at the previous meeting, said that the Secretary had already placed 16 legislative items on the tentative programme to be considered for the next session of Parliament.

He noted that proposed amendments to the Industrial Relations and Disputes Investigation Act were included in the list. Consideration might be given to amending this legislation in respect of its basic policy. The labour difficulties experienced by the railways during the past few years seemed to demonstrate the inadequacy of the present legislation in preventing the recurrence of paralysing railway strikes such as that which took place a few years ago and appeared now to be a possibility. It was hoped that current negotiations between railway management and labour would not result in a second strike. If this developed, however, it might be necessary to introduce such legislation.

9. The Cabinet noted the report by the Prime Minister on the preparation of the government's legislative programme for the next session of Parliament.

Air Transport Board; appointment of Chairman

10. The Prime Minister submitted a recommendation for the appointment of a Chairman of the Air Transport Board to replace J.R. Baldwin, recently appointed Deputy Minister of Transport.

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11. The Cabinet agreed that W.J. Matthews, Esq., Q.C., be appointed a member and Chairman of the Air Transport Board for a period of ten years with a salary of $12,000 per annum; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1039, July 6).

Deputy Ministers; increases in salaries

12. The Prime Minister, referring to discussion at the meeting of January 28th, 1954, said that Mr. Walter Gordon, who had reported to him on the revision of Deputy Ministers' salaries, had recommended that there be two groups established for salary purposes, instead of the three recommended by the Royal Commission in 1947.

The main group would include most of the Deputy Ministers, and for these the salaries would range from $14,000 to $17,500 per year, increasing normally by $500 per year, until they reached the maximum. Mr. Gordon had proposed that the present Deputies be placed at various points in this range determined mainly by the number of years since they had last received an increase in salary. The second, and smaller group recommended by Mr. Gordon would be paid $20,000 per year, after a few years at a lower figure of say, $17,500, if they had been recently appointed. He proposed that this group should now include the Deputy Ministers of Justice, Finance, National Defence and Trade and Commerce, the Under-Secretary of State for External Affairs, the Secretary to the Cabinet, and the Auditor General. He suggested that this division need not be rigid for all time but might be varied to take account of changing circumstances affecting the importance of the positions in question. It was proposed that, in future, persons promoted from the Civil Service to be Deputy Ministers in the main group would be appointed at the minimum rate and would receive increases of $500 annually, until they reached $17,500, while those appointed to the second group would receive the lower provisional rate for some years.

Once a decision had been reached as to Deputy Ministers' salaries, it would be possible to adjust the salaries of members of Boards and Commissions and other officials receiving salaries equivalent or near to those of Deputy Ministers.

13. In the course of discussion it was suggested,-

(a) that, although it was rather difficult to understand in some cases the reasons which had prompted Mr. Gordon to recommend that certain Deputy Ministers should be placed in the higher salary range while others with equal if not more onerous duties had been placed in the lower category, it seemed desirable to accept his recommendations;

(b) that the minimum salary of the lower classification might, however, be raised from $14,000 to $15,000 per annum; and,

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(c) that, because of the similarity between these positions, final decision regarding the salaries of the Chairman of the Defence Research Board and of the Commissioner of the Royal Canadian Mounted Police, be deferred until such time as the remuneration of the Chiefs of Staff had been fixed.

14. The Cabinet, agreed that effective July 1st, 1954, two salary ranges be established for Deputy Ministers, one including the Deputy Ministers of Finance, Justice, Trade and Commerce, National Defence, External Affairs, the Secretary to the Cabinet and the Auditor General, to be fixed at $17,500 and $20,000 per annum, and the other to include all other Deputy Ministers, the Inspector General of Banks and the President of the National Research Council and to be fixed at $15,000 - $17,500 per annum; an Order in Council to be passed accordingly, specifying the rates at which particular individuals would be placed in these ranges.

(Order in Council P.C. 1954-1040, July 6).

U.S. Secretary of Defence; comments on St. Lawrence Seaway Project and on continental defence

15. The Prime Minister said he and his colleagues were very pleased to have this opportunity to discuss matters of mutual concern with the U.S. Secretary of Defence. He felt that personal contacts of this sort between members of the Canadian and U.S. governments were very beneficial as they allowed each government to get a clearer and more accurate insight into the purposes and intentions of the other.

16. Mr. Charles Wilson thanked the Prime Minister for his words of welcome and pointed out the very difficult task that faced the democratic governments of the world in efficiently administering free societies while at the same time preserving all those individual freedoms which were an essential feature of our political philosophy. He felt that, on the whole, Canada and the United States were doing a very good job of governing free peoples.

On the matter of the St. Lawrence Seaway, he said that his Deputy Secretary of Defence, Mr. Anderson, had reported to him briefly on the discussions that had taken place the previous two days between Canadian and U.S. officials regarding the U.S. proposal to participate in construction and operation. He felt these talks had been useful in identifying the problems that would have to be solved, but hoped that undue importance would not be given to these problems and thought that, if both countries were determined, as he was convinced was the case, to proceed with the Seaway, then the most important thing was to get on with actual construction on the understanding that whatever problems arose would be settled by both countries in consultation.

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17. The Prime Minister said he understood some of the U.S. officials who had participated in the disucssions of July 5th and 6th had been rather surprised at the number of questions that would have to be settled in connection with U.S. participation in the construction of a portion of the Seaway. He referred particularly to the commitment made by the Canadian government, in June, 1952, that the St. Lawrence Seaway Authority would contribute $15 million towards the cost of certain channel excavations to be undertaken by Ontario-Hydro and the New York State Power Authority. This commitment had been made on the clear assumption that Canada would undertake the construction of the whole Seaway in Canadian territory from Lake Erie to the port of Montreal. If it were now agreed that the United States should construct the canals in the International Section, the Canadian government would naturally expect the United States to assume responsibility for this $15 million contribution, since the channel excavations in the International Section were an essential part of the navigation facilities in this area. He was sure Mr. Wilson would agree that it would be very difficult to explain to the Canadian public why Canada should undertake to pay for the dredging required to allow access to U.S. canals.

Since Mr. Wilson had been charged by the President with over-all policy responsibility for Seaway matters it might be appropriate if he and the Minister of Trade and Commerce decided, in consultation, on the date and place of the inter-governmental meetings on the Seaway referred to in Notes recently exchanged between the Secretary of State for External Affairs and the United States Ambassador to Canada.

18. Mr. Wilson, in referring to continental defence, felt that both the Canadian and U.S. public had now been fully awakened to the necessity of providing adequate air defences for both countries. Because of the tremendous technical developments that had taken place in recent years, oceans no longer provided effective protection. Since the hydrogen bomb and other atomic weapons were now in the hands of the U.S.S.R. it was extremely important that we should be provided with as much warning as possible of any attack.

He noted with gratification that the Canadian government had now decided to proceed with construction of the "McGill Fence" from the Atlantic to the Pacific. He felt, however, that this fence should be extended into the Pacific and Atlantic Oceans for several hundred miles if the United States were to be given adequate warning of any attacks which might come from the east or the west rather than from the north.

19. Mr. St. Laurent said the Canadian government considered the existing radar warning stations in Canada were too close to populated areas and that was the main reason which had prompted the decision to proceed immediately with construction of the "McGill Fence", which would be located considerably farther north.

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20. Mr. Howe noted that the survey of the locations of the various "McGill Fence" stations had been completed except in the Rocky Mountain area.

21. Mr. Wilson said it would be a good thing if early action could be taken on the proposed sub-Arctic chain of radar warning stations. He felt strongly that the mere existence of a vast warning network around North America might deter the U.S.S.R. from launching an attack from the air which, according to military authorities, was the only practical manner of attacking this continent. It was necessary to move our common warning facilities farther north for three reasons, i.e. -

(a) to prevent destruction of strategic air command aircraft on the ground;

(b) to give fighter aircraft sufficient time to get airborne; and,

(c) to enable a greater number of civilians to be evacuated from urban areas in the event of attack.

He referred briefly to efforts that had been made to develop inter-continental missiles. He understood that scientific research had not yet produced a practical weapon of this kind. The missiles so far developed had to have such a high rate of speed that they burned up like meteors before reaching the target.

22. The Prime Minister thanked Mr. Wilson for his visit and expressed the hope that he would have a pleasant vacation in Canada.

National Revenue; appointment of Deputy Minister (Taxation)

23. The Prime Minister submitted a recommendation for the appointment of a Deputy Minister of National Revenue (Taxation) to replace Mr. Charles Gavsie, recently appointed a member of the St. Lawrence Seaway Authority.

24. The Cabinet agreed that J. Gear McIntyre, Esq., Q.C., be appointed Deputy Minister of National Revenue (Taxation) at a salary of $15,000 per annum; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1038, July 6).

National Harbours Board; re-appointment of member

25. The Minister of Transport submitted a recommendation for the re-appointment of a member of the National Harbours Board.

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26. The Cabinet agreed that B.J. Roberts, Esq., be re-appointed a member of the National Harbours Board for a further term of ten years, beginning October 1st, 1954, at a salary of $13,500 per annum and subject to the provisions of the Public Service Superannuation Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1037, July 6).

Table of Precedence; modifications

27. The Prime Minister said he proposed to forward a petition to Her Majesty seeking approval of a new Table of Precedence for Canada effective September 1st, 1954.

Although the new Table would include a number of changes, the most important would be,-

(a) moving the diplomatic corps up to positions nos. 4 and 5, which was the relative position occupied by diplomats in the tables of precedence of most other countries; and,

(b) giving the Leader of the Opposition official precedence immediately following the Speakers and immediately preceding the representatives of the churches.

It was not anticipated that the new Table would cause any difficulties since the Governor General had, for some time, followed, in practice, the order it was now proposed to establish officially.

28. The Cabinet noted with approval the Prime Minister's proposals regarding certain modifications to the Table of Precedence and agreed that a petition be addressed to Her Majesty seeking approval of the new Table with effect as of September 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1041, July 6).

Fisheries; proposed importation of five fishing vessels from the United Kingdom

29. The Minister of Transport referred to the meeting of June 22nd, 1954, when consideration was given to a recommendation of the Canadian Maritime Commission that a U.K. company, which proposed to incorporate a company in Canada under the name "Mercury Fisheries Limited" for the purpose of further developing herring fishing in the Gulf of St. Lawrence on a commercial basis, be allowed to transfer five fishing vessels from United Kingdom to Canadian registry on the condition that the Company undertake to have three new trawlers built in Canadian shipyards. It had since been suggested that, until such time as the success of the new venture was established beyond doubt, Mercury Fisheries Limited be allowed to transfer the five fishing vessels to Canadian registry without any other condition than an undertaking on the Company's part to have any additional fishing vessels that might be required in the future built in Canadian shipyards.

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30. The Cabinet noted the proposal submitted by the Minister of Transport concerning the transfer from United Kingdom to Canadian registry of five fishing vessels required by a U.K. company planning to develop commercially the herring fisheries in the Gulf of St. Lawrence, and agreed that the extent to which the government's trawler policy should be modified, if at all, in this instance, be decided by the Minister of Transport and the Minister of Public Works, after consulting the Minister of Trade and Commerce about the possibility of marketing the production of these trawlers.

Immigration; admission of Chinese children between the ages of 21 and 25

31. The Minister of Citizenship and Immigration, referring to discussion at the meeting of June 22nd 1954, said there no longer seemed to be any valid reason to continue the policy adopted in 1951 of admitting, on compassionate grounds, the children, between the ages of 21 and 25, of Chinese residents of Canada.

There was little doubt that this policy had given rise to some abuses and that a number of young men and women who had been admitted to Canada under it were communist sympathizers.

It was now recommended that this practice be discontinued as of January 1st, 1955, and that, in order to give sufficient notice to Chinese residents of Canada who might still have children in these age groups in China, an immediate announcement of the change in policy be made.

32. In the course of discussion it was pointed out,-

(a) that this change in policy would no doubt give rise to dissatisfaction in the Chinese communities of Western Canada; and,

(b) that, because of the difficult international situation there might still be a certain number of Chinese applicants in this category awaiting transportation from Hong Kong to Canada.

33. The Cabinet deferred decision on the proposal that children between the ages of 21 and 25 of Chinese residents of Canada be no longer granted landing after January 1st, 1955, pending further consideration by the Minister of Citizenship and Immigration, the Minister of Finance and the Secretary of State for External Affairs.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

July 13th, 1954.

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Items Discussed

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St. Lawrence Power Project; special customs and immigration arrangements	4.
St. Lawrence Seaway; U.S. proposal for participation in construction and operation	6.
Canso Causeway; compensation to fishermen during temporary closure of the Strait	7.
Canadian National Railway Hotels; reorganization	9.
Telecommunications; leasing of microwave relay circuits in the Maritime Provinces	10.
Private radio broadcasting station, Camrose, Alta; application for licence	12.
Export of tank parts to Israel	13.
National Defence; Reserve Force and Cadets; amendments to Queen's Regulations and Orders	14.
National Film Board; appointment	16.
Wheat Board regulations, 1954-55 crop year; grain prices	16.
Unemployment situation; request for interview from Toronto Board of Control	17.
St. Lawrence Seaway Authority; by-law	17.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, July 13th, 1954, at 2:30 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Pelletier),
The Registrar of the Cabinet
(Mr. Halliday).

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Capital case; court-martial of Canadian soldier in Germany

Information is severed consistent with the provisions of the Access to Information Act and the Privacy Act s. 3(b),(g)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s.19(1) et la Loi sur la protection des renseignements personnels s. 3(b),(g)

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St. Lawrence Power Project; special customs and immigration arrangements

4. The Minister of National Revenue, referring to discussion at the meeting of June 22nd, 1954, submitted a report and recommendations by a special committee of officials appointed at that time to consider all the implications of any special customs and immigration arrangements that might be made with the United States on the movement of equipment, materials and personnel across the Canada-US boundary during the course of construction of the St. Lawrence Power Project by the Ontario Hydro-Electric Power Commission and the New York State Power Authority.

A decision was required urgently on this matter as the Ontario Hydro proposed in the next few days to call for tenders for the construction of two cofferdams on either side of the site on which the power houses would later be erected. Both cofferdams straddled the international boundary but both were to be constructed wholly by Ontario Hydro.

The committee of officials had considered the implications of the two extreme positions - complete remission of duties and taxes or no concession of any kind - and also of several mid-way measures such as remission of duties and taxes on materials only or equipment only, reduction of British Preferential to free with proportionate lowering of MFN rate, remission only in cases where materials were of a class of kind not made in Canada or where equipment was not available in Canada, etc.

After studying these various possibilities in the light of all relevant factors - interests of Canadian labour, contractors and manufacturers; administrative difficulty of applying normal customs and immigration rules to works lying astride the boundary; government policy regarding hydro-electric power projects; etc.- the committee had come to the conclusion that the most practical and defensible course of action would be to make a distinction between the "international" and the "national" components of the project and to waive all duties and taxes and immigration requirements in respect of the construction of the former while making no concession of any kind for the latter.

The total Canadian and US investment was of the order of $500 million. Of this, something more than $350 million would be expenditures on components of an essentially "national" rather than "international" character, clearly located on one side of the boundary or the other. These "national" works included both power houses, the generating equipment, the Long Sault dam, the dykes and all rehabilitation undertakings such as relocation of highways, railways, bridges, towns, etc. (Incidentally, the seaway project would consist entirely of "national" components of this character with the exception of dredging in the Thousand Island section). The remainder of the power project,

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amounting to slightly more than $130 million for both Ontario and New York, consisted of works which were predominantly "international", i.e., dredging, cofferdams and the Iroquois control dam. The cost of that portion of these three "international" components actually located in Canada, and to which, therefore, Canadian duties and taxes would normally apply, was estimated to be $42.5 million; but this figure included labour and management costs and,therefore, the dutiable or taxable element would be substantially lower.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, July 12, 1954-Cab.Doc. 163-54).

5. The Cabinet agreed,-

(a) that all duties and taxes on materials to be incorporated in the cofferdams required for the St. Lawrence power project and on equipment to be used in the construction of these cofferdams be remitted and that normal immigration requirements be waived in respect of persons employed on these works (but not their dependents). In the case of duties and taxes, remission would normally be by specific Order in Council; in the case of labour, employers would be required to furnish each employee with an identification card bearing his photograph and to forward certain prescribed information concerning each such employee to the Department of Citizenship and Immigration;

(b) that, without commitment - except with regard to cofferdams - as to which works should be classed in each category, approval be given to the principle that all duties and taxes should be remitted and normal immigration requirements waived in respect of "international" works - (generally speaking, the works that straddle the boundary)but that no concession of any kind be made with regard to other or "national" works; and,

(c) that the US State Department be informed that the Canadian government was prepared to reciprocate in the matter of special customs and immigration arrangements on cofferdams as set out in (a) above, and that the Department of External Affairs be authorized, in consultation with the government departments concerned and subject to final Cabinet approval, to negotiate with the State Department a reciprocal customs and immigration agreement covering the whole power project along the lines suggested in (b) above.

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St. Lawrence Seaway; US proposal for participation in construction and operation

6. The Secretary to the Cabinet submitted a report on the discussions held with United States officials on July 5th and 6th concerning arrangements with the United States for the construction of the St. Lawrence Seaway, and recommendations of the Interdepartment Committee on alternative courses of action in deciding upon such arrangements, and on certain related questions concerning the construction of canal facilities on the Canadian side of the International Rapids section of the St. Lawrence.

An explanatory memorandum had been circulated.

(Memorandum, Chairman, Interdepartmental Committee on the St. Lawrence Seaway and Power Project - July 13, 1954 - Cab. Doc. 164-54).

7. In the course of a brief discussion, the following points emerged;

(a) It was suggested that it would be difficult to defend the construction of works to continue 14' navigation in Canadian territory in the event that 27' canals in the international section were to be constructed on the US side of the boundary. It would, of course, be necessary to provide for continued access by water to the various industries located not only along the existing Cornwall canal but along the Lachine canal as well. Anything more than this hardly seemed justified.

(b) It was also suggested that, although Canada could now do certain preparatory work towards an eventual Canadian 27' system in the International Section on the Canadian side (such as excavation of channels in land to be flooded) at a cost very much lower than would be involved if these works were undertaken after the water levels had been raised in the pool, this did not seem to be practical if completion of the second 27' system were to be deferred for any considerable length of time, as the interest on the capital invested in these works would likely be greater than the savings effected by doing these works "in the dry".

(c) The view was expressed that the Canadian government might legitimately be accused of bad faith if the first alternative course of action outlined by the committee of officials were followed i.e. deliberately to stall the discussions until after the American elections in November. This did not mean, however, that Canada should acquiesce in any proposal the United States might see fit to make. On the contrary, the Canadian government would be quite justified in insisting that certain reasonable conditions be met by the United States and in the event such conditions were not met Canada could then proceed with construction of the seaway entirely in Canada.

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(d) The Interdepartmental Committee's recommendation that Canada should undertake construction of the Iroquois canal and lock seemed very advantageous not only because such construction could be undertaken at lower cost in Canada but also because this would enable Canada to complete the seaway more cheaply and quickly if an when increasing traffic or possible US restrictions on Canadian shipping or foreign shipping destined to Canadian ports made this course of action seem advisable.

(e) No firm date had been set for the inter-governmental meetings on US participation in the seaway although it was suggested during the discussions of Canadian and US officials on July 6th that sometime during the latter part of July might be acceptable to US authorities. On the other hand, this might not leave enough time for full consideration to be given to all the problems both by the US administration and the Canadian government.

8. The Cabinet noted the report and recommendations of the Interdepartmental Committee on the St. Lawrence Seaway and Power project regarding the US proposal for participation in the construction and operation of the seaway and, -

(a) deferred decision pending further consideration at a meeting when the Prime Minister and Minister of Finance could be present, possibly on Tuesday, July 27th, and,

(b) agreed that the Department of External Affairs consult with the US State Department as to the date and place of intergovernmental meetings on this matter.

Canso Causeway; compensation to fishermen during temporary closure of the Strait

9. The Minister of Transport said a petition had been submitted, dated January 9th, 1954, on behalf of the owners, masters, and crews of certain fishing vessels customarily operating through the Strait of Canso, requesting compensation for disturbance of their business arising from a temporary closure of the Strait to navigation during the Causeway construction period. It was understood that the passage would be closed to navigation from October 1954 to July 1955.

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The vessels affected operated from home ports north of the Causeway and delivered their catches to four fish plants located at Mulgrave, Queensport, Canso and Petit de Grat. There were 19 vessels involved with masters and crews approximately 86 in number and some 400 dependents. During the previous season, about 14 million pounds of fish were delivered to fish plants via the Strait. On the basis of that season's catches and average prices, the estimated loss in earnings of these men during closure approximating one fishing season would amount to $243,000 with a further loss to employees of fish plants of $104,500.

Fourteen of these vessels were too small to navigate around the northern tip of Cape Breton Island and their catches would have to be handled by truck from north of the Causeway with a consequent decrease in price paid on delivery at the plants of one cent per pound. The other five would lose about one-third seasonal catch by reason of longer delivery routes to plants, which was estimated to result in a loss of about one cent per pound on their entire season's catch.

He recommended that, during the entire temporary period when the Strait of Canso was closed to navigation, a compensatory payment of one cent per pound be paid to the masters of all fishing vessels covered by the petition (except three offshore vessels which could readily fish on other grounds) for each pound of fish caught in the Fundy area as tallied by the fish plant to which such catches were delivered and that the wharf at Havre Boucher be improved for the trans-shipment of fish. Based on last year's catches, it was estimated that compensation on this scale would total approximately $115,000 and that the wharf improvement at Havre Boucher would cost approximately $15,000.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 5, 1954-
Cab. Doc. 161-54).

10. In the course of discussion it was pointed out that fishing vessels normally operating in the Fundy area would only suffer temporary inconvenience as a result of the construction of the Canso Causeway whereas the residents of Mulgrave and Hawkesbury, most of whom earned their livelihood out of activities directly related to the ferry service between Cape Breton Island and the Nova Scotia mainland, would suffer a permanent loss of income when the Causeway was completed. It seemed difficult to justify the proposed compensation scheme for fishermen in the absence of Federal rehabilitation measures for the inhabitants of Mulgrave and Hawkesbury who were much more seriously affected.

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11. The Cabinet noted the report and recommendations of the Minister of Transport regarding payments for masters of fishing vessels operating in the Fundy area to compensate for the higher cost of transporting fish to the processing plants during the temporary closure of the Strait of Canso from October 1954 to July 1955, and agreed that this proposal be not approved at this time because of the precedent it might constitute, particularly with regard to the towns of Mulgrave and Hawkesbury which might consider they had a more justifiable claim on Federal assistance.

Canadian National Railway Hotels; reorganization

12. The Minister of Transport, referring to discussion at the meeting of November 4th, 1953, said the Canadian National Railways were anxious to proceed with the establishment of a new company, to be known as Canadian National Hotels Limited, to which would be transferred ownership of all the hotels now comprised in the C.N.R. Hotel System. Action on this proposal had been deferred a number of times as it had been felt that its implementation might have an adverse effect on railway labour negotiations. He pointed out, however, that the proposal had been made in the interests of corporate simplicity and the management of the Railways had advised that the current negotiations were with unions representing non-operating employees and that no wage negotiations were underway with unions representing hotel employees.

If the railway proposal was now approved it would be necessary to have an Order in Council passed following which the Railways would obtain a charter for the incorporation of the new Company under the Companies Act.

13. In the course of discussion it was pointed out that labour unions representing the non-operating employees might contend that incorporation of the new Hotel Company would have the effect of bringing hotel employees under provincial rather than Federal labour jurisdiction. This might indeed be true, but there did not seem to be any good reason why C.N.R. hotel employees should not be subject to provincial labour jurisdiction as were all other hotel employees in Canada. In the circumstances, there did not seem to be any reasonable grounds on which to delay further the proposal, and no particular publicity would be given to the incorporation of the new company.

14. The Cabinet approved in principle the proposal of the Minister of Transport that a new company be established, to be known as the Canadian National Hotels Limited, that ownership of all hotels in the existing C.N.R. hotel system be transferred to that company, and that the C.N.R. be authorized to acquire shares and debentures of the new company; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1086, July 13).

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Telecommunications; leasing of microwave relay circuits in the Maritime Provinces

15. The Minister of Transport reported that, in 1953, the United Kingdom Post Office, the American Telephone and Telegraph Company, and the Canadian Overseas Telecommunication Corporation had entered into an agreement for the construction of a new trans-Atlantic telephone cable between the United Kingdom and New York via Newfoundland and Nova Scotia. Between Sydney Mines, N.S., and the Canada-US boundary the connection was to be a microwave radio relay, constructed and operated by the Eastern Telephone and Telegraph Company, a wholly owned subsidiary of the A.T. & T. It was expressly stipulated in the agreement that this relay system could be used only for United States trans-Atlantic communications. This limitation had been placed in the agreement to ensure that Canadian overseas communications be routed via facilities of essentially Canadian communication companies and also to protect these companies from competition by the US-owned Eastern Telephone and Telegraph Company.

The Maritime Telegraph and Telephone Company had now requested that this agreement be amended to permit that company and the New Brunswick Telephone Company to rent microwave relay circuits from the Eastern T & T between Sydney Mines and Saint John, N.B.

Both the Canadian National and the Canadian Pacific Telegraph Companies were of the opinion that the trans-Atlantic agreement should not be modified to allow this and had informed the Department of Transport that the two Railway Companies proposed to provide microwave relay installations to meet needs in the Maritime provinces. The Railways intended to proceed first with installations between Montreal and Sydney, N.S., and stated that the system to be installed would be capable of meeting all communications requirements both of the Railways and of others, particularly in the Saint John, N.B., - Truro - Sydney section, for many years to come. The Railways were prepared to lease voice circuits at reasonable wholesale rates and claimed that the national interest required that Canadian communications should not be under foreign control.

The principal argument for the proposal was that, since Eastern T & T would be making the necessary capital investment anyway and would have extra circuits, it would be cheaper for the Telephone Companies in the Maritimes to lease these circuits rather than lease circuits in new microwave facilities constructed for the purpose.

The arguments advanced against the proposal were as follows:

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(a) American T & T was a world-wide US organizations which was carrying on vigorous attempts to dominate international telecommunications and already had an investment in and major influence over Bell Telephone of Canada. The proposal would mean that an important microwave relay segment for telephone use in the Maritime provinces would be dependent upon a wholly-owned subsidiary of American T. & T.

(b) By changing the agreement to permit Eastern T & T to lease circuits as requested, the government might be assisting the Trans-Canada Telephone System as against the Telegraph Companies in the present rivalry with regard to the development of microwave relay systems in Canada.

(c) There was a secondary strategic consideration, relating to the undesirability of being dependent for domestic circuits in time of emergency or war on a US owned company both from the point of view of security and of availability for government requirements.

The two alternatives were,-

(a) to reject the request on the grounds that microwave relay systems required for domestic use should not be provided by a US-owned company; or,

(b) to permit the leasing of the circuits, subject to consent of the other parties concerned, on a non-discriminatory basis and their limitation, perhaps, to voice circuits.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 12, 1954-Cab. Doc. 165-54).

16. In the course of discussion the following points emerged:

(a) Prior to conclusion of the agreement on the trans-Atlantic cable there had been some considerable opposition to allowing a US-owned company to operate the microwave circuits between the Newfoundland Atlantic Coast and the Canadian-US border. The Eastern T & T Company had been allowed to do this because no Canadian companies had the required facilities, but on the express stipulation that the Eastern circuits were to be used exclusively for US overseas communications. It would seem strange if this essential condition were now to be removed, even in favour of two Canadian Telephone companies.

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(b) On the other hand, it was pointed out that the Canadian National and Canadian Pacific Telegraph Companies were interested in monopolizing as much of the microwave relay facilities as possible in Canada, particularly in view of the the increasing importance of such facilities in television. However, it could be argued that the Telegraph subsidiaries of the two Railway companies were primarily designed to ensure efficient movement of rail transportation. It was for consideration whether it would not be sounder policy to allow privately-owned businesses such as the Maritime Telegraph and Telephone Company and the New Brunswick Telephone Company to operate more freely and on a wider basis in this field.

(c) It was pointed out that, if the Eastern Company were allowed to lease certain of its microwave circuits to the two Maritime companies it might be more difficult and expensive to ensure adequate security of Canadian overseas communications.

(d) It was suggested that it might be useful if the Minister of Transport were to discuss the matter further with all interested parties and to report back to Cabinet at a subsequent meeting.

17. The Cabinet deferred decision on the proposal that the Eastern Telephone and Telegraph Company be allowed to lease certain microwave radio relay circuits to the Maritime Telegraph and Telephone Company and to the New Brunswick Telephone Company between Sydney Mines, N.S., and Saint John, N.B., pending further discussion of the matter by the Minister of Transport with representatives of the Eastern Telephone and Telegraph Company, the Maritime Telegraph and Telephone Company, the New Brunswick Telephone Company, the Canadian National and Canadian Pacific Telegraph Companies and the Canadian Overseas Telecommunications Corporation.

Private radio broadcasting station, Camrose, Alta; application for licence

18. The Minister of Transport submitted a recommendation for the issue of a private commercial broadcasting station licence to Camrose Broadcasting Company Limited, for the establishment and operation of a radio broadcasting station at Camrose, Alta.

Information is severed consistent with the provisions of the Access to Information Acts.14(1)and the Privacy Act s 3(b),(g)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s.19(1) et la Loi sur la protection des renseignements personnels s. 3 (b),(g)

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20. During the course of discussion it was suggested that, in view of the revisions in company structure, the application should go back to the Canadian Broadcasting Corporation for consideration.

21. The Cabinet deferred decision on an application for a private commercial broadcasting station licence by the Camrose Broadcasting Company Limited, at Camrose, Alta., and agreed that Dr. McCann ask the Governors of the Canadian Broadcasting Corporation to consider and recommend on the new application.

Export of tank parts to Israel

22. The Secretary of State for External Affairs said the Department of Trade and Commerce, about a year ago, had received export permit applications from the Levy Company, for $742,063 worth of Sherman tank parts and $399,000 worth of Sherman tank steel track assemblies, ordered by the Israeli government.

As the equipment was of American type and origin, the U.S. State Department was consulted. They considered any more than a fraction of the total requested would disturb the balance of military power in the Near East and would be dangerous to peace and stability. Accordingly, only $176,992 of tank parts was approved for shipment.

The United States authorities had recently been requested to review the situation and had concluded it would be reasonable for Israel to acquire about $1,440,000 worth annually of maintenance parts for her tank force.

The Levy Company contract was extended to June 25th by the Israeli Legation in Ottawa, pending the above review and, on learning of the changed attitude of the United States government on the eve of the expiry date, the Minister had taken it upon himself to authorize the granting of export permits for the balance of the tank parts and the whole order for tract assemblies. He now sought, in accordance with the export of arms procedures agreed to in January of this year, the approval of Cabinet for his action.

The Levy Company had also applied in May of this year for an additional $224,000 worth of tracks. This would bring total deliveries for 1954 over the amount considered safe by the United States and he presumed there would be agreement to defer action.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 7, 1954-Cab. Doc. 160-54).

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23. In the course of discussion it was noted that Israel had been enquiring about the possibility of obtaining F 86 aircraft for her Air Force, which would require approval by the United States as well as Canada. There was no likelihood, at all, of such approval being given.

24. The Cabinet noted with approval the action taken by the Secretary of State for External Affairs in authorizing the granting of export permits to Israel of $565,071 worth of M.4 (Sherman) tank parts and $399,000 worth of M.4 (Sherman) tank tracks and agreed that action be deferred on a new application for additional tank tracks.

National Defence; Reserve Force and Cadets; amendments to Queen's Regulations and Orders

25. The Minister of National Defence explained that the majority of the changes recommended by the Kennedy committee on the Reserve Force were being implemented by ministerial authority. There remained six matters requiring authorization by the Treasury Board or the Governor in Council. Two had now been settled by the Board but the other four had been referred to Cabinet for decision after consideration at a recent meeting of the Treasury Board. These were:

(a) Imposition on members of the Militia of legal liability to serve following swearing in

Section 236 of the National Defence Act made absence of a Reserve Force member, without lawful excuse, from any parade, drill or training, an offence with liability to a fine on conviction. This section was not effective unless the liability to serve was prescribed by regulations made under the Act by the Governor in Council. This had not yet been done for the Reserve Force. The proposed amendment to Queen's Regulations would make it possible to order an officer or man of the Militia, as the Reserve Force was now to be known, to perform up to fifteen days camp training and up to sixty days local training a year and, consequently, make it possible to charge and fine absentees under section 236.

(b) Consolidation of unit allowances

Under present regulations, the Militia were entitled to four separate allowances, which were a cause of confusion and extra administrative work. The committee had recommended consolidation into a single unit allowance, which would be comparable with that for the Navy and Air Force. It was estimated that an annual saving of $289,000 might be made.

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(c) Provision of training bonus, and imposition of conditions on pay for local training

The committee only recommended payment of a training bonus for the Army, but it was proposed to make it apply also to the Navy and Air Force. The cash bonus was to encourage continuity of training. It would apply to reservists attending naval or camp training for a minimum period of six days and on condition that they had attended 75 per cent of the local training parades during the immediately preceding six months. The bonus would be $25.00, or $40.00 for a married man if he applied for this rate and agreed that the bonus be paid to his wife. The committee thought this procedure might mitigate the objection of wives to their husbands taking Reserve Force training.

It was to be noted on the other hand, however, that another amendment for the Army only, would make reservists not entitled to any pay if the number of days local training in one training year was less than fifteen.

It was estimated that the Training bonus would mean an increased annual expenditure of $461,500, but the reservation about entitlement to pay was expected to result in a saving of $1 million annually.

(d) Increased contingency allowance for Navy, Army and Air Force Cadets

Because of the success in securing graduates of the cadets corps for the Armed Services and because increased costs of administration were estimated at three times the present allowance, the committee had recommended an increase in the allowance per cadet from $1.00 to $3.00 a year. It was proposed to extend this proposal to the Navy and Air Force as well as to the Army. Additional annual expenditure was estimated at $178,400.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 12, 1954-Cab.Doc. 162-54 and letter of the Secretary to Treasury Board to Secretary, July 5, 1954).

26. The Cabinet approved the recommendation of the Minister of National Defence for amendments to Queen's Regulations and Orders to provide for:

(a) Imposition on members of the Militia of legal liability to serve following swearing in.

(b) Consolidation of unit allowances

(c) Provision of training bonus, and imposition of conditions on pay for local training.

(d) Increased contingency allowance for Navy, Army and Air Force Cadets;

Orders in Council to be passed accordingly

(Orders in Council 1954-1/;2/;3/;4/1085, July 13).

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National Film Board; appointment

27. The Acting Prime Minister said the Minister of Citizenship and Immigration, with the concurrence of the Secretary of State for External Affairs, had recommended that Jules Leger, Esq., Under Secretary of State for External Affairs, be appointed a member of the National Film Board.

28. The Cabinet agreed that Jules Leger, Esq., Under Secretary of State for External Affairs, be appointed a member of the National Film Board, beginning August 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1084, July 8).

Wheat Board regulations, 1954-55 crop year; grain prices

29. The Minister of Trade and Commerce reported that he had recommended Wheat Board Regulations fixing initial payments on grain for the crop year 1954-55 and these had been approved by the Special Committee of Council earlier that day. The initial payment for grade No. 1 Northern Wheat had been set at $1.40 a bushel, in store Fort William, Port Arthur or Vancouver.

In view of the current interest in this matter and as these were initial payments for the crop to be taken in during the crop year commencing this August, and which would not likely be disposed of before the next year, he thought he should advise the Cabinet of the matter. He did not intend to make any announcement until formal concurrence had been obtained from the Minister of Finance on his return later in the week, when a press release would be issued.

30. Mr. Howe considered the prices set would not result in any loss to the government. Even if there were a chance of this, he felt that reducing the initial price at this time would be more harmful in the long run. The present selling price averaged $1.75 a bushel, which represented a protection to the government of 35¢ a bushel. The new price was about the equivalent of 85-cent wheat in pre-war days. Stocks in Europe had been used up and buying was now normal. Canada was getting back into lost markets. Furthermore, prospects for the new crop did not look very favourable.

31. During the ensuing discussion it was indicated that it would be better to take now any risk of possible financial loss in the future rather than face what might be serious disturbance to the economy of the country if the guarantee price were set at a lower figure.

32. The Cabinet approved the new regulations of the Wheat Board, recommended by the Minister of Trade and Commerce, establishing initial payments on grain delivered to the Board during the 1954-55 crop year; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1067, July 13).

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Unemployment situation; request for interview from Toronto Board of Control

33. The Minister of Labour said the Mayor of Toronto had written to the Prime Minister requesting the government to grant an interview to him and other representatives of the Toronto Board of Control, to explain the seriousness of the situation arising from increasing unemployment in the city. Mr. Saunders had suggested arranging a meeting as soon as possible in August. He had also indicated that the Mayor of Hamilton wished to join with the deputation and that the Premier of Ontario would be asked to send representatives in the deputation.

The letter had been passed to him for consideration and it was a question as to whether it should be acknowledged by saying that it would be brought to the attention of the Prime Minister on his return, or whether the deputation should be invited beforehand.

34. In the course of the discussion it was considered quite inappropriate for the government to hear representations from individual municipalities. These should be made, in the first place, to the provincial governments concerned, who in turn could, if they wished, take the matter up with the Federal government. To take any other course would expose the government to such requests from every municipality in the country.

35. The Cabinet noted the report of the Minister of Labour on a request by the Toronto Board of Control for a meeting with the government to hear representations on the unemployment situation, and agreed that the Minister have prepared a suitable reply for signature by the Acting Prime Minister, indicating that the government felt that the situation should be discussed with the Provincial, rather than the Federal, Government.

St. Lawrence Seaway Authority; by-law

36. The Minister of Transport said a proposed by-law had been submitted by the St. Lawrence Seaway Authority.

37. The Secretary to the Cabinet explained that legislation establishing the Authority had been passed about the same time as had the Financial Administration Act. Consequently, the Authority was not listed in the schedules to the Act. The question of whether the Authority was to be an agency or a proprietary corporation had yet to be determined and should properly wait until the Minister of Finance returned.

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The by-law covered the working rules of the Authority and was necessary before it could properly start operating. It was suggested that such minor provisions as would allow for preliminary activities, such as establishment of a quorum, the hiring of staff, the buying of stationery and other mechanics of operation, could be put into effect now, pending decision on the major parts, when an additional by-law could be approved.

38. The Cabinet noted the proposed by-law for the St. Lawrence Seaway authority and agreed that it be approved, with the omission of portions dealing with the letting of contracts and other portions dependent upon the designation of the Authority as an agency or proprietary corporation, and after making other minor amendments necessary to have the by-law conform with the Financial Administration Act; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1087, July 13).

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

July 22nd, 1954.

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Items Discussed

Indo-China; invitation to serve on International Supervisory Commissions 2.

Invitation to attend All-Union Agricultural Exhibition in Moscow 5.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, July 22nd, 1954, at 10.30 a.m.

Present:

The Minister of National Revenue
and Acting Prime Minister
(Dr. McCann), in the Chair
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
and Acting Minister of Agriculture
(Mr. Winters),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard)

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin)

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Indo-China; invitation to serve on International Supervisory Commissions

1. The Secretary of State for External Affairs said the arrangements made at Geneva to end hostilities in Indo-China involved the establishment of an international commission to be set up in each of the three associated states, to supervise the application of the provisions of the armistice. At first, suggestions had been made that the commission might include the Colombo Powers plus one Western nation and one clearly Communist nation. This would have been a desirable composition because of the responsibility placed on the Asian countries concerned in an area in which they were vitally interested. However, the Colombo Powers themselves, principally India, did not want to serve on a commission constituted in this form and the proposal had been dropped. Later, it had been decided to establish a commission consisting of three countries. Surprisingly, Chou En-Lai had suggested that Canada be a member along with India and Poland. The French would have preferred Belgium, as she was a colonial power and, in large part, a French-speaking nation, but, as this was not acceptable, they were reasonably satisfied with Canada. The Chinese probably thought that Canada was the best of a bad lot, although their suggestion was also an indication that they felt we were not dominated by the United States. The fact that Canada's name had been put forward became public knowledge in Geneva, and the press in Ottawa were most anxious to discover whether or not the invitation would be accepted. Thus far, the only official information made available was that the formal invitation had not yet been received and no answer could be given until it had arrived and until detailed information concerning the commission's work had been secured. The invitation had now reached Ottawa and an early decision had to be made.

The Geneva Conference had been so occupied in getting the main features of the truce agreement worked out and signed that not much thought had been given to the details of the character, terms of reference, and powers and duties of the supervisory commission or commissions. It was expected, however, that fairly full information on these points would shortly be available. It was known that the commission would be charged with supervising, but not enforcing, the implementation by both sides of the provisions of the cease-fire agreements. There would, in name, be three commissions - one each for Viet Nam, Laos and Cambodia, although it was possible that there would be one main commission with a subsidiary body for each of the countries mentioned. The commissions would be called upon to supervise, control, inspect and investigate the application of the agreement. This would probably involve the creation of both fixed and mobile inspection teams similar to those which had been set up in Korea. The teams would have to deal with

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such matters as the movement of the armed forces of the two sides, the demarcation lines between re-grouping zones, as well as between demilitarized zones, the freeing of prisoners of war and civilian internees, the introduction of armed forces and military materiel of all types. Other important questions which would be dealt with would include violations of the agreements, exchange of populations, ensuring that there was no persecution, and, ultimately, the supervision of elections.

It was not clear yet as to what body the commission or commissions would report. As the United States had indicated it would have nothing to do with the agreement, this body would probably consist of the eight nations participating in the agreement, including the United Kingdom, France, China and the U.S.S.R. Owing to the military nature of the duties involved, the commissions would presumably be largely military in character, at least at the outset, with some civilian advisers. The numbers being considered were in the neighborhood of 75 officers and 125 other ranks. Many of the personnel might come from Canadian forces assigned to Korea, as it seemed likely that these would be reduced in size in the near future.

2. Mr. Pearson said he had discussed the problem with the Prime Minister on the telephone, who had indicated that, if the further information now being sought about the terms of reference and constitution of the commissions gave reason to believe that the commissions could work effectively, then the invitation should be accepted - indeed, the Prime Minister suggested that perhaps, in a public statement, Mr. Pearson might express the hope that the information to be received would make this possible.

Some word would have to be made public about Canada's attitude, and he proposed to tell the press that the invitation had now been received, that consideration was being given to the many questions involved, and that more information was being secured on the work of the commissions so that an early decision might be made. He also proposed to make some brief anodyne remarks about the cease-fire agreement itself, including an observation that the parties had achieved the best arrangement possible, having regard to the military and political aspects of the situation in Indo-China.

3. In the course of discussion, the following points emerged:

(a) While the United States had dissociated itself from any guarantee, the State Department was glad to have someone on the commission whom they could trust and whom they could talk to. It seemed likely also that U.S. public opinion would not be critical of Canada's membership.

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(b) It would not be desirable to give any impression that the agreement on the cessation of hostilities in Indo-China had been a success. Already the U.S. press were beginning to refer to it as "a Munich", and, in consequence, the U.K. press were reacting in an opposite vein. It would be unfortunate if feelings between the two countries were further exacerbated over this issue. Our Embassy in Washington was asking the United States for its views on certain points and would endeavour to keep up to date with U.S. thoughts.

(c) Membership on the commissions would involve many unpleasant duties. The whole matter was a difficult one and it would have been preferable if Canada had not been asked to serve. Nevertheless, having publicly received the invitation and, because it was essentially a peace-making operation, it would be almost impossible to refuse. One useful by-product of acceptance was that Canada could much better resist becoming involved in any South-East Asia Treaty Organization, at least for some time. This was highly desirable. In addition, there would be less reason for accusations in some parts of the country that the government was not showing as much interest in Asian problems as it might.

(d) The commissions would have no responsibility for enforcing the provisions of the cease-fire agreement. Its duties were purely supervisory. Indeed, the Indians would not serve if they had to enforce decisions.

(e) It seemed that there would be a better chance of success in supervising the agreements in Indo-China than in Korea, although the task was not going to be an easy one. The Chinese were more flexible on the Indo-Chinese problem than they had been on the Korean one. Furthermore, the large majority of the rank and file from both Viet Minh and Viet Nam got along reasonably well together, whereas the North and South Koreans were violently opposed to each other. The Communist side had also made important concessions in the negotiations.

(f) The French would probably withdraw troops and materiel fairly soon from Indo-China and the settlement there might enable the French government to have a somewhat easier time in dealing with E.D.C.

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(g) It did not appear that the settlement itself would increase the demands for a South-East Asian defence organization. The United States and the United Kingdom had held discussions on this matter, and the former was pressing hard for the conclusion of an agreement. By the terms of the settlement, Viet Nam, Laos and Cambodia would be excluded from such an organization. There was nothing, however, to prevent their security from being guaranteed by a new organization. In fact, these countries were to be allowed to have armies for their own defence and the French could maintain limited military elements in these nations if the nations themselves desired to have them.

(h) The only course open at this stage seemed to be to indicate that the invitation had been received, that it was being considered, and that further information was being secured so that an early and final decision might be made. It would, however, be wise not to become to deeply committed at this stage, in the event that the terms of reference of the commissions were such that their work would clearly be impossible.

(i) After discussion, it did not appear desirable to indicate at this stage that the government hoped the detailed information would be such as to make Canadian participation possible.

4. The Cabinet noted the invitation which had been received from the co-Chairmen of the Geneva Conference proposing that the international supervisory commissions for Viet Nam, Laos and Cambodia should consist of Canada, India and Poland, and agreed that final decision as to whether or not it should be accepted be deferred until the receipt of detailed information concerning the commissions; and that the Secretary of State for External Affairs should make public announcement to this effect.

Invitation to attend All-Union Agricultural Exhibition in Moscow

5. The Minister of Public Works, as Acting Minister of Agriculture, reported that the Minister of Agriculture of the U.S.S.R. had, through the Soviet Embassy in Ottawa, extended an invitation to the Minister of Agriculture here to send a delegation of five persons to visit the All-Union Agricultural Exhibition in Moscow. The Exhibition would open on August 1st, and the delegation was invited for a period of ten to fourteen days. All expenses connected with the stay of the delegates in the Soviet Union, including transportation from the border to Moscow and back from Moscow to the border, would be paid for by the Soviet Union. It was considered by the Department that Canadian agriculture would benefit from acceptance of this invitation.

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Russia had devoted a good deal of attention to scientific developments in agriculture and in many fields their work was of high quality. If a delegation were to be sent, it might consist primarily of scientific personnel, and possibly representation from the Canadian Federation of Agriculture and one of the agricultural colleges.

6. In the course of discussion, the following points emerged:

(a) It would be desirable to take advantage of the invitation to gain as much technical information as possible both in the fields covered by the exhibit, and through other contacts. The Departments of Agriculture and External Affairs and the Joint Intelligence Bureau all agreed that the invitation should be accepted.

(b) A delegation consisting of five individuals appeared to be too large; three would be a better number. Two officers of the Department of Agriculture were already in Europe and could go on to Moscow.

(c) All the expenses, both inside and outside the Soviet Union, should be borne by Canada.

7. The Cabinet noted the report of the Acting Minister of Agriculture and agreed that the invitation to attend the All-Union Agricultural Exhibition in Moscow in August be accepted; the Canadian delegation to consist of two officers from the Department of Agriculture, at present in Europe, and one scientist from the department in Ottawa, it being understood that all expenses would be borne by the Canadian government.

R.B. Bryce,
Secretary to the Cabinet

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CABINET CONCLUSIONS

Meeting

July 28th, 1954

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, July 28th, 1954, at 2:15 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
and Acting Minister of Agriculture
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Distinguished guests; use of R.C.A.F. aircraft for transportation

1. The Prime Minister referred to the pamphlet which had been published regarding arrangements for the forthcoming visit of the Duke of Edinburgh to Canada. He noted that a number of R.C.A.F. aircraft and personnel would be used to transport His Royal Highness and party during the course of the Duke's visit to Canada. The C-5 aircraft would fly the Duke from the United Kingdom to Canada. He had also been informed that plans were under way to have the C-5 transport the Duchess of Kent and party from the United Kingdom to Canada at a later date.

Visits to Canada by distinguished guests were becoming more and more frequent. It should be noted that, in the particular cases he had referred to, the Duke of Edinburgh was actually the guest of the British Empire Games, while the Duchess of Kent was to be the guest of the Canadian National Exhibition.

In order that federal expenditure in these matters may be kept within reasonable bounds, he suggested that, in future, the C-5 be not used to transport distinguished foreign guests without prior Cabinet approval.

2. The Cabinet agreed that, henceforward, the C-5 be not used for the transportation of distinguished guests visiting Canada without prior Cabinet approval.

St. Lawrence Seaway; proposal for U.S. participation

3. The Prime Minister, referring to discussion at the meeting of July 13th, said that legal officers of the Canadian and U.S. governments had met in Washington on July 23rd, to elucidate legal problems involved in the draft agenda for the forthcoming intergovernmental meetings on the United States proposal to participate in the construction and operation of the St. Lawrence Seaway. It seemed clear, from the reports which had been received of these meetings, that there was practically no chance of obtaining U.S. ratification of a treaty which would guarantee to Canadian and other shipping destined to Canadian ports in the Great Lakes treatment no more onerous than that which applied to U.S. shipping in Canadian canals.

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Notwithstanding this, it was important not to turn down on unreasonable grounds the U.S. proposal for participation in construction of the St. Lawrence Seaway. It should always be borne in mind that, legally at least, it might be possible for the U.S. Administration to have cancelled the licence granted by the Federal Power Commission to the New York State Power Authority. If this were to come about, there would be no Seaway since the power project was an essential prerequisite to its construction.

The Wiley Act was predicated on the principle of co-operation between the St. Lawrence Seaway Authority and the United States Seaway Corporation. Such co-operation could obviously only take place in the International Section of the St. Lawrence River. Consequently, if the United States found it impossible to assume responsibility for the contribution of $15 million towards certain channel excavations to be undertaken by the power entities in this Section, then it seemed to him that the Canadian government would be justified in informing the United States that Canada would construct the short canal and lock required to by-pass the Iroquois control dam and would collect sufficient tolls on this canal to amortize its cost plus the $15 million contribution during the 50-year period prescribed by the St. Lawrence Seaway Authority Act. The Iroquois canal and lock could be constructed in Canadian territory for something less than $14 million. This would still leave the main canal and locks and the power houses to be built by the United States at a cost of approximately $70 million. If this were done, he did not think that there was any real need to continue the 14-foot canal system at Cornwall, beyond ensuring continued access by water to the industries located along the banks of this canal, nor to do, now certain preparatory works required to provide eventually a second 27-foot system on the Canadian side at Cornwall.

4. In the course of discussion, the following points emerged:

(a) The United States legal officers who had participated in the Washington discussions of July 23rd, (Mr. Brucker, General Counsel of the Department of Defence; Mr. Rankin, Assistant Attorney General; and Mr. Yingling, of the U.S. State Department) had been rather unreceptive to the suggestion that Canada might construct the Iroquois canal and retain responsibility for the $15 million contribution.

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They had pointed out that the Wiley Act not only authorized but directed the U.S. Corporation to construct all the navigation facilities in the international section and to do the dredging required in the Thousand Islands. In the circumstances, they did not see how the United States could agree to forego construction of the Iroquois canal. Notwithstanding this attitude of the U.S. legal officers, it was suggested that the United States might be informed that the Canadian government proposed to construct the navigation works at Iroquois and, if such construction were indeed undertaken by Canada, it was thought that the United States would likely not proceed with construction of duplicate facilities in U.S. territory.

(b) Although it had been indicated to U.S. officials participating in the Canada-United States discussions of July 5th and 6th in Ottawa that the Canadian government would likely favour unilateral tolls in preference to a joint toll system, it might be possible to reach an agreement on the relative relationship of tolls to be imposed on various commodities, it being understood that actual rates would be determined independently by each authority, taking into account the total capital investment and operating and maintenance charges to be amortized. It was noted that although the Wiley Act stipulated that a rather complicated procedure of public hearings and appeals would apply to unilateral tolls, no provision was made for the application of this procedure to joint tolls. On the other hand, it was suggested that it would perhaps be in the best interests of Canada to have the tolls fixed unilaterally, as it would then be possible for the Seaway Authority to fix its own tolls within the framework of its governing statute without any interference by the U.S. Corporation. Unilateral tolls would have the added advantage of avoiding the complications which might arise if an attempt were made to establish an agreed international toll structure. In any event, for bargaining purposes at least, it would seem preferable to suggest to the United States, in the first instance, that the Canadian government favoured unilateral tolls.

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(c) It seemed unlikely that the United States could or would ratify a treaty which would ensure that Canadian shipping in U.S. canals would be subject to treatment and conditions no more onerous than those which applied to U.S. shipping in Canadian canals. However, it would probably be possible to reach an executive agreement with the United States to the effect that neither government would make any change in its own rules governing navigation in the Seaway without prior consultation with the other.

(d) There was some indication that a majority of Canadians favoured construction of the Seaway entirely in Canada. In the circumstances, it was for consideration whether it would not be possible to delay decision in this matter until after the forthcoming Congressional elections, when a decision to proceed with the all-Canadian Seaway could be taken with minimum adverse political effect in the United States.

(e) There might be some delay in completion of the Seaway if the Province of Quebec delayed much longer its decision as to whether or not it would participate in the construction of a joint power-navigation project at Lachine. In the circumstances, Canada should hasten preparation of the engineering plans for construction of the navigation works alone and then inform the Premier of Quebec that if he did not feel disposed to proceed now with the power project, the Canadian government would immediately commence independent construction of the navigation works.

(f) There seemed to be no doubt that, under the terms of the Constitution, the bed and foreshore of that portion of the St. Lawrence River lying within the boundaries of the Province of Quebec belonged to the Crown in the right of the province. However, from decisions which had been rendered in the past by the Judicial Committee of the Privy Council, it seemed clear that the Federal government could expropriate provincial property for works which were to the general benefit of Canada.

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(g) It was noted that the forthcoming intergovernmental meeting with the United States would be held in Ottawa on Thursday, August 12th. It had been ascertained that U.S. Secretary of Defence Wilson would not attend and it was very unlikely that U.S. Secretary of State Dulles would find it possible to participate in the talks. In all likelihood, the U.S. delegation would be headed by Deputy Secretary of Defence Anderson.

5. The Cabinet, noted the various suggestions made during the course of discussion, of the stand to be taken by Canada during the forthcoming intergovernmental meeting on United States participation in the construction and operation of the St. Lawrence Seaway and agreed that, as a minimum position, the Canadian representatives should indicate that the Canadian government proposed to construct in Canada the short canal and lock to by-pass the Iroquois control dam and to collect, in tolls, revenues sufficient to amortize the cost of this dam plus the $15 million to be contributed by the St. Lawrence Seaway Authority towards channel excavations to be undertaken by Ontario Hydro and the New York State Power Authority in the International Section of the River.

Indo-China; membership in International Supervisory Commissions for Vietnam, Laos and Cambodia

6. The Secretary of State for External Affairs, referring to discussion at the meeting of July 22nd, said that, after studying the Indo-China cease-fire and armistice agreements which had been drawn up at the Geneva Conference, he was satisfied that the procedures envisaged by these agreements were workable and might result in a permanent settlement of the Indo-China problem. It was to be noted, particularly, that certain serious weaknesses in the Korean arrangements had not been repeated here. For example, under the Korean scheme, there were an equal number of Communist and non-Communist members, whereas the Indochinese arrangement involved the establishment of three International Supervisory Commissions, one each for Vietnam, Laos and Cambodia, and each Commission to consist of one member from India, Poland and Canada, with the Indian member the chairman in each case. These Supervisory Commissions would themselves have no enforcement obligations or responsibilities. Their functions would be solely supervisory, judicial and mediatory. Under Indian chairmanship, the Commissions would be responsible for supervising the proper execution of the provisions

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of the agreements by the two sides directly concerned functioning through joint commissions established by the armistice agreements. The Supervisory Commissions would assist the two parties in the interpretation of these provisions, would be available to settle the disputes and, in cases where disputes could not be settled, would report back to the members of the Geneva Conference. It was also expected that India, Poland and Canada would later be asked to assume responsibility for supervising elections.

The cease-fire and armistice agreements provided that the Supervisory Commissions would, in most cases, function by majority vote. It was only in matters concerning violations or threats of violation, which might lead to a resumption of hostilities, that the votes had to be unanimous. In such cases, and in the event unanimity could not be secured, the Commissions would submit majority and minority reports to the Geneva Conference for decision.

In addition to providing representatives for each of the three Supervisory Commissions, India, Poland and Canada would supply a number of military officers for fixed and mobile inspection teams which would supervise the execution of the cease-fire agreements in the field, under the direction of the Supervisory Commissioners.

In these circumstances, he felt that Canada should now formally accept the invitation to serve on the three International Supervisory Commissions, notwithstanding that the task to be performed would be exceedingly difficult, that the work of the Commissions would last for at least two or three years, and that Canadian participation would involve the commitment by the services of a relatively large number of Canadian civil and military personnel.

7. In the course of discussion, the following points emerged:

(a) Information had been received that both France and the United States were anxious that Canada accept the invitation. The United States did not propose to take any active part in settlement of the Indo-Chinese dispute, but welcomed Canadian representation on the Supervisory Commissions, as this would enable the United States to be kept reasonably well informed as to the progress being made on armistice arrangements. It seemed, clear that if Canada did not accept the invitation, the whole difficult problem would be thrown open again without any assurance that a new panel of member countries could be devised which would be acceptable both to the Communist and to the Western countries.

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(b) It was not unlikely that Canadian participation in the settlement of the Indo-Chinese dispute had first been suggested by India. In any event, there was probably no other Western country in a better position than Canada to work harmoniously and effectively with India.

(c) There were several factors which might lead to the conclusion that the Indo-Chinese armistice might be settled permanently under the procedures devised by the Geneva Conference. In the first place, these procedures would not likely give rise to the series of deadlocks which arose under the Korean arrangements. Furthermore, the Chinese had now demonstrated that they could defeat the white man and probably did not wish to resume fighting in Indo-China. This attitude was no doubt reinforced by the possibility that completely free elections would produce Communist regimes in Indo-China.

(d) It was suggested that the only hope of salvation for Asia was the election of truly national governments. For this reason, it was important that free elections be held in Indo-China even though such elections might result in the establishment of Communist regimes.

(e) It was noted that Canadian membership on the Indo-Chinese Supervisory Commissions would place Canada in a very difficult position, in view of the fact that the United Kingdom and the United States were so sharply divided in their policies regarding settlement of this issue.

(f) It was further noted that acceptance of the invitation to serve on the Supervisory Commissions did not flow directly from Canada's membership in the United Nations. In normal circumstances, a matter of this kind would be submitted to Parliament. However, a decision had to be taken urgently and it seemed clear that the government should accept the responsibility to serve in this case since such acceptance would likely prevent further bloodshed in Indo-China.

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8. Mr. Pearson submitted a draft statement he proposed to issue to the press in the event the government agreed to accept the invitation of the Geneva Conference.

9. The Cabinet agreed that the invitation of the Geneva Conference that Canada serve with India and Poland on the three International Supervisory Commissions for Vietnam, Laos and Cambodia be now formally accepted and that an appropriate announcement be made immediately to the press by the Secretary of State for External Affairs.

Reduction of forces in Korea

10. The Secretary of State for External Affairs, referring to the discussion at the meeting of January 11th, 1954, said the United Kimgdom had been informed that, assuming it would be possible to reduce the Commonwealth Division to an integrated brigade group pending its complete withdrawal from Korea, the appropriate Canadian contribution would, in that case, be an infantry battalion and a field ambulance at reduced strength. The naval contribution might be one destroyer or frigate. Recently military representatives of the Commonwealth nations concerned had examined the stages in which forces in Korea might be reduced. The report made recommended that the reduction of the Commonwealth Division take place in two phases rather than one. In the first phase the division would be reduced by the withdrawal of one brigade group; in the second, it would be reduced to one brigade group. Canadian Army strength in the Far East would, in consequence, be reduced initially by 30 percent of the present strength committed and as a result of the second phase by 77 percent of the present strength. Concurrently the contribution of the Royal Canadian Navy would also be reduced by the withdrawal of two destroyers. These recommendations had already been approved by the United Kingdom and New Zealand. He recommended, with the concurrence of the Minister of National Defence, that the report be approved in principle as a basis for discussion with the U.S. authorities.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 26, 1954- Cab. Doc. 167-54).

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11. The Cabinet approved the report made by the military representatives of the Commonwealth countries concerned regarding the reduction of forces in Korea, and agreed that it serve as a basis for discussions with the United States; such discussions to commence as soon as other Commonwealth governments concerned were in agreement.

Colombo Plan; aid to Pakistan

12. The Secretary of State for External Affairs, referring to discussion at the meeting of April 29th,1954, said that further investigation of the canal falls site at Shadiwal, which formed part of the Punjab tubewell and irrigation scheme, had now been undertaken by the company which had been retained as consultants for the project. Subject to further confirmation, the site appeared to be suitable from a technical and engineering point of view for the construction of a hydro-electric project, and would provide a cheap source of power. Although the site was located on the upper Jhelum canal which formed part of the Indus basin, the use of which waters was in dispute between India and Pakistan, the engineer who had investigated the project felt it would not in any event be practicable for India to divert waters which would affect the flow to the site. It was also unlikely that the project would be adversely affected by any re-arrangement or diversion of waters undertaken by Pakistan to offset any possible action by India. The future of the canal waters dispute between India and Pakistan was by no means clear, but in any event India had not laid claim to the waters of the Jhelum in the past.

The project would make an important contribution to power requirements in the Punjab generally. The Pakistan government attached the highest priority to this development and for domestic political reasons, was particularly anxious to press ahead with it. Although there might be some possibility of Canadian participation being misinterpreted as taking sides in a dispute between two friendly countries, such criticism would not be justified, since by increasing the effective use of available water in Pakistan, the project might encourage agreement on a settlement to the dispute generally. The estimated cost to Canada would be of the order of $2 million which would come from funds already appropriated for aid through the Colombo Plan.

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It was recommended that equipment, materials and services for the construction of the Shadiwal project be provided.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 26, 1954- Cab. Doc. 166-54).

13. In the course of discussion, it was pointed out that Canada was already committed to giving assistance to Pakistan, and as the money to be used on this particular project would be devoted to something which was of lasting benefit, it seemed an eminently useful kind of contribution to make.

14. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed that, as part of the programme of Colombo Plan assistance to Pakistan, equipment, materials and services required for the construction of the hydro-electric project at Shadiwal, in an amount of the order of $2 million, be provided, subject to confirmation that the foundation conditions were satisfactory and the receipt of assurances from Pakistan that it would secure and prepare the site, all necessary access roads and rights of way, provide the necessary local labour and construction materials, and meet all other costs payable in rupees; accord Canadian supervising engineers sufficient authority to ensure control of designs and drawings for the work; and assume responsibility for ocean freight and insurance or replacement in the event of loss or damage for the equipment to be provided from Canada, and local transportation of such equipment to the site.

Telecommunications; leasing of microwave relay circuits in the Maritime Provinces; report of Minister of Transport

15. The Minister of Transport, referring to discussion at the meeting of July 13th, 1954, said that a meeting had been held with representatives of the Maritime Telegraph and Telephone Company, the New Brunswick Telephone Company, the Canadian National and Canadian Pacific Telegraph Companies, the Bell Telephone Company and the Canadian Overseas Telecommunication Corporation, regarding the request to rent microwave relay circuits from the Eastern Telephone and Telegraph Company.

The results of this meeting made it clear that it would be more economical to rent than to construct duplicate facilities. The telegraph companies remained of the opinion that a joint enterprise with the

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telephone companies would be desirable, but insisted that if this was not possible they could not, on a national scale, be dependent on rental from the telephone companies. For their part, the telephone companies would not enter a joint enterprise, either national or local, with the telegraph companies for microwave relay construction and operation, claiming that they must be in full control of their own system, rather than be tied to any other type of company which might hamper nation-wide telephone plans. The telephone companies also indicated that, while they would be prepared to rent microwave circuits from Eastern Telephone and Telegraph, they would construct their own facilities rather than rent from the telegraph companies, even if the latter built a microwave system in the area. The telegraph companies, in turn, favoured construction of their own facilities rather than rental from Eastern T. & T. The telegraph companies pointed out that the U.S. government would not grant to a Canadian subsidiary the type of privileges in the United States which were being requested for the U.S. subsidiary in Canada. It seemed possible that if no way could be found of making the Eastern circuits between Sydney and Saint John available, both the telegraph and telephone companies would likely embark on independent construction programmes, thus providing three separate systems where one would do.

In the circumstances, two alternatives seemed to suggest themselves,-

(a) The government might seek an amendment to the Trans-Atlantic Cable Agreement to allow Eastern T. & T. to lease circuits to the Canadian government, presumably through the Canadian Overseas Telecommunication Corporation. The C.O.T.C. could then sub-lease to Canadian users and would be in a position to ensure non-discriminatory treatment. The American Telephone and Telegraph Company which owned Eastern might, however, refuse to have the agreement changed in this way. Furthermore, such an arrangement should be conditional upon an appropriate portion of revenues accruing to the benefit of Canadian users.

(b) The agreement might be left unchanged but have the C.O.T.C. junction point with the Trans-Atlantic cable at Sydney Mines transferred to Saint John, N.B. This would mean that under the agreement, as it stands, C.O.T.C. could, with the consent of the other parties, lease circuits between Sydney Mines and Saint John. While not entirely satisfactory, this

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would be acceptable to the telephone companies, while the telegraph companies could also lease circuits from the C.O.T.C.

The telegraph companies did not like either of the alternatives. All things considered, however, the second solution seemed desirable, although the effect of changing the junction point from Sydney Mines to Saint John, N.B. would mean additional costs to C.T.O.C. of at least $200,000.

(Minister's memorandum, July 12,1954 - Cab. Doc. 165-54; memorandum, Deputy Minister of Transport, July 23,1954).

16. In the course of discussion, the following points emerged:

(a) The second alternative suggested would mean that the telephone and telegraph companies could get the service they required without building additional facilities but there was nothing to prevent them from constructing new services if they so desired. Moreover, the proposal would mean a saving to subscribers. The additional cost was in the nature of a capital investment and could be met over a period by the charging of rentals.

(b) Every opportunity should be given to enable the telephone companies in the area to carry traffic. The telegraph companies should only acquire additional facilities to the extent that it was necessary to operate the railways. The circuits could, of course, be used for television purposes.

(c) Under the terms of the agreement, Canada was free to decide where the break-out point would be. It appeared, therefore, that if the junction point were changed from Sydney Mines to Saint John, it would not be necessary to consult the other parties to the agreement. It would be desirable, however, to ensure that this was a correct interpretation of the agreement.

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17. The Cabinet noted the report by the Minister of Transport on the discussions he had with the parties concerned with a request of certain telephone companies in the Maritime Provinces to lease microwave relay circuits from the U.S. owned Eastern Telephone and Telegraph Company, and agreed that, subject to verification as to whether this could be done within the terms of the agreement to construct the new trans-Atlantic cable, the junction point of Canadian Overseas Telecommunication Corporation with the cable be transferred from Sydney Mines, N.S. to Saint John, N.B., in order that the C.O.T.C. be in a position to lease circuits between Sydney Mines and Saint John with the consent of the other parties to the agreement.

Appointments

18. The Minister of Labour said that, two years ago Mr. MacNamara had been appointed Chairman pro tempore of the Unemployment Insurance Advisory Committee while he had been Deputy Minister of Labour. It now appeared desirable to confirm this appointment and a recommendation was submitted accordingly.

19. The Cabinet approved the recommendation of the Minister of Labour and agreed that, pursuant to the provisions of sections 85 and 86 of the Unemployment Insurance Act, the appointment of Arthur MacNamara, Esq., of Ottawa, as Chairman of the Unemployment Insurance Advisory Committee, be approved and confirmed, such appointment to be effective until July 7th, 1957; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1164, July 28).

Unemployment insurance

20. The Minister of Labour submitted recommendations to extend the provisions of the Unemployment Insurance Act to employment in forestry and to provide certain amendments to the Unemployment Insurance Commission regulations.

21. In the course of discussion the following points emerged:

(a) The term "forestry" included such categories as firefighters, fire wardens and those engaged in the cultivation and preservation of forestry resources other than casual workers.

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(b) Among other aspects of the proposed amendments to the regulations was a provision enabling a married woman to draw benefits after she ceased employment because of leaving that particular area to accompany her husband who was being permanently transferred or who had found permanent employment in a new location. This seemed excessive.

(c) In studying proposals for a revision of the Unemployment Insurance Act, the Unemployment Insurance Commission had been asked to consider if a provision could be inserted in the new legislation whereby any person drawing unemployment insurance would have to take any employment, regardless of whether it was similar in character to his previous employment, if it paid him more than the insurance benefits he received.

(d) It would seem preferable to consider the recommendation in the light of the full study now being made of the Unemployment Insurance Act.

22. The Cabinet agreed that the recommendations of the Minister of Labour to extend the provision of the Unemployment Insurance Act to employment in forestry, and to amend the Unemployment Insurance Commission regulations covering inter alia the provisions respecting married women, be considered by the officials concerned in the general study currently being made of the Unemployment Insurance Act.

Agricultural Products Co-operative Marketing Act; marketing of apricots, peaches, prunes and apples

23. The Minister of Public Works, as Acting Minister of Agriculture, submitted recommendations that authority be granted to enter into agreements under the Agricultural Products Co-operative Marketing Act with the B.C. Tree Fruits Limited, Kelowna, B.C., for the marketing of apricots, peaches and prunes produced in 1954, and with the Cooperative Monteregienne of the Town of Rougemont, P.Q., for the marketing of apples produced in 1954 to be processed in certain forms.

An explanatory memorandum was circulated.

(Minister's memorandum, July 26, 1954- Cab. Doc. 169-54).

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24. The Cabinet approved the recommendations of the Acting Minister of Agriculture and agreed that he be authorized to enter into agreements, as submitted, under the Agricultural Products Co-operative Marketing Act, with the B.C. Tree Fruits Limited, Kelowna, B.C., for the marketing of apricots, peaches and prunes produced in 1954, and with the Cooperative Monteregienne of the Town of Rougemont, P.Q., for the marketing of a quantity of apples produced in 1954; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1163 and P.C. 1954-1162, July 28).

All-Union Soviet Agricultural Exhibition

25. The Minister of Public Works, as Acting Minister of Agriculture, referring to discussion at the meeting of July 22nd, said it had been brought to his attention that it might be desirable to increase the size of the delegation attending the Exhibition by the addition of a French-speaking member from the Department of Agriculture. He had thought the suggestion a worthy one and had authorized this addition to the delegation.

26. The Cabinet noted with approval that the delegation to the All-Union Soviet Agricultural Exhibition would be increased to four, the additional delegate being a French-speaking public servant from the Department of Agriculture.

Legislation; Motor Vehicle Transport Act; coming into force

27. The Minister of Transport said that Nova Scotia, Manitoba, British Columbia, Prince Edward Island, Saskatchewan and Alberta had requested that the Extra-Provincial Motor Vehicle Transport Act come into force in those provinces. Ontario had requested that it come into force as of September 15th. He therefore submitted a recommendation that a proclamation be issued to this effect.

28. The Cabinet approved the recommendation of the Minister of Transport and agreed that a proclamation be issued at an appropriate date or dates declaring that the Act respecting Extra-Provincial Motor Vehicle Transport come into force in Nova Scotia, Manitoba, British Columbia, Prince Edward Island, Saskatchewan and Alberta on August 1st, 1954, and in Ontario on September 15th,1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1165, July 28).

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Radio broadcasting stations, Peace River, Alta.,Victoria, B.C., Galt, Ont.,;television broadcasting stations, Peterborough, Ont., Sault Ste. Marie, Ont., Moncton,N.B.,Brandon, Man.

29. The Minister of Transport recommended that private commercial broadcasting licences for the establishment and operation of radio broadcasting stations at or near Peace River, Alta., be granted to the Peace River Broadcasting Corporation Limited; at or near Victoria, B.C. to Capital Broadcasting System Limited for a frequency modulated station; at or near Galt, Ont. to Margaret Gourlay Spohn representing a company to be incorporated and that private television broadcasting licences for the establishment and operation of stations at Peterborough, Ont., be granted to Kawartha Broadcasting Company Limited; at Sault Ste. Marie, Ont., to Hyland Radio-TV Limited; at Moncton, N.B. to Moncton Broadcasting Limited; and at Brandon, Man. to Western Manitoba Broadcasters Limited.

30. The Cabinet noted the report of the Minister of Transport and agreed that,-

(a) a private commercial broadcasting licence be issued to Peace River Broadcasting Corporation Limited for the establishment and operation of a radio broadcasting station at or near Peace River, Alberta;

(b) a private commercial broadcasting station licence be issued to Capital Broadcasting System, Limited, for the establishment and operation of a frequency modulated radio broadcasting station at or near Victoria, British Columbia;

(c) a private commercial broadcasting station licence be issued to Margaret Gourlay Spohn, representing a company to be incorporated, for the establishment and operation of a radio broadcasting station at or near Galt, Ontario;

(d) a private commercial broadcasting station (television) licence be issued to Kawartha Broadcasting Company, Limited, for the establishment and operation of a television broadcasting station at or near Peterborough, Ontario;

(e) a private commercial broadcasting station (television) licence be issued to Hyland Radio-TV, Limited, for the establishment and operation of a television broadcasting station at or near Sault Ste Marie, Ontario;

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(f) a private commercial broadcasting station (television) licence be issued to Moncton Broadcasting, Limited, for the establishment and operation of a television broadcasting station at or near Moncton, New Brunswick; and

(g) a private commercial broadcasting station (television) licence be issued to Western Manitoba Broadcasters, Limited, for the establishment and operation of a television broadcasting station at or near Brandon, Manitoba;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1166, July 28).

War veterans allowances

31. The Minister of Veterans Affairs said he would be attending the convention of the Canadian Legion in Toronto on August 1st, and undoubtedly the question of increasing war veterans allowances would be raised at that time. Criticism of the government might be forestalled if he were able to indicate that the matter would be considered in the near future. If he were authorized to make any statement in this connection, it would only be in the most general terms, but inevitably it would have to be such that, if the veterans concerned were to be satisfied, the impression would have to be left that something favourable would be done. The matter of war veterans allowances was being considered by officials of his department, and one of the plans being examined would have the effect of divorcing consideration of war veterans allowances in relation to old age assistance and other benefit schemes. The more vocal groups of veterans wanted not only the raising of ceilings for allowable income but an increase in benefit rates as well.

32. In the course of discussion the following points emerged:

(a) It seemed quite likely that action might have to be taken in the near future to raise the level of permissible income, but this would also have to be done not only for war veterans allowances but for those receiving pensions on account of blindness, total disability, and for those who received old age assistance. It would be extremely difficult to adopt the particular plan which had been

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specifically referred to. If ceilings were to be raised for one group in receipt of assistance, they would have to be raised for the others as well.

(b) Adjusting the ceilings of permissible income would be of no help to the aged and completely disabled veterans.

(c) It would not be possible to reach any decision at this time with respect to war veterans allowances, and it would therefore be undesirable to make any announcement about future intentions.

33. The Cabinet noted the remarks of the Minister of Veterans Affairs concerning war veterans allowances and agreed that no decision be taken at this time with respect to these allowances, and that no announcement be made as to the likelihood of any amendments being made to the legislation in the future.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

August 11th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber, on Wednesday, August 11th, 1954, at 11:00 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
and Acting Minister of Citizenship and Immigration
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Transport
(Mr. Marler),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Railway labour dispute

1. The Minister of Labour submitted and read letters he had addressed to the Presidents of the Canadian National and Canadian Pacific Railways and to Mr. Frank H. Hall of the International Railway Labour Organization concerning the current railway labour dispute. In these letters it was suggested that representatives of the railways and of the unions might meet with the Prime Minister and the Minister of Labour as soon as practicable following the announcement of the result of the recent strike vote, in order to explore what further steps could be taken for the early settlement of the matters at issue. It was also suggested that pending the outcome of the strike vote no notices should be given by the negotiating committee of the labour union which could be construed to signify a decision to withdraw the employees' services from the railways or which would otherwise hamper or impede further negotiations between the two parties to the dispute.

It had now been ascertained that members of the railway union had voted in favour of allowing the negotiating committee to call a strike. The exact vote was not known but it was understood that a very large majority of the union members had voted in favour of this course of action. It had been ascertained that representatives of both parties to the dispute were prepared to meet with the Prime Minister and the Minister of Labour the following day.

2. The Prime Minister reported that he had met Mr. Gordon and Mr. Mathers in Quebec City on July 12th. The Presidents of both railways, although reluctant to agree to anything which would result in substantial additional expenditures by the companies, had concurred in the suggestion that some sort of investigating board be appointed to look into and report on a suitable contributory sick benefit scheme for the employees and that the other matters at issue be submitted to arbitration. It had been made clear to Mr. Gordon and Mr. Mathers that nothing more than that would be recommended by the government to Parliament if a strike were called and it were felt necessary to convene Parliament to deal with the matter. On the other hand the Presidents of the two railways had pointed out that they could not expect to get much more revenue by increasing freight rates in present circumstances. They felt that there was need to amend the Railway Act to give the railways considerably more freedom in adjusting their rates. In particular, they felt that they should be allowed to continue to enter into "agreed charge" arrangements in order to meet the increasing competition from trucking.

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In order that there should be the least possible delay in convening Parliament in the event the men were called out on strike, the pro-forma proclamations summoning Parliament to meet were now issued on a weekly basis rather than every forty days as was the normal practice. In this manner it would be possible, on very short notice, to issue a de facto proclamation to convene Parliament to meet "for the despatch of business" in say - ten days time from the date of the issue of the proclamation.

3. In the course of discussion, the following points emerged:

(a) It seemed clear that if the railways were to be required to undertake unprofitable ventures in the national interest the financial burdens involved should rest on all the taxpayers and not on the companies.

(b) It was pointed out that if the railways and the unions now submitted their dispute to arbitration the results thereof need not necessarily be complied with, whereas arbitration imposed by Parliament would be compulsory.

(c) It was suggested that after the results of the strike vote became known the Prime Minister might suggest to both parties that they renew negotiations for, say, a week, and that, if these failed to produce results, it be suggested to both parties that they agree to submit voluntarily to arbitration.

(d) If Parliament had to be convened it should presumably meet at least ten days before the date fixed by the union for the strike.

4. The Cabinet,-

(a) noted the reports by the Prime Minister and the Minister of Labour on recent developments regarding the current railway labour dispute;

(b) noted with approval that the Prime Minister and the Minister of Labour would, the following day, meet with representatives of the railways and the labour unions in an effort to bring the negotiations to a satisfactory conclusion; and,

(c) agreed that if a strike were called by the negotiating committee of the labour union, Parliament be summoned to convene, if possible at least ten days before the date set for the strike.

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St. Lawrence Seaway Project

5. The Secretary of State for External Affairs, said that discussions between representatives of the Canadian and U.S. Governments would begin the following day.

The Minister recalled that at the meeting of July 28th,1954, it had been agreed that Canadian representatives should inform the American negotiators that Canada would undertake the construction in Canadian territory, of the canal and lock at Iroquois and that tolls would be imposed on Canadian navigation works at a level sufficient to amortize not only the cost of those works but also the $15 million contribution by the Seaway Authority towards certain channel excavations to be undertaken in the International Section by the Ontario Hydro and the New York State Power Authority. No firm decision, however, had been reached on the question of whether tolls should be jointly or separately determined or on the question of what, if anything, should be done to continue existing 14-foot facilities at Cornwall. No decision need perhaps be taken at this time concerning tolls but there might be some advantage in reaching at least tentative conclusions as to the government's intentions regarding 14-foot navigation works at Cornwall while considering the instructions to be given to those negotiating with the United States.

The Minister submitted drafts of instructions, an aide memoire and a possible note to be given United States; these included four alternative courses of action that might be followed in connection with the continuation of 14-foot navigation.

Under the first, 14-foot navigation would not be continued but provision would be made to water the existing canal below the power dyke and to build a turning basin in order to allow access by water from the lower end of the canal to the industries located along the canal banks. In addition, the Canadian government would now purchase the lands required eventually for completion of a 27-foot system in the vicinity of Cornwall.

Under the second alternative Canada would water the 14-foot canal, build a turning basin at Cornwall, acquire the lands required eventually for 27-foot navigation, and make, at this time, certain excavations for future 27-foot facilities in the land to be flooded just above Cornwall.

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The third plan involved all the features of the second alternative plus the construction of a 14-foot lock in the dyke in order to combine 14-foot navigation on the Canadian side around the main dam.

The last alternative included all the features of the fourth except that, instead of building a 14-foot lock in the dyke, provision would be made now for a short 27-foot lock which could be extended to full size whenever 27-foot facilities were completed in the Cornwall area.

An explanatory memorandum had been circulated.

(Secretary's memorandum Aug.9,1954-and attached draft instructions, aide memoire and note - Cab. Doc. 174-54).

6. In the course of discussion, the following points emerged:

(a) It seemed desirable to acquire, at this time, the lands which would be required eventually for completion of 27-foot facilities on the Canadian side of the river. The cost of acquiring these lands should not however be amortized out of toll revenue and should be considered, until such time as they were actually used for waterway purposes, as a real-estate investment by the government through the Authority.

(b) It was argued, on the one hand, that Canadian public opinion might react unfavourably if 14-foot navigation were not continued. On the other hand, it was suggested that the industries located along the banks of the Cornwall canal could be serviced adequately from the lower entrance of the canal provided a turning basin were built below the power dyke. In any event it did not seem possible to continue a toll-free 14-foot system and the present users of the canal might object if tolls were now to be imposed on this canal.

(c) It should be made perfectly clear to the Americans that Canada fully reserved its right to complete 27-foot navigation entirely in Canadian territory at any time in the future that traffic or other conditions made such action appear desirable.

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(d) It was pointed out that the much talked of mutual understanding and friendly cooperation between Canada and the United States were not empty words and that Canada should,therefore, attempt to meet, as far as possible, the wishes of the United States Administration in carrying out the provisions of the Wiley Act provided Canadian interests were fully protected.

7. The Cabinet approved in general the instructions proposed by the Secretary of State for External Affairs to be given those meeting with the United States representatives, and agreed,-

(a) that during the course of the Canada-U.S discussions to begin the following day on the proposal that the United States participate in the construction and operation of the St. Lawrence Seaway, the American representatives be informed that if the United States could not meet the more important Canadian requests, particularly those relating to navigation rights and to the $15 million contribution towards channel excavations, the Canadian government proposed to construct the canal and lock at Iroquois in Canadian territory, and to fix tolls on Canadian navigation works at a level sufficient to amortize not only the cost of these works but also the $15 million contribution by the Seaway Authority towards channel excavations in the International Rapids Section; and,

(b) that if the 27-foot navigation works at Barnhart Island were to be constructed in U.S. territory, it would be sufficient to water the existing 14-foot canal at Cornwall and to build a turning basin at the upper end of that canal below the dyke; and

(c) that the lands required eventually for a 27-foot system at Cornwall be purchased now but that the cost of acquisition be not amortized out of toll revenue until such time as the lands were actually used for navigation facilities;

it being understood that the government's intentions set out in (b) and (c) above need not, at this time, be communicated to the United States.

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Prince Rupert Dry Dock and Shipyard; disposal by Canadian National Railways

8. The Minister of Transport referred to a decision of November 19th, 1953, that the Department of Public Works should not purchase the facilities of the Prince Rupert Dry Dock and Shipyard and should not continue to extend beyond March 1954 the guarantee against operating losses which, in 1953, amounted to more than $200,000. In the circumstances, the Canadian National Railways decided that it should abandon operations and invite tenders for sale. This was done in January but in view of strong representations from local interests in British Columbia the matter was reconsidered. As a result it was agreed in February, 1954, that the Canadian National, which had proposed discontinuation of operation at the end of March, should defer this action for six months, the government undertaking to underwrite the losses for this additional six months. Meanwhile, the C.N.R. was to investigate the possibility of selling the dry dock separately while disposing of a portion at least of the machine shop and marine slipway to some local organization that would continue it in operation since a number of small fishing and other vessels in the area made use of the facilities for repair work.

The President of the C.N.R. had now reported that in spite of extensive efforts the railway had been unable to dispose of the facilities either as a whole or piecemeal as suggested earlier by Cabinet and that the C.N.R. wished to proceed now to discontinue operations on September 30th. In order to do this, early notice of termination of employment should be issued to the sixty-odd employees who would be affected.

In the circumstances, consideration should be given to whether the government was prepared to modify its earlier decision and underwrite operating losses as previously.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug. 4, 1954- Cab. Doc. 172-54).

9. In the course of discussion it was suggested that there did not appear to be any alternative to the course of action proposed, as there was no justification for a subsidy on the scale required to keep this dry dock operating. It had better be closed now when opportunities for alternative employment were good.

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10. The Cabinet noted the intention of the Canadian National Railways to discontinue operation of the Prince Rupert Dry Dock and Shipyard as of September 30th, 1954, and, in order that as much advance notice as possible may be given to the employees who would be affected, agreed that the President of the C.N.R. be informed immediately by the Minister of Transport that the government did not propose to continue its guarantee of operating losses beyond that date.

C.N.R. hotel, Montreal; proposal for management by Hilton Hotels

11. The Minister of Transport said that the Canadian National Railways had recently been approached by the Hilton Hotels Corporation in the United States to ascertain if there existed any basis on which they could become associated with the operation of the new C.N.R. hotel in Montreal. The Hilton interests claimed that operation of the hotel by them would benefit the Canadian National because they had developed unique techniques in the hotel field. They were in a favourable position to attract convention business, their purchasing arrangements and training programmes would be of considerable value and if the Canadian hotel were part of the Hilton chain it would enjoy a preferred position in general hotel business.

The Hilton interests had placed before the C.N.R. concrete proposals, one of which seemed the most desirable to the Board of Directors if an arrangement could be made. It involved the construction and outfitting of the hotel by the Canadian National with Hilton directing and guiding in the furnishing and equipping of the building; the inclusion of the hotel with other Hilton hotels in benefits received from inter-hotel reservation, promotion and advertising services, personnel training, credit card services and the like. The hotel would be leased to Hilton for a minimum of 15 years, and Hilton would provide the inventories of goods and beverages, and other working capital. There would also be established a reserve for the replacement of furniture and equipment. An agreed division of costs would be made with respect to insurance. The pre-opening expenses incurred by Hilton would be reimbursed over a period of time. Complete and exclusive control of all operating policies would rest with Hilton. In consideration of the lease Hilton would pay a rental to the C.N.R. of 75 percent of the gross operating profit. The Railway would assume property taxes, functional depreciation and interest. Arrangements would be made for a distinctive name to meet the public relations needs in Canada. Hilton would also welcome advice and guidance in setting rates and would plan to employ as many Canadian personnel as feasible, even accepting a clause requiring recruitment of at least 95 percent in Canada.

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The Board of Directors of the C.N.R., with one exception, were of the opinion that the proposal would be a beneficial one and that the offer was reasonable. Mr. Wilfrid Gagnon was reported by Mr. Gordon to have objected to it on the ground that the hotel should not be turned over to American operators for management since this might be regarded as a slight on Canadian abilities. The President, while not asking approval in detail of any working arrangements, felt that the proposal involved a matter of policy upon which the Canadian National would welcome an expression of the government's views.

An explanatory memorandum had been circulated.

(Secretary's memorandum, Aug.9,1954 and attached letter, President, C.N.R. to Minister of Transport, July 7,1954-Cab. Doc. 175-54).

12. Mr. Marler added that there were two arguments in favour of the suggestion which appealed to him particularly. One was that it was almost impossible for the Canadian National to build up an organization to manage a $27 million hotel in as successful a manner as the Hilton interests would with their vast knowledge and experience. The other was that the feature concerning the attraction of conventions seemed a most desirable and useful one. Since receiving the President's letter, he had discussed the matter further with Mr. Gordon and with Mr. Gagnon and the latter's objections could be reduced to the fact that he felt the Hilton interests would be paid too much. There did not appear to be any objections on broad political grounds.

13. In the course of discussion, the following points emerged:

(a) All that was sought at this stage was the government's approval in principle to the suggestion. It was for the Directors and the management of the C.N.R. to work out detailed arrangements and to decide whether or not they would be satisfactory.

(b) The railway should be informed it would be desirable to have in the contract a clause providing for no discrimination by the Hilton interests in favour of their other hotels against the Montreal enterprise, in the allocation of business. If then the courts found discrimination existed the lease should be cancelled.

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(c) There might be an adverse public reaction against the calling in of Americans to manage the Montreal hotel. On the other hand, Hilton was a large corporation operating internationally and would incorporate a subsidiary in Canada if it became associated with the C.N.R. The Company already managed hotels in Spain, the West Indies and Cuba and it seemed doubtful if the Canadian public would express any serious concern regardless of how the hotel was managed.

(d) It was not likely that the Hilton interests would seek to become associated with the Canadian National in the management of its other hotels as they did not seem to be suited for the type of business normally conducted by Hilton.

(e) It was noted that the choice of a name for the hotel, and advertising and public relations generally would have to be delicately managed if unfortunate effects were to be avoided.

(f) The suggested arrangement had an important bearing on the financial position of the Canadian National and, as railway financing was difficult enough, anything which could be done to ensure the operation of a significant part of the system at a profit seemed essential. It was a matter of judgment to be left to the Board of Directors whether payment to the C.N.R. by Hilton of 75 percent of the gross operating profit was adequate. On balance the proposal appeared to be a sound one in principle.

(g) The Canadian National hoped for an early decision on the matter because, if it were a favourable one, they wished to have the benefit of Hilton's advice and assistance in the near future in designing the hotel building.

14. The Cabinet noted the report of the Minister of Transport and agreed that the Canadian National Railways be informed that the government would have no objection, in principle, to the proposal put forward by the President of the Canadian National Railways to the Minister of Transport, for the leasing of the management and operation of the new hotel in Montreal to Hilton Hotels of the United States, but that it would be desirable to include in the contract a provision to ensure that the Hilton interests would not discriminate against the Montreal hotel in favour of their other enterprises in directing business to hotels.

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Indo-China Supervisory Commissions

15. The Secretary of State for External Affairs, referring to discussion at the meeting of July 28th, 1954, reported on the steps which had been taken to establish the Indo-China Supervisory Commissions. A good deal of progress had been made on the Canadian side and by India and Poland as well. The Indians had accepted responsibility for providing the bulk of the international secretariat staff and services for the Commissions. The Chief Commissioner would be Mr. Desai, the Acting Indian High Commissioner in the U.K. and a very competent person. The Poles appeared to be co-operative for the present which was welcome but no conclusions could be drawn from their apparent change in attitude. The Commissions were holding their first meetings that day and Canada was represented at each one. In addition to the civilians who had gone to Indo-China, a number of military personnel were in the country and more would arrive in the near future. The necessary communications had been set up.

It was proposed that ultimately the senior Canadian representatives on each Commission be a civilian having military and political advisers. For Viet Nam where the most important Commission would be situated, it had been possible to secure the services of Brigadier Sherwood Lett of Vancouver for one year. The heads of the Commissions in Laos and Cambodia would probably be senior officers from the Department of External Affairs who had had experience as heads of missions abroad. The senior political and military advisers would be associated with the Viet Nam commission whose headquarters at least for the time being would be at Hanoi in Viet Minh territory. All told, at least 12 foreign service officers, plus civilian staff would be required, and for the inspection teams a minimum of 80 officers and other ranks would be needed. It was hoped that the military personnel and facilities which they required for their work would be available by the end of August.

The member governments of the Commissions were expected to pay the salaries and allowances of their own personnel and perhaps for their subsistence whereas all other expenses for transport, supplies and the like would be met by the Geneva Conference members. Until arrangements had been made by the latter powers for their contributions, it had been suggested that Canada, Poland and India each advance $100,000 to be reimbursed when the other funds became available. This amount would be required forthwith either from the External Affairs Revolving Fund or from the vote for unforeseen expenses.

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It was estimated that for the balance of the fiscal year approximately $500,000 would be needed by the Department of External Affairs,and National Defence would also have expenses to be met directly by Canada. It might be necessary to seek a special appropriation. Despite what appeared to be a good start in the work of the Commissions, difficulties were beginning to loom up. Already there were allegations that Catholics who wanted to go to the southern portion of Viet Nam were being persecuted by the Viet Minh. It was also asserted that the Chinese were running arms to the Viet Minh so that they could be well supplied before the fixed and mobile inspection teams began to operate.

It was hoped to make an announcement by the end of the week on the steps taken thus far to establish the Commissions. Meanwhile, until firmer arrangements had been made it would be desirable if the matter remained confidential.

16. The Cabinet noted with approval the report of the Secretary of State for External Affairs on the progress which had been made in establishing the Indo-China Supervisory Commissions and agreed that $100,000 should be allotted by the Treasury Board either from the Department's revolving fund or from Vote 114 as proposed.

Continental defence; distant early warning line

17. The Secretary of State for External Affairs, referring to discussion at the meeting of June 30th,1954, said that a recommendation had been prepared in the Department of National Defence concerning radar defence coverage for Canada and, in particular, the distant early warning line. It would be recalled that the most southerly line, commonly known as "Pinetree", had been approved and was in operation except for one or two stations. This was a joint Canada-U.S. chain, whose cost and manning were being shared. The Cabinet had recently approved the construction, at Canadian expense, of a mid-continent line running approximately along the 55th parallel of latitude. Seaward extensions of the whole system from Alaska to Hawaii in the Pacific and from Newfoundland to the Azores in the Atlantic were being undertaken by the United States. The Canada-U.S. military study group had recommended the approval in principle of the establishment of a distant early warning line running along the northern coast of the continent. This additional chain was designed to provide sufficient warning to enable the U.S. strategical air force aircraft to be deployed off their bases to avoid destruction, to allow further preparation for the deployment of fighters and to assist civil defence purposes.

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Present American thinking envisaged the chain being constructed in one season as a task force operation regardless of how the cost might ultimately be shared. It seemed likely that the United States would have to play a major part in the construction of the project simply because Canada did not have enough facilities for such a large task force operation. However, the R.C.A.F. would be prepared to provide a proportion of both the supervisory and operational personnel of this chain. The Canadian Chiefs of Staff had agreed that militarily acceptable characteristics of the line be developed and that systems studies be initiated but had not sought government approval in principle of the project until further studies brought to light the full implication of the proposal. More recently, however, the President of the United States had approved the need for the line and the U.S. Joint Chiefs of Staff, through the Permanent Joint Board on Defence had requested that Canadian government agreement in principle be obtained. According to United States authorities, the deferrment of such agreement would have an adverse affect on the development of United States plans, organization and fiscal arrangements, and the fundamental decision was very important in enlisting the full support of the many agencies which in one way or another would be concerned with the project. It was further stated that the United States would be willing to carry all or any part of the burden involved in constructing and operating the line depending upon the wishes of Canada.

It was suggested that approval in principle be given to a far northern early warning line without prejudice and subject to further review when the necessary studies had been completed and the details and the cost of the undertaking were available.

An explanatory memorandum had been circulated.

(Memorandum, Minister of National Defence, July 29,1954-Cab. Doc. 173-54).

18. Mr. Pearson thought it would be preferable to defer decision on the proposal until a later meeting when Mr. Campney could be present. However, he would like to be in a position to indicate, if necessary, that the matter was being considered by the government since the United States government were pressing hard for Canada to take some action on the recommendations and there had been suggestions in U.S. quarters that we were not proceeding as rapidly as we might with respect to continental defence. Personally, there was no doubt in his mind that Canada would have to agree in principle to the proposal that a distant early warning line be established along the north shore of the mainland.

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19. In the course of discussion, the following points emerged:

(a) If Canada did not agree to the establishment of the line or even to participating in the project to some extent, we would be faced with a proposal that the United States construct, man and operate the line wholly as an U.S. undertaking. It would be virtually impossible to withhold agreement to this suggestion. In the circumstances, while Canada might not be able to participate in the actual construction of the line, it would be desirable to have a share in its maintenance and operation;

(b) The eastern seawing, as presently envisaged, ran from Cape Race to the Azores. Between the eastern end of the proposed "DEW" line and the western end of the Atlantic seawing there would be a gap for distant early warning purposes. It would be helpful if, in future discussions with the United States, concern over this matter be expressed and suggestions made that this particular segment be moved northward. This, of course, would remain a part of the system whose personnel and costs would be borne by the United States.

(c) There was no estimate of costs for the distant early warning line available and before a decision were taken, it would be helpful if some information about costs could be made available and also if an estimate could be provided of the Canadian personnel and other resources which might be involved.

(d) A further factor bearing on the proposal related to reports which scientists in the United States had received concerning Soviet thermonuclear developments. What information was available appeared to indicate that the effect of these weapons was greater than had been heretofore envisaged. This meant there would be greater pressure exerted to proceed rapidly with the construction of radar warning facilities.

20. The Cabinet deferred decision, to a later meeting on the proposal to approve in principle the need for a far northern early warning air defence line.

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Private radio broadcasting station, Camrose, Alberta; application for licence

21. The Minister of Transport, referring to discussion at the meeting of July 13th, 1954, re-submitted a recommendation for the issuance of a private commercial broadcasting licence for a radio broadcasting station at Camrose, Alberta.

22. The Cabinet, approved the recommendation of the Minister of Transport and agreed that a private commercial broadcasting licence be issued to the Camrose Broadcasting Company, Limited, for the establishment and operation of a radio broadcasting station at or near Camrose, Alberta; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1186, Aug. 11).

Acting Minister

23. The Prime Minister submitted a recommendation for the appointment of an Acting Minister of Public Works.

24. The Cabinet noted with approval the Prime Minister's recommendation that Dr. McCann be authorized to act as the Minister of Public Works in the absence or incapacity of both Mr. Sinclair and Mr. Pinard during the period from August 11th to August 31st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1187, Aug. 11)

Unemployment Insurance Advisory Committee; annual report

25. The Minister of Labour, pursuant to sections 87 and 112 of the Unemployment Insurance Act, submitted the annual report of the Unemployment Insurance Advisory Committee on the financial condition of the Unemployment Insurance Fund as of March 31, 1954.

26. The Cabinet noted the report of the Unemployment Insurance Advisory Committee on the financial condition of the Unemployment Insurance Fund as of March 31st, 1954, as submitted by the Minister of Labour;

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Importation of trawler into Newfoundland

27. The Minister of National Revenue said he had received an application to remit duties on a trawler to be imported by J.R. Dixon, Esq., of Fortune, Newfoundland. Mr. Dixon had recently purchased a trawler in Nova Scotia and needed an additional vessel for his export business which was increasing. No other trawler was available in Canada, and the additional ship would help meet commitments over the next few months. The Departments of Fisheries and Transport had approved the proposal and it appeared that the same policy should be followed in this case as had recently been agreed to for the B.C. fishery whereby half the duty paid on vessels purchased in the United States was to be refunded after the first year's fishing and the other half after the second year's fishing.

28. The Cabinet approved the recommendation of the Minister of National Revenue and agreed that the policy which had been followed in British Columbia with respect to the importation of trawlers from the United States apply in the case of a trawler to be imported by J.R. Dixon, of Fortune, Newfoundland; half the duty paid to be refunded after the first year's fishing, and the other half at the end of the second year's operations.

French imports; valuation for duty; social security taxes

29. The Minister of Trade and Commerce said he had received representations from the French Ambassador to the effect that a great injustice was being done because, in arriving at the value of French imports for duty purposes, certain social security taxes were being included in the price of the commodities concerned. The total quantity of imports from France was small and it might be worth re-considering the action which had been taken.

30. In the course of discussion, the following points emerged:

(a) It would perhaps be desirable, for the next 12 months not to take into account the social security taxes in valuing the goods, as had been the case in the past and, meanwhile, officials directly concerned could examine the situation and ascertain whether any difficulties would arise in respect of other nations if the practice were abandoned permanently.

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(b) In Canada, sales taxes were remitted on exports and most other countries followed the same procedure. It was not clear whether or not the French government remitted to its exporters social security taxes in whole or in part. If the taxes in question were remitted they should not be included in the value of the exports.

31. The Cabinet noted the report of the Minister of Trade and Commerce regarding the inclusion of social security taxes in the value of French imports, and agreed that officials of the Departments of Trade and Commerce, Finance, External Affairs and National Revenue examine the matter with a view to excluding such taxes in valuing French imports for duty, provided there would be no repercussions from other nations.

French Language Medical Association; grant for convention

32. The Minister of National Health and Welfare said that the French Language Medical Association would be holding its convention in Ottawa this year. From time to time the government had made grants of as much as $5,000 to the association in the past when it met in Ottawa although a grant had not been made every year. He wondered whether a grant should be made for the convention being held in Ottawa in 1954.

33. In the course of discussion, it was pointed out that it would be a bad principle to extend assistance to one professional organization and not to others such as those consisting of engineers and lawyers. If it became known that a grant was being made to the French Language Medical Association, it would be very difficult to refuse a grant to the Canadian Bar Association, for example.

34. The Cabinet agreed that no grant be made to the French Language Medical Association for its convention being held in Ottawa in 1954.

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Canadian National Railways; branch lines into Chibougamau and Manitouwadge Lake areas

35. The Minister of Transport, referring to discussion at the meeting of April 1st, 1954, said the Canadian National Railways had requested the Governor in Council's formal authorization for the construction of branch lines from Hillsport to Manitouwadge Lake and from Beattyville to Chibougamau. The Company did not yet wish to proceed with the line from St. Felicien to Chibougamau and had not, therefore, sought authority for this particular project. He felt, however, that the recommendation should be drawn to cover all the sections of the Branch Line number 1 included in the Statute passed at the last session of Parliament.

36. In the course of discussion, it was pointed out that an undertaking had been given to consider the payment of a subsidy which would apply to the whole line in the Chibougamau area although the railway had indicated that it could construct the western section without assistance. Prospects for traffic in the eastern area were improving and the situation was being studied by officials of the C.N.R.

37. The Cabinet noted the report of the Minister of Transport and agreed that the Canadian National Railways be authorized now to construct the complete branch lines in the Chibougamau and Lake Manitouwadge areas as provided for by Parliament at its last session; an Order in Council to be passed accordingly.

Reduction of forces in Korea

38. The Secretary of State for External Affairs referring to discussion at the meeting of July 28th, 1954, said that the United States had recently informed the 16 governments who had forces in Korea that further American troops would be withdrawn and that the U.S. hoped to reduce their contingent to a strength of 2 divisions in the near future. At the same time, the U.S. authorities had said they hoped the other nations would keep a force of divisional strength in Korea. In effect this would mean the maintenance of the Commonwealth Division at full strength. It would be recalled that an agreement had been reached with the United Kingdom and New Zealand whereby the Commonwealth Division would be reduced initially by 30 percent and in the second phase by 77 percent of the forces committed, and that the matter would be discussed with the United States as soon as full agreement had been reached with other Commonwealth nations concerned.

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The Australian Prime Minister had now indicated that he saw no reason for immediate discussion of the problem in Washington and that the matter might be considered at the conference which was to be held in the Philippines, on September 9th, on the possibility of establishing a Southeast Asia Defence Organization. As Canada would not be attending the conference in the Philippines and would, for the present, at least, not be associated with this possible S.E.A.D.O., this seemed clearly undesirable. We should press for immediate discussion of the problem in Washington and thereafter make what announcements would be necessary. It was important to proceed expeditiously with the withdrawal of United Nations forces from Korea as President Rhee had been receiving some informal advice that the U.S. people would support him in any active operations which he might initiate. Such support was highly unlikely and the further withdrawal of United Nations' forces would help to make it clear that Mr. Rhee could not expect the support he undoubtedly hoped for. United Nations forces, including the Commonwealth Division, should be reduced in size as soon as possible and an announcement made of what was being done.

39. The Cabinet noted the report of the Secretary of State for External Affairs regarding the reduction of Commonwealth forces in Korea and agreed that the Australian authorities be informed it would be desirable to discuss the matter in Washington as soon as possible and not at the conference being convened in the Philippines to consider a Southeast Asia Defence Organization.

Employment of penitentiary population; interdepartmental committee

40. The Minister of Justice said it was becoming increasingly difficult to keep the rising penitentiary population usefully employed. If the recidivism of prisoners released from penitentiaries was to remain at the satisfactory rate which had been maintained for some years, it would be necessary to develop good working habits and skills among prisoners which could be used when they were discharged. Proper discipline and training in prison would in most cases make the difference between the recurrence and non-recurrence of crime and there was no satisfactory alternative to the policy of training prisoners for useful work. It was now becoming necessary to step up the real work being done by the prisoners. Present law provided that Canadian penitentiaries could not produce commodities for sale on commercial markets but only for internal use in the penitentiaries or for other government departments. As long ago as 1921, departments had been requested to use the products

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of prison labour when possible but the suggestion had largely been ignored. Consequently there were outlets for only 60 percent of the capacity of penitentiary shops. If government departments could be induced to buy certain of their needs from the penitentiaries, the cost to the taxpayer would be less since the burden of maintaining the penitentiaries would be ultimately reduced. The productive capacity of all penitentiaries was relatively very small in relation to total Canadian capacity and increased purchases from penitentiaries by government departments would have a small effect on the markets of private industry. He suggested that a committee of officials from the Departments of Justice, Trade and Commerce, Finance and Labour survey the problem and make recommendations.

41. The Cabinet noted the recommendation of the Minister of Justice and agreed that an interdepartmental committee composed of representatives from the Departments of Justice, Trade and Commerce, Labour and Finance be established to consider and make recommendations on using the productive capabilities of the penitentiaries to meet the needs of government departments, bearing in mind the situation in business and in the labour market; the committee to consider the development of a possible programme whereby penitentiaries would be provided with a steady flow of orders from government departments but at the same time causing as little dislocation as possible to normal commercial enterprises.

Polish vessel "Batory"; use of Halifax as possible North American port of call

42. The Minister of Finance, as Acting Minister of Citizenship and Immigration, said he had been informed that the Polish ship, the "Batory" was endeavouring to make arrangements to use Halifax as its normal North American port of call. The ship and its crew had been subjected to severe restrictions in New York. Immigration officials wished to know if there would be any objection to the "Batory" using Halifax and sought direction as to whether more than the normal restrictions on foreign vessels should be applied.

43. In the course of discussion, it was pointed out that the United States had been more restrictive than was necessary in dealing with the "Batory" and its crew and it might be useful to have it known that Canada did not find it necessary to follow U.S. policies in this respect. On the other hand, before allowing the "Batory" and its crew the usual facilities extended to a foreign vessel at a Canadian port, the implications of such a course should be re-examined in the light of possible reactions in the United States.

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44. The Cabinet noted the report of the Acting Minister of Citizenship and Immigration concerning the possible use of the port of Halifax by the Polish vessel, the "Batory", and agreed that the "Batory" be granted normal customs and immigration treatment and the extension of the usual harbour facilities subject to consideration of the matter by the Department of External Affairs from the point of view of its reaction on the United States.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

August 13th, 1954.

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Items Discussed

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St. Lawrence Seaway; modified arrangements with the United States regarding 27-foot navigation works in the International Section	5.
Continental defence; distant early warning line	7.
Canadian National Railways; proposed sale of four hotels	8.
Judicial resignation and appointment	10.
Kingston penitentiary; riot	11.
Excess profits tax; petition for refund by gold mining companies	11.
Mining road between Keno and Elsa, Yukon Territory; financial assistance	12.
Great Lakes Fisheries Convention; negotiations with the United States	13.
General Assembly of United Nations; Canadian delegation to Ninth Session	15.
Diplomatic appointments	16.
Korea; withdrawal of Canadian troops	16.
R.C.A.M.C.; petition for redress of grievance	17.

Information is severed consistent with the provisions of the Access to Information Act s. 19(1) and the Privacy Act s. 3(b)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s. 19(1) et la Loi sur la protection des renseignements personnels s. 3 (b)

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, August 18th, 1954, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Finance
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretary to the Cabinet
(Mr. Pelletier).

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Transportation arrangements for distinguished visitors; Duchess of Kent; Viscount Swinton; delegates to Colombo Conference

1. The Prime Minister said the Secretary had received a letter from the Deputy Minister of Transport regarding transportation arrangements for the Right Honourable Viscount Swinton, Secretary of State for Commonwealth Relations, who would visit Canada during the autumn and for certain delegates to the next Colombo Plan Conference to be held in Ottawa later that year.

Mr. James Duncan had offered to make his private aircraft available to take Lord Swinton and his party from Ottawa to the Pacific Coast. If advantage were taken of this offer the Department of Transport could supply a DC-3 to meet Lord Swinton on his arrival at Montreal and bring him to Ottawa on October 1st; pick him up in Calgary on October 11th and fly him to Ottawa with stopovers at Regina, Winnipeg, and Toronto (Oct. 11 to 16); and then take him from Ottawa to Quebec and from there back to Montreal (Oct. 20 to 22).

It had also been suggested that two Department of Transport airplanes be made available to transport a group of delegates to the forthcoming Colombo Plan Conference to the Arvida District, Seven Islands and Knob Lake.

(Letter, Deputy Minister of Transport to Secretary, Aug. 5,1954).

2. The Secretary of State reported that most of the arrangements for the forthcoming visit of the Duchess of Kent to Canada had been completed. It was now understood that the Canadian National Exhibition would bear approximately two-thirds of the transportation costs involved and the Federal government the balance.

Approval was sought on a suggestion that a C-5 be made available to transport the Duchess and her party from Montreal to New York on her way back to the United Kingdom.

3. In the course of discussion it was pointed out that there was perhaps lack of coordination in the arrangements made by various departments for the transportation of distinguished visitors to Canada. In any event, committees of officials specifically appointed for such purposes had perhaps assumed too much responsibility in giving final approval to certain rather expensive transportation arrangements for such visits. It was suggested that, in future, the general outline of arrangements of this kind should be submitted to Cabinet for approval.

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4. The Cabinet noted the reports by the Prime Minister and the Secretary of State regarding transportation arrangements for the Duchess of Kent, Lord Swinton and certain delegates for the forthcoming Colombo Plan Conference, and,

(a) noted with approval Mr. James Duncan's offer to provide private aircraft transportation for Lord Swinton between Ottawa and the Pacific Coast;

(b) agreed that the Department of Transport make a DC-3 aircraft available for other portions of Lord Swinton's journey as suggested by the Deputy Minister of Transport;

(c) agreed that the Department of Transport make available two twin-engine aircraft, if required, to transport some delegates to the forthcoming Colombo Plan Conference on trips to the Arvida District and to Seven Islands and Knob Lake if such can be arranged;

(d) agreed that the Department of National Defence make the C-5 available to transport the Duchess of Kent and her party from Montreal to New York on her return journey to the United Kingdom; and,

(e) agreed that, henceforward, the general outline of arrangements made for the transportation at Federal expense of distinguished visitors from abroad be submitted to Cabinet for approval.

Railway labour dispute

5. The Prime Minister reported that, following interviews he and the Minister of Labour had had the previous week with representatives of railway management and railway unions, negotiations in the current railway labour dispute had been resumed at Ottawa the previous Monday. Some progress had been made, but it soon appeared that there was little likelihood of agreement being reached between the parties to the dispute on certain important issues, particularly those relating to statutory holidays and to annual leave with pay.

After discussing the matter with the Minister of Labour he had decided to make a second personal intervention in an attempt to bring about some compromise agreement between railway management and the unions. He had spent that morning talking to both parties together with the Minister of Labour.

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During the course of these talks, he had made it quite clear to representatives of the railways and of the unions that, if the current negotiations failed and a strike were called by the negotiating committee of the unions, he would forthwith have a proclamation issued summoning Parliament to meet within a very short time, and that the Government would recommend to Parliament that some investigating board be appointed to consider and make recommendations in the matter of a contributory sick benefit scheme, and that all other matters in dispute be subjected to compulsory arbitration. He added that it would also be recommended to Parliament that the results of such arbitration would remain in force for at least eighteen months.

Following lengthy discussions with representatives of the railways and of the unions, both parties had finally agreed to submit voluntarily to arbitration.

6. In the course of discussion the following points emerged:

(a) No decision had been reached as to whether the arbitrator would be appointed by mutual agreement between the parties to the dispute or by the government. It appeared likely, however, that the unions would request that the arbitrator be appointed by the government. This matter would likely be decided within the next few days.

(b) Although Mr. Frank Hall, the Chairman of the Union's negotiating committee, had reluctantly agreed to arbitration he had, at the same time, submitted his resignation as Chairman of the negotiating committee as a measure of protest against what he described as repression of the railwaymen's right to strike.

7. The Cabinet noted with approval the Prime Minister's report that, following a second personal intervention by himself and the Minister of Labour, the representatives of railway management and of railway unions had now agreed voluntarily to submit to arbitration all matters at issue in the current railway labour dispute.

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St. Lawrence Seaway; modified arrangements with the United States regarding 27-foot navigation works in the International Section

8. The Secretary of State for External Affairs, referring to discussion at the meeting of August 11th, reported on discussions which had taken place between representatives of the Canadian and United States governments on August 12th,13th and 14th, regarding the possibility of modifying the international arrangements embodied in the Notes exchanged with the United States on June 30th,1952, in order to enable the United States to participate in the construction and operation of the deep waterway in the International Section of the St. Lawrence River.

It became apparent, early in the discussions, that it would not be possible for the U.S. government to meet Canadian wishes with regard to navigation rights and to the $15 million contribution towards channel excavations which would be undertaken by the power entities in the bed of the river. In the circumstances, the U.S. representatives had been informed that the Canadian government intended to construct, forthwith, a canal and lock in Canadian territory in the vicinity of Iroquois, but that it was prepared to modify the arrangements of June, 1952, in order that the Canadian government be relieved of its obligation towards the United States to construct navigation works in the vicinity of Barnhart Island and in the Thousand Islands section. These modifications had been embodied in draft Canadian and U.S. Notes, the text of which have now been agreed by both sides.

These Notes, further, made provision for consultation between the two governments before either country duplicated 27-foot navigation already in existence in the territory of the other. Provision had also been made for consultation on any legislation which might affect the movement of one country's shipping through the navigation facilities of the other.

The Notes had been exchanged by the Under-Secretary of State for External Affairs and the U.S. Minister at Ottawa the previous day. He proposed to make the text of the Canadian and U.S. Notes public that afternoon and hold a press conference on the subject.

In the light of strong representations that had been made to him and notwithstanding the decision taken at the meeting of August 11th, he had indicated to U.S. representatives that the government might or might not continue 14-foot navigation in the vicinity of Cornwall and that a final decision yet remained to be taken on this score. A paragraph had, however, been included in the Canadian Note to the effect that the Canadian government undertook to consult the United States government before deciding to continue the 14-foot canal at Cornwall on a toll-free basis.

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The toll question had been discussed briefly and inconclusively. While stating that they had an open mind on this question, the Canadian representatives had voiced a preference for separately determined tolls although no objection could be seen to the establishment of some form of joint collection and administration of tolls.

The press release, which it was planned to issue that afternoon, attempted to establish the Canadian government's position more specifically than in the Note to the U.S. government. In particular, it was pointed out that although it was realized that the U.S. St. Lawrence Seaway Development Corporation was directed by the Wiley Act to construct all the 27-foot navigation works in the International Section of the St. Lawrence River, the Canadian government hoped that the United States would not,in fact, proceed with the work at this time. It was also made clear that the Canadian government intended to complete navigation facilities in Canadian territory in the vicinity of Cornwall in the event an increase in traffic warranted such action or in the event of unreasonable interference with Canadian shipping in U.S. canals.

(External Affairs press release No. 50, Aug. 18,1954, and attached Canadian and U.S. Notes, Aug. 17, 1954).

9. In the course of discussion the following points emerged:

(a) If, as was expected, traffic did increase sufficiently to warrant completion of 27-foot navigation facilities at Cornwall in the relatively near future, it would seem preferable not to continue 14-foot navigation at Cornwall since this would likely retard rather than hasten the eventual construction of a 27-foot canal on the Canadian side in the Barnhart Island area. On the other hand,no decision need be taken immediately on this matter and it would perhaps be preferable to withhold making any announcement for the time being.

(b) There was some indication that U.S. engineers were now thinking of constructing the Barnhart Island canal to a depth of thirty-two feet rather than twenty-seven feet as would be the case in the Canadian portions of the Seaway. If this were done the maximum total expenditure of $105 million authorized by the Wiley Act would likely be insufficient to complete both the Barnhart Island and the Iroquois canals and this, in turn, might induce the U.S. Administration

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to postpone, for the time being, construction of a canal at Iroquois in U.S. territory in view of the Canadian government's declared intention to proceed forthwith with construction of the required navigation works in Canadian territory at this point.

(c) It was suggested that perhaps the most satisfactory solution to the toll problem would be to reach an understanding under which the United States Corporation and the Canadian Authority would establish toll levels independently of one another on their own works, but that some joint collection agency be established to collect tolls and to allocate the proceeds therefrom on the basis of audited Canadian and U.S. accounts. Such an arrangement would likely result in more efficient handling of shipping by making it possible, for example, to issue through-tickets to a ship proceeding from, say, Cleveland to Montreal.

10. The Cabinet noted with approval the report by the Secretary of State for External Affairs on the Notes which had been exchanged with the United States the previous day, and on the press release he planned to issue that day regarding modified Canada-U.S. arrangements for construction of 27-foot navigation facilities in the International Section of the St. Lawrence River, under which arrangements it was agreed that Canada should be relieved of its obligation towards the United States to construct the navigation works in the vicinity of Barnhart Island and in the Thousand Island Section, and under which the Canadian government had informed the United States that it proposed to proceed forthwith with the construction, in Canadian territory, of a canal and lock in the vicinity of Iroquois.

Continental defence; distant early warning line

11. The Minister of National Defence, referring to discussion at the meeting of August 11th, expressed the opinion that there was no alternative but to approve, in principle, the United States proposal for early construction of a far northern early warning line subject to further review when the necessary studies had been completed and the details and cost of the undertaking were available.

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12. In the course of discussion it was suggested that, although the government should approve the proposal in principle now, decision should be reserved as to the nature and extent of Canadian participation. Quite apart from the financial contribution the Canadian government might eventually make and the extent to which Canadian Armed Forces would participate in the operation and maintenance of this line, careful consideration should be given to the proposed locations of the various stations and to the extent to which U.S. military authorities proposed to employ local labour in the actual construction of the line.

13. The Cabinet agreed that the Canadian Ambassador in Washington be instructed to inform the United States government,-

(a) that the Canadian government agreed, in principle, to the need for the establishment of a distant early warning line across the most northerly practicable part of North America, without prejudice, however, to the extent of Canadian participation and subject to further review when preliminary studies had been completed and the details and cost of the undertaking were available; and,

(b) that the Canadian government was seriously concerned over the fact that the proposed seaward wing of the distant early warning line on the Atlantic side of the continent would give only little early warning of the approach of hostile aircraft from the northeast, and that the Canadian government, therefore, urged that every effort be made by the agencies responsible for planning the various segments of the distant early warning line to select an alternative route with a view to remedying this defect.

Canadian National Railways; proposed sale of four hotels

14. The Minister of Transport said he had been informed by the President of the Canadian National Railways that on June 10th, the railway had received a specific offer through a Toronto broker, acting on behalf of certain clients, to purchase four C.N.R. hotels - i.e. the Prince Edward at Brandon, the Prince Arthur at Port Arthur, Minaki Lodge at Minaki and Pictou Lodge at Pictou. The broker had undertaken to lodge a certified cheque for 10 percent or more of the down-payment if the railway was interested in negotiating a sale.

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The offer was for $750,000 for the four hotels with $250,000 in cash and the balance spread over ten years with interest at 5 percent working out to an annual payment of $64,750.

After allowing for depreciation the theoretical net book value of the four properties was $2.1 million. The net operating profit for the 31 year period from January 1st, 1923 to December 31st, 1953 was $65,214. However, after allowing for fixed charges, the net loss was $3.1 million. Mr. Gordon had pointed out that the four hotels concerned were below-standard and that all were badly in need of substantial expenditures to bring them up to reasonable standards. The Minaki Lodge property, for example, would call for close to $1 million; the Pictou Lodge was confronted with a variety of rehabilitation problems including a costly program of protection against sea erosion which had already caused serious damage; while the Prince Arthur and Prince Edward were urgently in need of extensive rehabilitation and modernization of both building and equipment due to age.

The Board of Directors, together with the President, were of the opinion that the sale of these properties should be made for cash and he had so recommended. However, Mr. Gordon felt that the sale of properties of this kind should be brought to the attention of the government before specific negotiations were undertaken. Moreover, if the titles to Minaki and Pictou Lodges remained in the Crown pending the corporate consolidation of the C.N.R. hotels system, some action by the Governor in Council might be required to complete the legal details.

Mr. Gordon had sought the views of the government on the proposed transaction and was particularly desirous of knowing whether the government would have any objection to these hotels being disposed of by negotiation rather than by a public call for tenders.

(Letter, President of Canadian National Railways to Minister of Transport, July 7, 1954)

15. In the course of discussion the following points emerged:

(a) On balance, it appeared preferable to dispose of the four C.N.R. hotels by negotiation as suggested by the company rather than by a public call for tenders. If this latter course of action were followed it might lead to the false impression that the railways wished to get rid of these properties at any cost.

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(b) It was noted that the difference between the book value of these properties ($3.2 million) and the eventual sale price would be a charge against the operating expense account of the Canadian National Railways. As this charge was likely to be substantial, it would seem preferable to do this in a year when the Canadian National total deficit would, in any event, be large.

(c) On superficial examination, $750,000 appeared to be a rather low sum for the four properties.

(d) As a matter of principle, it would be useful if the C.N.R. investigated the possibility of having one or more of these hotels purchased by local interests. It was not unlikely, for example, that certain persons in Brandon might be interested in purchasing and operating the Prince Edward if they knew that the C.N.R. was disposed to sell the hotel.

16. The Cabinet noted the report by the Minister of Transport regarding a proposal received by the Canadian National Railways to sell the Prince Edward at Brandon, the Prince Arthur at Port Arthur, the Minaki Lodge at Minaki and the Pictou Lodge at Pictou for a total of $750,000, and agreed that he inform the President of the Canadian National Railways that, although the government did not object in principle to the sale by negotiation of these hotels, the suggested sale price appeared to be rather low and the C.N.R. might usefully investigate the possibility of selling one or more of these hotels to local interests before any final agreement of sale was concluded with outside interests.

Judicial resignation and appointment

17. The Minister of Justice submitted recommendations regarding a judicial resignation and appointment in the Province of Quebec.

18. The Cabinet approved the recommendations of the Minister of Justice,

(a) accepting the resignation of the Honourable Gregor Barclay from the Court of Queen's Bench in the Province of Quebec; and,

(b) appointing Jean Martineau, Esq., Q.C., of the City of Montreal, a puisne judge of the Court of Queen's Bench in and for the Province of Quebec;

Orders in Council to be passed accordingly

(Orders in Council P.C. 1954/1235 and 1954/1236, Aug. 18).

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Kingston penitentiary; riot

19. The Minister of Justice reported briefly on the riot that had recently taken place in the Kingston penitentiary and which had resulted in a loss by fire of certain portions of penitentiary buildings. He thought that before any decision were reached as to what action, if any, the government should take as a result of this incident, complete reports should be received from both the fire marshall and the penitentiary warden. These reports should be available for consideration at an early date.

The view had been expressed that this incident had perhaps cast some doubt on the soundness of the new policy of introducing more humane social measures in the day-to-day life of penitentiary inmates. It had been ascertained, however, that not one of the inmates who actively participated in the new penitentiary social scheme had been a member of the small group of inmates who had taken part in the riot. One possible way of avoiding recurrences of this incident would be to adopt much more severe segregation of the incorrigible inmates.

20. The Cabinet noted the report of the Minister of Justice regarding a recent riot in the Kingston penitentiary and deferred decision on any remedial action pending receipt and consideration of reports by the fire marshall and the Kingston penitentiary warden.

Excess profits tax; petition for refund by gold mining companies

21. The Minister of Finance said that on June 30th,1953, his predecessor had received a petition from a group of twenty-five gold-mining companies requesting a refund of excess profits tax paid by them during the first three years of their operation.

New mines, during their first three years of production, had been exempt from corporation income tax. This exemption was continued during wartime but the intention was to have them subject to excess profits tax.

Although there has never been any doubt as to the intent of Parliament in passing the Excess Profits Tax Act, the drafting was apparently defective since, in the Jason Mines' case, the Exchequer Court ruled, on February 14th,1952, that an excess profits tax could not be levied in cases where no basic tax was paid.

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Although the signatories of the petition had all paid their taxes without protest, they had now requested, in the light of the Exchequer Court decision of February, 1952, a refund of the excess profits tax paid by them during their first three years of operation.

This petition had subsequently been amended by a supplementary memorandum, the substance of which was to suggest that instead of cash refunds the equivalent amounts should be applied as a credit against future taxes payable by those companies.

The total of the refunds claimed by the 25 companies amounted to $3,280,672.89.

The Minister recommended that, in the light of the clear intent of Parliament in enacting the Excess Profits Tax Act, and since it has been the practice of the Department of National Revenue (Taxation) not to reopen assessments which had been closed for twelve months, the petition submitted by the twenty-five gold mining companies be not allowed and that no refund be made.

22. The Cabinet noted the report by the Minister of Finance regarding a petition submitted on June 30th, 1953, by twenty-five gold-mining companies requesting a refund of excess profits tax paid by them during their first three years of operation, and agreed that the petition be disallowed and that, consequently, no refund should be made.

Mining road between Keno and Elsa, Yukon Territory; financial assistance

23. The Minister of Finance said Treasury Board had considered a recommendation by the Minister of Northern Affairs and National Resources that the Federal government bear 75 percent of the total cost (estimated at $200,000) of constructing a road between Keno and Elsa in the Yukon Territory. The road was designed to allow more direct access between the mine operated by the United Keno Hill Mines Limited at Keno and the company's mill at Elsa.

Treasury Board had been reluctant to approve the recommendation in the light of normal government policy with respect to resource roads which was to assist to the extent of 50 percent of the cost of construction.

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It had been pointed out, on the other hand, that this company was operating under extraordinarily difficult conditions because of the lack of adequate road facilities between the mine and the mill.

24. The Cabinet, after discussion, approved a Federal contribution of $150,000 or 75 percent, whichever was the lesser, of the actual cost of constructing a road between Keno and Elsa in the Yukon Territory, it being understood that this should be considered as an exception to the usual policy under which the Federal government contributed 50 percent of the cost of constructing resource roads in the Yukon and Northwest Territories.

Great Lakes Fisheries Convention; negotiations with the United States

25. The Secretary of State for External Affairs reported that a convention on Great Lakes Fisheries was signed by representatives of the governments of Canada and the United States in Washington on April 2nd, 1946, to provide for co-operation and joint action for the conservation and effective commercial management of fisheries on the Great Lakes. This convention, however, was never ratified by the government of the United States, primarily because certain fishing interests in Ohio, (whose cause was supported by Representative Weichel and the late Senator Taft) were opposed to the regulatory powers to be given to the international commission which the convention would have established. The Cabinet had decided on January 15th, 1948, that Parliament would not be asked to ratify the convention until it had been approved by the United States Congress.

In December, 1952, the United States government invited the Canadian government to undertake negotiations for a new convention to replace the one signed on April 2nd, 1946. Discussions at the official level took place in Washington and Ottawa but were discontinued in February, 1953, at the suggestion of the Canadian negotiators because of the fundamental differences in objectives which became apparent. The United States representatives attached primary importance to control of the parasitic sea lamprey on the upper Great Lakes excluding Lake Erie (which at that time was free of lamprey). The Canadian view was that a programme of research on all the Great Lakes should precede any control programme and that lamprey control measures should be taken only after research had proven their necessity. The United States spokesmen, reflecting the view of the Ohio interests, wished to exclude Lake Erie from any research programme.

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In January,1954, the Department of External Affairs learned through informal talks with officials of the State Department that the United States government might be prepared to reach an agreement which would bring under the aegis of an international commission the necessary research work in all five Great Lakes and which would empower the commission to seek to eradicate the predatory lamprey in these Lakes. The reason for this change on the part of the United States appears to be attributable to the fact that since 1952 the lamprey have found their way into Lake Erie and as a consequence Ohio fishermen are now believed to be in favour of a convention which would reduce this danger to the industry. Informal discussions had been held between officials of the Department of External Affairs, the Department of Fisheries and the U.S. State Department, with the result that a preliminary draft convention had been tentatively agreed upon.

This preliminary draft, while it does not include Lake Erie in the convention area for research purposes, includes Lake Erie for purposes of lamprey control. It also embodies charges which would make it more acceptable to both countries than the proposed draft convention which had been discussed in 1952. There is also the possibility that negotiations might lead to a convention which would include all the Great Lakes for fisheries research as well as for lamprey control. The State Department has suggested that a Canadian delegation go to Washington early in September to complete the final negotiations and sign a convention on behalf of the government of Canada along one or the other of these lines.

In the circumstances, the Minister recommended that authority be granted for the appointment of a small Canadian delegation to negotiate and sign a Great Lakes Fisheries Convention with the government of the United States, on the understanding that the Canadian delegation would endeavour to reach agreement on a convention providing for research and lamprey control on all five Great Lakes and that, failing agreement on this basis, the Canadian delegation be authorized to sign a convention providing for research on all Great Lakes, except Lake Erie, and for lamprey control on all five Lakes.

An explanatory memorandum was circulated.

(Minister's memorandum, July 28,1954-Cab. Doc. 178-54).

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26. In the course of discussion it was suggested that either the Minister or Deputy Minister of Fisheries should be included in the Canadian delegation.

27. The Cabinet agreed that a delegation to be named by the Secretary of State for External Affairs and the Minister of Fisheries, in consultation and to include either the Minister or Deputy Minister of Fisheries, be authorized to negotiate with the United States and sign a Great Lakes Fisheries Convention to provide for research and lamprey control on all five Great Lakes; it being understood that if agreement could not be reached with the United States on this basis the Canadian delegation be authorized to negotiate and sign a Convention which would provide for research on all Great Lakes except Lake Erie and for lamprey control on all five lakes.

General Assembly of United Nations; Canadian delegation to Ninth Session

28. The Secretary of State for External Affairs submitted certain recommendations regarding the composition of the Canadian delegation to the forthcoming Ninth Session of the General Assembly of United Nations.

He proposed to head the delegation himself, as in the past, but did not intend to spend as much time at the General Assembly as he had in past years. He suggested that in his absence from the Assembly he be replaced by another member of the government as Head of the Canadian Delegation. He proposed that the other delegates consist of Mr. David M. Johnson, Canadian Permanent Delegate to the United Nations; Senator Howard, and Mr. G.D. Weaver, M.P. Alternate members of the delegation might be Mr. Lucien Cardin, M.P., Mrs. K.G. Montgomery of Alberta, Mr. S.D. Hemsley from the Department of External Affairs, one officer from one of the Canadian embassies abroad, and one official from some other government department.

As parliamentary observers the following had been suggested: Mr. Andre Gauthier and Mr. A.R. Lusby for the Liberal Party for the first half of the session; one yet to be nominated for the Conservative Party with a second to be nominated for the second half; Mr. Clarence Gillis for the C.C.F. during the second half of the Session and Mr. A.B. Patterson for the Social Credit Party for the first half.

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29. The Cabinet noted with approval the proposals of the Secretary of State for External Affairs regarding the composition of the Canadian delegation to the forthcoming Ninth Session of the United Nations General Assembly; it being understood that Mr. Pearson would consult with his colleagues as to a replacement for himself as Head of the Delegation when absent from New York.

Diplomatic appointments

30. The Secretary of State for External Affairs recommended that Mr. Douglas S. Cole, now Consul-General in Chicago, be appointed Canadian Ambassador to Mexico to replace Mr. Jules Leger. He also proposed to transfer Mr. Morley Scott, recently in Tokyo, to Karachi; Mr. E. D'Arcy McGreer from Denmark to Ottawa as Chief of Protocol; and Mr. H.F. Feaver, now Chief of Protocol, to replace Mr. McGreer in Denmark.

31. The Cabinet noted with approval the proposals of the Secretary of State for External Affairs regarding the appointment of Mr. Douglas S. Cole as Canadian Ambassador to Mexico; Mr. Morley Scott as Canadian High Commissioner to Pakistan; Mr. E. D'Arcy McGreer as Chief of Protocol in Ottawa; and Mr. H.F. Feaver as Canadian Minister to Denmark.

Korea; withdrawal of Canadian troops

32. The Secretary of State for External Affairs, referring to discussion at the meeting of August 11th, said that public announcements had recently been made that the United States proposed to reduce its forces in Korea by three divisions. In view of this announcement, consideration should now be given to the nature of the reply to enquiries regarding the Canadian government's intentions as to Canadian military forces yet remaining in South Korea.

33. The Cabinet, after discussion, agreed that in reply to any enquiry regarding the Canadian government's intention as to reductions of Canadian military forces in South Korea, it be stated that the form of the reduction in the size of the Commonwealth forces still in Korea was now under consideration.

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R.C.A.M.C.; petition for redress of grievance

Information is severed consistent with the provisions of the Access to Information Acts.19(1)and the Privacy Act s. 3(6)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s. 19(1) et la Loi sur la protection des renseignements personnels s. 3(6)

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Information is severed consistent with the provisions of the Access to Information Act and the Privacy Act s. 3(b)

Renseignements qui s'y trouvaient ont été retirés conformément aux dispositions de la Loi sur l'accès à l'information s. 19(1) et la Loi sur la protection des renseignement personnels s. 3(b)

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CABINET CONCLUSIONS

Meeting

September 1st, 1954.

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Items Discussed

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Meeting with Canadian Association of Radio and Television Broadcasters	5.
Appointments	5.
Victory Loan bonds; redemption	6.
Railway labour dispute	6.
Chaudiere Bridge; operation of buses; agreement between the City of Ottawa, the Ottawa Transportation Commission and the Federal Government	7.
Unemployment; closing of textile mill in Milltown, New Brunswick; general observations	8.
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European Defence Community	10.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, September 1st, 1954, at 11:00 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage)

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretary to the Cabinet
(Mr. Martin).

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Sale of ships to the Soviet bloc

1. The Secretary of State for External Affairs explained that Canada, together with the other N.A.T.O. members, and West Germany and Japan, had exercised controls for several years limiting the sale of merchant ships to the Soviet bloc. Representatives of these countries meet in Paris and the group is commonly known as COCOM (Consultative Group's Co-ordinating Committee). Recently, pressures had been building up to ease controls because the type of ships to which they applied had come to be regarded as of less strategic importance and because of domestic political and economic factors in the individual nations concerned. These pressures reflect Soviet enquiries. In Canada, there had been some Soviet discussions with shipbuilders and enquiries about some old Park ships. The result was that shipowners and shipbuilders had been led to believe that there might be some business in prospect with the Soviet bloc.

Many efforts had been made by the COCOM countries to devise some mutually satisfactory way of bringing controls up to date on ship sales. No agreement had been reached but the need for a solution was becoming more acute as several nations were commiting themselves to future deliveries of ships against their shares of quotas not yet established. Throughout the discussions held in Paris, the Canadian delegate had taken the position that if any form of quantitative controls were to be kept in force they should be set at a level to ensure adequate security protection and to be such as to justify the sacrifices being demanded of shipbuilders. A special meeting was to be held in the near future in an endeavour to arrive at some form of agreement but it seemed unlikely that a suitable compromise would be reached. To clarify the Canadian position, he recommended that Mr. Wilgress be instructed to point out that any quota arrangement which would allow the Soviet bloc to acquire more than 150,000 tons of shipping from all sources would not,in fact,be control in substance and that, in such event, the Canadian government would be unlikely to agree to enforcing controls on the sale of Canadian ships.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug. 31,1954-Cab. Doc. 182-54).

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2. In the course of discussion it was pointed out that the Department of Trade and Commerce, which was principally concerned in the enforcement of the controls, and the Department of National Defence, felt the course suggested was the sensible one in all the circumstances.

3. The Cabinet noted the report of the Secretary of State for External Affairs on the meeting to be held in Paris early in September by representatives of N.A.T.O. countries, West Germany and Japan, concerning the sale of ships to the Soviet bloc, and agreed that, for the purposes of clarifying the Canadian position, the Canadian delegate to this COCOM meeting be instructed to point out that any quota arrangement for non-embargoed types of ships which would allow the Soviet bloc to acquire more than 150,000 G.R.T. of shipping each year from all sources (including new construction within the bloc itself and sales by non-COCOM countries) would represent controls in form but not in substance. Consequently, if the COCOM Group were to establish a new control system based on a higher annual rate of acquisition of ships by the Soviet bloc than the 150,000 ton figure mentioned above, the Canadian government would be unlikely to agree to continue enforcing controls on Canadian shipbuilders and shipowners in respect of non-embargoed types of vessels, and would probably wish to reserve the right to permit sales of ships to the bloc in those circumstances on the grounds that such high levels of control would be pointless and would merely embarrass members of the group without offering any commensurate security advantages.

N.A.T.O. Committee on Refugees and Evacuees; instructions to Canadian representative

4. The Secretary of State for External Affairs said the Canadian delegation to N.A.T.O. required instructions in connection with its membership on a sub-committee dealing with the reception and accommodation of refugees and evacuees in wartime.

Several European countries were concerned with the possibility of a large movement of refugees from Germany to Western Europe on the outbreak of hostilities. While the problem was, in the first instance, a military one and it would be essential to prevent such movements so far as was possible, the countries concerned felt that measures to this end would prove to be inadequate. France, Belgium, the Netherlands and Luxembourg considered it imperative that, even in the absence of accurate data on likely numbers, plans should be prepared for the redistribution of refugees abroad,

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specifically to the United Kingdom, the United States and Canada. They were anxious to receive advance commitments from overseas countries on the numbers these countries would be willing to receive, and they felt also that some arrangements should be made in peacetime for the financing required in wartime and the building up in peacetime of stocks required for camps.

Preliminary views had been expressed by the U.S., the U.K., Turkey, Greece, Denmark and Portugal. These stressed that it was not possible to make commitments in advance and that emphasis should be focussed, in the first instance, on measures designed to minimize the flow of refugees. The United Kingdom had gone so far as to declare that she was not a potential recipient for refugees either in transit or as an area for final settlement. West European representatives on the other hand, had suggested that neither the countries of origin nor the receiving countries could be held financially responsible for the movement and care of war refugees and that a common fund should be established to be administered by N.A.T.O. for this purpose, and funds put up in peacetime to stockpile requirements for camps.

5. Mr. Pearson recommended that the Canadian delegation to N.A.T.O. should point out that practical difficulties would limit the possibility of drafting effective plans in peacetime and that no advance commitments could be made now to accept a specified number of refugees. However, the delegation would also state Canada's willingness to accept refugees should circumstances in time of war prove this course to be both desirable and practicable. Meanwhile, there would be no objection to N.A.T.O. attempting to develop plans for the general organization of a refugee movement, but primary emphasis should be placed on measures to prevent any such movement on a large scale. On the matter of common financing, it would be futile to attempt to negotiate, in peacetime, a formula for sharing the cost of a comparatively small segment of the total costs of war. Finally, the instructions would point out that Canada would not consider making advance contributions to permit stockpiling of requirements for refugee camps until the implications of such a programme had been thoroughly studied.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug. 16,1954-Cab. Doc.180-54

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6. In the course of discussion it was pointed out that Canada could not say that the matter should not be studied at this stage. There should be no objection to the preparation of plans for a scheme which might have to be used in war.

7. The Cabinet approved the instructions submitted by the Secretary of State for External Affairs for the guidance of Canada's permanent representative to the North Atlantic Treaty Organization in discussions to be held on the subject of the reception and settlement of refugees in the event of war.

Meeting with Canadian Association of Radio and Television Broadcasters

8. The Prime Minister said a request had been received from the Canadian Association of Radio and Television Broadcasters for a meeting with the government during the week beginning October 10th,1954, so that the Association could present its views on the industry and on certain recent developments, particularly in regard to television. In making its request, the Association pointed out that previous meetings had been held with the government in other years which the industry regarded as worthwhile.

9. The Cabinet agreed that a meeting of members of the government with the Canadian Association of Radio and Television Broadcasters be arranged; the Association to be informed that the date could not be settled now but that the meeting would not be unduly delayed.

Appointments

10. The Minister of Labour submitted a recommendation for appointments to the Vocational Training Advisory Council.

11. The Cabinet approved the recommendation of the Minister of Labour for the following appointments to the Vocational Training Advisory Council:

(a) for a period expiring November 30th,1954 -
Member - R.E. Byron, Esq.
Alternate Member - W.H. Swift, Esq.
both representing the Province of Alberta;

(b) for a period expiring November 30th,1955 -

Member - L.W. Shaw, Esq.,
Alternate Member - W.S. McMurtry, Esq.,
both representing the Province of Prince Edward Island;

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(c) for a period expiring November 30th,1956 - Member - Jack Wilton, Esq., representing agriculture;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1304, Sept. 1).

Victory Loan bonds; redemption

12. The Minister of National Revenue, for the Minister of Finance, proposed that bonds in the principal amount of $1,100 million be issued for the purpose of redeeming $1,111,261,650 of 3% Fourth Victory Loan Bonds maturing on May 1st,1957 and called for redemption on October 1st,1954.

13. The Cabinet approved the issue of and sale of $1,100 million principal amount of 2% bonds, non-callable, dated October 1st,1954, maturing October 1st,1957 at a price of $99.75 to yield 2.09% and 3¼% bonds, non-callable, dated October 1st, 1954, and maturing October 1st,1979, at a price of $100 to yield 3.25%; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1305, Sept. 1)

Railway labour dispute

14. The Prime Minister, referring to discussion at the meeting of August 18th,1954, reported that it had been possible to secure the services of Chief Justice Sloan of British Columbia to arbitrate the differences between the railways and their employees. He thought, however, that the Chief Justice should not be formally appointed until his terms of reference had been agreed to by both parties to the dispute. Shortly after it had been decided that there would be no strike, he had suggested to the President of the Canadian National Railways that the railways might consider restricting the arbitration to the rate of pay for holidays, and the application of holiday arrangements to non-operating personnel on trains, with the railways conceding now, as a matter of goodwill, on the number of holidays, where the substance of the argument seemed likely to be in favour of the men. Mr. Gordon had considered this proposal carefully with the President of the Canadian Pacific Railway but they had concluded that it would be preferable to have the arbitrator deal with all matters contained in the requests of the unions for a revision of the collective agreements. The Prime Minister felt that relations between the management and their employees would develop in a more friendly fashion if the railways had been able to indicate that only these secondary matters would be arbitrated. However, he did not wish to force his view on the railways.

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15. In the course of discussion, the following points emerged:

(a) The selection of Chief Justice Sloan would likely be most acceptable to the public. His nomination should be made by the Prime Minister as this was the understanding of the management and the unions.

(b) The terms of reference should cover the original claims, requests and refusals and be submitted to the unions and the management for their comments.

16. The Cabinet noted the report of the Prime Minister concerning the settlement of the railway labour dispute and agreed:

(a) that Chief Justice Sloan of British Columbia be appointed to arbitrate the differences between the parties;

(b) that terms of reference for the arbitration be prepared and submitted to the unions and the management for their comments; and,

(c) that once the terms of reference had been settled, they should be recommended to Council by the Minister of Labour and issued as an Order in Council along with Chief Justice Sloan's appointment as recommended by the Prime Minister.

Chaudiere Bridge; operation of buses; agreement between the City of Ottawa, the Ottawa Transportation Commission and the Federal Government

17. The Prime Minister, referring to discussion at the meeting of April 8th, 1954, said the Acting Minister of Public Works had submitted a recommendation to enter into an agreement with the City of Ottawa and the Ottawa Transportation Commission for the operation of buses over the Chaudiere (Union) Bridge between Ottawa and Hull and for rights to turn busses on certain Crown property.

18. The Cabinet approved the recommendation of the Acting Minister of Public Works and agreed that authority be granted for the execution, on behalf of Canada, of an agreement with the City of Ottawa and the Ottawa Transportation Commission, in accordance with the terms submitted, relating to the operation of a line of buses over the Union Bridge between Ottawa and Hull; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1306, Sept. 1)

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Unemployment; closing of textile mill in Milltown, New Brunswick; general observations

19. The Minister of Labour reported that the St. Croix textile mill at Milltown, N.B., formerly the property of Canadian Cottons but now owned by the Textile Sales Company, would shortly close down if no assistance could be provided in the near future. In many ways, the situation in Milltown was worse than that in Marysville where a textile plant had been shut last spring. Milltown is a smaller community and had not the good local constructive leadership which prevailed in Marysville. While it was not yet certain that the mill would close, it was very likely,and there appeared to be little that the government could do. The mill formerly manufactured cotton goods but now produced certain rayon products and the market for them was not too favourable at the moment. The basic trouble was a lack of working capital, and the management were now endeavouring to raise funds through the Industrial Development Bank. Meanwhile, the town had indicated that it would forego the collection of taxes from the company if the mill could stay open for a further year. The local union had also agreed to take a reasonable cut in wages. However, the heads of the Textile Workers Union of America had opposed this offer by the local, with unfortunate results and the feelings between management and employees had been worsened.

20. In the course of discussion, the following points emerged:

(a) The Prime Minister had received a most offensive letter on the matter purporting to be from Harold Daoust, the Canadian Director of the Textile Workers Union of America, and an American citizen. The letter had been signed for Mr. Daoust by the initials of an unidentified person. It was proposed that a reply be sent indicating that, while the tone of the letter would not prevent the government from doing what it could to assist the textile industry, there would be no further correspondence with a shadow Canadian director of the international union.

(b) The meetings held in Milltown at which officers from the larger body had been present had been unpleasant ones and had produced no useful results.

(c) In many lines in the textile industry, the position had improved and several orders from the Department of Defence Production had helped ease the situation. However, no defence orders could help the market for the product produced at the Milltown plant.

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(d) Some steps would have to be taken to deal with the unemployment situation immediately. There was some indication of slackening in the building trade and this could not be allowed to continue. The government had restrained its own construction programmes in recent years because the industry had been active and there was no desire to compete unnecessarily with private projects. Now, however, steps should be taken to use the slack that existed and spend the money which Parliament had voted for construction projects. If it were known that the government was pushing ahead expeditiously with its programmes, the psychological effect might be such as to induce private industry to follow suit and to feel that there was no slump in prospect.

(e) There were also indications that the level of unemployment in rural districts among young men who would not normally expect to work on the land was high. In an effort to meet this situation in one part of the country the Canadian National Railways should be encouraged to commence work, as soon as possible, on both portions of the new branch line in the Chibougamau district. Traffic prospects, in the eastern area to be served, appeared to be at the point or almost at the point where the line should be built. In addition, departments such as Transport, Public Works, National Defence and Northern Affairs and National Resources should press ahead with their plans and blueprints quickly so that construction could take place in those areas where employment was low. While it was not desirable to undertake a project without having plans in a reasonable state of preparation, it was not necessary to wait until every last detail had been settled. Everything should be done to see that as much as possible of the money voted for construction projects was properly spent and did not lapse.

(f) Study should be given to the possibility of the use of new legislation along the lines of the Municipal Improvements Act as a means of improving employment.

(g) Business prospects in the U.S. appeared to be improving and, while this upturn might be exaggerated in the course of the forthcoming election campaign, there would nevertheless be a better atmosphere which would have its influence on the Canadian economy.

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21. The Cabinet

(a) noted with approval the reply which the Prime Minister proposed to have sent to a letter received from Harold Daoust, Canadian Director of the Textile Workers Union of America, regarding the closing of the St. Croix textile mill at Milltown; and,

(b) agreed that consideration should be given to expediting the carrying out of approved public works and other government construction projects, and to the planning and preparation of new projects in areas of unemployment, as well as to other measures such as railway construction and aid for municipal improvements that might provide additional useful employment for general labourers.

Diplomatic appointments

22. The Secretary of State for External Affairs said it was proposed to appoint Mr. Kirkwood, the former High Commissioner to Pakistan, Ambassador to Egypt and accredit him to two other Arab nations. Once Mr. Mayrand had completed his term of office on the Supervisory Commission in Indo-China, he would be appointed Ambassador to one of these Arab states. It was also proposed that Mr. McDermot, in addition to serving as Ambassador to Greece, be appointed Ambassador to Israel. Finally, in place of Mr. Mayrand, Mr. Renaud, presently head of the Historical Research and Reports Division of his department would be appointed Ambassador to Chile.

23. The Cabinet noted with approval the proposals of the Secretary of State for External Affairs with regard to diplomatic appointments in Egypt, certain other Arab nations, Israel and Chile.

European Defence Community

24. The Secretary of State for External Affairs reported on the recent debate which had taken place in the French Assembly concerning the European Defence Community. The Canadian mission in Paris had never thought the E.D.C. would be approved by the Assembly. Having in mind that Canada had a brigade group and an air division of over 300 planes in Europe, he had sent a message to the Premier of France to record Canada's interest in the matter of the defence of Western Europe. Surprisingly, the message was made public and as a result had been interpreted in Canada as a warning; but Mr. Mendes-France had thanked him for it and said that it

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was helpful and comforting. It appeared to have done no harm. While, in many ways, it was useful to have the E.D.C. question settled, it had been decided in a most unfortunate manner. The decision was taken on a motion of closure and the proponents of the plan had therefore been prevented from discussing it. The Premier appeared to be playing a curious role. He indicated that he wanted E.D.C. approved but he was apparently relieved that this had not happened. Furthermore the issue had not been made a vote of confidence. Mr. Mendes-France was now going to endeavour to produce a solution to the problem himself.

The reactions in Washington and Bonn to the killing of E.D.C. could be dangerous. In the United States, the forces of isolationism might be strengthened or France might be written off and separate defensive arrangements made with Western Germany. In the latter country unless something useful were done in the near future, Chancellor Adenauer's position would be gravely weakened. His position had already been weakened by the defeat of E.D.C. and the defection of certain prominent West Germans to the Communist side. Chancellor Adenauer could not play an active part in public affairs much longer because of his age, and it was doubtful if those who would succeed him would inspire the confidence he had amongst Western nations.

It now seemed desirable to have the whole matter of European defence and West Germany's position placed before the N.A.T.O. Council, as soon as some thought had been given to the character of any new arrangement which might be reached. The United States had wanted a N.A.T.O. meeting immediately but, because of the discussions at Manila regarding the formation of a Southeast Asian Defence Organization, the earliest time at which such a meeting could take place would be in October. The United States would probably suggest that West Germany be admitted to N.A.T.O. with a minimum of restrictions. France would resist this strongly. It should be possible, however, to find a way for using the N.A.T.O. machinery to control armaments. The Premier of France might try to reach an agreement with West Germany outside of N.A.T.O.auspices and then seek to have her admitted to the organization afterwards subject to such agreement. We should press to have the matter discussed fully with a view to integrating West Germany in the Organization as soon as possible, otherwise it would be too late and that country might drift rapidly towards a closer connection with the Soviet bloc. It was to be hoped that public opinion in the United States and the United Kingdom would not become too bitter towards France. Mr. Mendes-France's support in his own country was not too strong despite his successes prior to the E.D.C. debate.

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25. In the course of discussion, the following points emerged:

(a) Canadians would be unlikely to want to continue to keep forces in West Germany unless the West Germans themselves were permitted and were prepared to share in their own defence.

(b) With regard to the Manila Conference, the position of the United States had now altered quite considerably and their proposals for a tight security pact had been watered down. It seemed that U.S. policy was becoming more realistic but one result was that Thailand and the Philippines were more impatient with the United States than they had been heretofore.

(c) French fears that Germany might dominate Europe did not seem realistic in an age of thermonuclear weapons of great destructive power.

26. The Cabinet noted the report of the Secretary of State for External Affairs regarding the fate of the European Defence Community following the debate in the French Assembly, and agreed it would now be desirable that the question of the defence of Europe and the position of West Germany be considered at an early meeting of the N.A.T.O. Council.

R.B. Bryce,
Secretary to the Cabinet

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Cabinet Conclusions

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Décisions du Cabinet

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8 September 1954 to 22 December 1954

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TOP SECRET

CANADA
CABINET CONCLUSIONS

VOL. XLI

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CABINET CONCLUSIONS

Meeting

September 8th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, September 8th, 1954, at 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
and Acting Secretary of State
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier),
(Mr. Martin).

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Legislation; Defence Production Act amendment

1. The Minister of Defence Production said the Defence Production Act contained a section which provided that the Act shall expire on July 31st, 1956. It seemed clear that there would be a continuing requirement for an efficient procurement organization and it was not possible to build up or maintain such an organization when the life of the department was limited. He therefore recommended that a measure be introduced during the coming session of Parliament to repeal the section which provided for expiry of the Act.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 20, 1954-Cab. Doc. 171-54)

2. In the course of discussion the following points emerged:

(a) It was argued on the one hand, that certain unusual or extraordinary powers had been granted to the Governor in Council or to the Minister under this Act because it was of a temporary nature. If the life of the legislation were now to be extended indefinitely it might be desirable to review these powers in order to determine whether or not they should be modified or reduced in scope.

(b) It was pointed out, on the other hand, that the very nature of defence procurement was such that any legislation governing such procurement must of necessity contain certain powers that might not be necessary in other legislation.

(c) It was further suggested that, instead of extending the Act indefinitely, it would be possible to seek an extension for a pre-determined period of time beyond July 31st, 1956, This, however, would hold the disadvantage of not providing that degree of stability required to ensure maximum efficiency in the administration of the Act.

3. The Cabinet approved in principle the proposed amendment to the Defence Production Act repealing the section providing for expiry of the Act, as submitted by the Minister of Defence Production, and agreed that a draft measure be prepared accordingly, on the understanding that, if Parliament showed a strong feeling that such an indefinite extension of the extraordinary powers in certain sections of the Act was unwarranted by the present outlook, these sections would be reconsidered by the government.

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Legislation; amendments to and consolidation of legislation affecting the Canadian National Railways.

4. The Minister of Transport said it was proposed to amend the Canadian National Railways Act and to consolidate such amendments with the provisions of certain other statutes relating to the government railways.

Some of the more important new features which the railway management had suggested should be included in the consolidated legislation were,-

(a) that, as was the case with the Canadian Pacific Railway, the C.N.R. be authorized to construct short branch lines without reference to Parliament but only with the approval of the Governor in Council or, alternatively, with the approval of the Board of Transport Commissioners and the Minister of Transport;

(b) that the C.N.R., itself, be authorized by the new legislation to operate a telecommunications system;

(c) that the C.N.R. be given the specific statutory power which it now lacked to operate a motor vehicle service;

(d) that, insofar as financial provisions were concerned, procedural matters be covered in the proposed new permanent legislation while authority for specific capital expenditures and the issue of securities be left for the annual Financing and Guarantee Acts; and,

(e) that the existing statutory provision which prohibited the Chairman of the Board of the C.N.R. from accepting directorships in other corporations be repealed.

An explanatory memorandum had been circulated.

(Minister's memorandum, Aug. 19,1954-Cab. Doc. 179-54).

5. In the course of discussion the following points emerged:

(a) It was suggested that the C.N.R. might be authorized by statute to construct branch lines of less than six miles without reference to Parliament, provided prior approval of the Board of Transport Commissioners and the Governor in Council (rather than the Minister as suggested) was obtained. It was pointed out, in this connection, that the C.P.R. would, even

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after enactment of this amendment, be in a preferred position. For example the C.P.R. was now undertaking construction of a branch line into the Manitouwadge lake area without having obtained the approval of the Board of Transport Commissioners. It was understood that the C.P.R. could do this legally under the very broad powers conferred upon it under its 1881 Charter. As a matter of principle, however, it would seem desirable that neither the C.P.R. nor the C.N.R. should be in a position to undertake the construction of these branch lines without first submitting the matter to the Board of Transport Commissioners.

(b) There did not seem to be any valid reason why the existing powers of the C.N.R. in the field of telecommunications should not be consolidated into the one governing statute.

(c) Particularly in view of the passing of the Motor Vehicle Transport Act during the last session of Parliament, any provision in the new legislation regarding motor vehicle operations by the C.N.R. should not be such as to override provincial jurisdiction of highway traffic.

(d) While there might be some advantage to be gained by allowing the Chairman of the Board of the C.N.R. to hold directorships in other corporations, such advantage seemed heavily outweighed by the disadvantage of having the head of a publicly owned facility such as the C.N.R. closely connected with the activities of private business.

6. The Cabinet agreed,-

(a) that a draft measure be prepared to amend and consolidate the legislation affecting the Canadian National Railways, as recommended by the Minister of Transport, subject to the following modifications:

(i) the Chairman of the Board of the C.N.R. not to be empowered to accept directorships in other corporations; and,

(ii) provincial jurisdiction in highway transport matters not to be overridden by any reference to motor vehicle operations by the C.N.R. in the new legislation;

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(b) that, in principle, construction of short branch lines by both the C.P.R. and the C.N.R. should be subject to prior approval by the Board of Transport Commissioners; and,

(c) that the Minister of Transport enquire further into the alleged powers of the C.P.R. to construct branch lines without such approval.

Legislation; amendments to Railway Act concerning grade crossings

7. The Minister of Transport recommended that a bill be introduced during the coming session of Parliament to implement the recommendations of the Board of Transport Commissioners in its report on railway-highway crossings undertaken pursuant to Order in Council P.C. 1953-52, of January 14th.

The substantive recommendations to be included in the proposed legislation were as follows:

(a) $5 million (in place of the present $1 million) to be appropriated annually for the Railway Grade Crossing Fund, subject to the condition that the sum total of each annual vote plus any uncommitted balance in the Fund shall not exceed $7 million.

(b) The Railway Grade Crossing Fund to contribute 60 percent of the actual construction cost of grade crossing projects subject to limitation of $300,000 to any one project.

(c) For the reconstruction or improvement of existing grade separations, the Fund to be authorized to contribute 30 percent of the cost subject to a limitation of $150,000 on any one project.

(d) In cases of highway diversion projects involving grade separations where existing crossings are permitted to remain open, the latter to be eligible for grants from the Fund if the Board was satisfied that a substantial volume of traffic would be diverted from existing crossings so as to reduce the accident hazard.

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(e) The Fund to contribute up to a maximum of $200 towards annual maintenance costs of automatic signal installations constructed after the effective date of the new provisions.

(f) Section 263 of the Railway Act to be repealed as obsolete.

(g) Section 265 to be amended by replacing references to crossings in existence on the first day of April, 1907, by "crossings in existence at least three years prior to date of application for grant from the Fund".

In addition to the amendments specifically related to the Railway Grade Crossing Fund, it was further suggested that the proposed bill include provisions,-

(a) for the appointment of "examiners" to take evidence in proceedings before the Board;

(b) for the adjustment of the salaries of Commissioners, if and when judicial salaries were increased; and,

(c) for an increase in Board membership from six to seven Commissioners.

An explanatory memorandum had been circulated.

(Minister's memorandum, July 28, 1954-Cab. Doc. 170-54).

8. In the course of discussion, the following points emerged:

(a) In reply to a suggestion that steps should be taken to avoid the construction of new level crossings on heavily travelled highways, it was pointed out that, under the Railway Act as it now stood, no new crossings could be built without prior approval of the Board of Transport Commissioners and that the Board could and did determine whether a protected level crossing was adequate or whether a grade separation was required.

(b) It was noted that one of the proposals involved contributions by the Fund of up to a maximum of $200 per annum for automatic signals at level crossings, provided the crossing was installed after the date on which the new

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scheme came into effect. This would undoubtedly give rise to dissatisfaction on the part of many smaller municipalities which had installed signals or protective works prior to the coming into force of the new scheme and which would have to continue to share with the railways full maintenance costs after the scheme came into effect, while other municipalities which had installed these works at a later date would receive assistance from the Fund up to $200 per annum for each crossing. In the circumstances, it might be preferable to delete this provision entirely and devote the money thus saved to the construction of a greater number of protective works where none now existed.

(c) The desirability of amending Section 265 to replace references to crossings in existence on April 1st, 1907, by references to "crossings in existence at least three years prior to date of application for grant from the Fund" was questioned. The practical result of this suggestion, if implemented, might well be to encourage the establishment of the cheaper level crossing protective works in densely populated areas where grade separations were really required. In the circumstances, it might be preferable to remove this limitation and to make assistance available from the moment the protective works were installed. It was pointed out, on the other hand, however, that, of the thirty odd thousand level crossings in Canada only a very few thousand were now provided with some form of protection, and that the main purpose of the Fund was to provide protective works at existing crossings where none now existed.

(d) It was not felt to be a proper role for the Fund to subsidize new construction of railway or highway facilities. In such cases, adequate provision should be made by the railway on the one hand and by the province or municipality, as the case might be, on the other, to provide adequate protective facilities.

(e) Some doubt was expressed as to the advisability of increasing the Board membership from six to seven Commissioners at the same time as approval was sought for the appointment of "examiners" who would presumably relieve the Commissioners of much routine work and preliminary investigation. On the other hand, it was understood that the Chief Commissioner had suggested the increase in membership in order to permit the appointment of the Board's Traffic Adviser as a Commissioner.

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This, he felt, would considerably increase the efficiency of the Board's operations by enabling the Traffic Adviser to take an active part in deliberations.

9. The Cabinet approved in principle amendments to the Railway Act regarding Grade Crossings and other matters as proposed by the Minister of Transport and agreed that a draft measure be prepared accordingly; subject to the deletion of the provision that a contribution of up to $200 be made by the Board from the Fund toward the annual maintenance costs of automatic signal installations installed on level crossings after the effective date of the Act, it being understood that when the bill was in printed form, further consideration would be given to the proposals,-

(a) that contributions from the Fund be made available only to crossings in existence at least three years prior to date of application for a grant; and,

(b) that Board membership be increased from six to seven Commissioners.

Public Service; revision of salaries of members of boards and commissions and senior civil servants

10. The Minister of Finance, referring to discussion at the meeting of January 11th,1954, said a committee comprising the Chairman of the Civil Service Commission, the Secretary of the Treasury Board and the Secretary to the Cabinet, had now reviewed salaries paid to chairmen and members of boards and commissions and senior officers of the public service other than deputy ministers. This review had taken into consideration adjustments in the salaries of deputy ministers approved by Cabinet on July 6th,1954.

The special committee had recommended that, in general, the salaries reviewed should be fitted, so far as possible, into a pattern that would include a few on the same basis as deputy ministers, a number of others at a flat rate of $15,000 per annum, a number of others at a flat rate of $13,500 per annum and others at $12,000. Below this latter figure there already were rates established at $11,000, $10,500 and $10,000 per annum and a few changes were now proposed to bring certain officials to these levels.

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For the most part, the changes recommended worked out to approximately a 10 percent increase, which was typical of the increases granted to the Civil Service as a whole at the last major revision which had been made effective December 1st, 1953. It was suggested that the effective date for these increases should be July 1st,1954, for members of boards and commissions and for others whose salaries were determined by Order in Council or who came under the Civil Service Act and were to be paid $15,000 per annum, as it was felt that,in such cases,the date should be that adopted earlier for deputy ministers. In the other cases, which were chiefly senior posts under the Civil Service Act, it was proposed that the effective date be April 1st, which was about midway between the date established at the last revision for the public service generally and that adopted recently for deputy ministers.

(Report of Special Committee, July 23,1954)

11. Mr. Harris said that in accordance with a direction of the Prime Minister, the Secretary to the Cabinet had communicated with all Ministers on salary adjustments in their departments or for members of Boards or commissions for which they were responsible. In reply, it had been suggested that the Assistant Deputy Minister of Justice and the Parliamentary Counsel of the Department of Justice be paid at the rate of $15,000 rather than $13,500 per annum.

He and the Minister of National Defence recommended that the pay rate of the Chairman of the Chiefs of Staff should be increased to $18,500 per annum and that of the three Chiefs of Staff and the Chairman of the Defence Research Board to $17,500 per annum, and that it be recognized that the Chiefs of Staff were entitled to certain perquisites, notably the use of an official car and chauffeur for personal as well as official purposes, and also the use of a batman at home. It was suggested that the increases for the Chiefs of Staff and the Chairman of the Defence Research Board be made effective as of July 1st.

12. The Cabinet noted the report of the Minister of Finance and approved the salary adjustments for members of Boards and Commissions, and certain senior public servants as recommended by the Minister and set out in detail in the report of the special committee on this matter, and also the recommendations for revised pay rates for the Chiefs of Staff and the Chairman of the Defence Research Board; it being understood that the rate for the Assistant Deputy Minister of Justice and the Parliamentary Counsel of the Department of Justice would be $15,000 per annum.

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National Defence; site for proposed new headquarters

13. The Minister of National Defence, referring to discussion at the meeting of June 2nd, 1954, said he and the Minister of Public Works now jointly recommended that land located approximately two miles from the village of Bell's Corners in Nepean township and between highways 15 and 17 be acquired as the site for the new National Defence Headquarters. The recommended site was approximately ten miles from the Parliament Buildings. The total cost of a new Defence Headquarters on this site, including lands, services and buildings, was estimated roughly at $30 million. It was proposed to acquire approximately 2,470 acres of land at an estimated cost of approximately $1 million.

While only about 500 acres would be required for the headquarters site proper, it was felt that the additional land should be acquired,-

(a) to ensure the orderly development of the adjacent areas;

(b) to permit adequate access from both major highways for the large traffic to and from the headquarters;

(c) to provide adequate space for the possible future development of neighbourhood housing units, probably by private enterprise, if that was thought desirable; and,

(c) since any part of this land not needed for the headquarters or other Federal projects would represent a sound investment.

The Interdepartmental Committee on New Buildings in Ottawa, had examined several alternative sites and had recommended the Bell's Corners site as the most suitable, taking into account dangers from air attack as well as other considerations.

The Minister also recommended that, at the time expropriation notices were given, the cooperation of the province of Ontario be sought with a view to controlling the use of the land between this site and the Ottawa city limits, or failing this that the Federal District Commission be asked to study and report on the feasibility of acquiring this intermediate area for preservation as a green belt.

An explanatory memorandum was circulated.

(Joint memorandum, Minister of Public Works and Minister of National Defence, Sept. 7,1954 - Cab. Doc. 188-54).

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14. In the course of discussion the following points emerged:

(a) Recent information seemed to indicate that a distance of ten miles would not be sufficient to protect personnel in the new headquarters from the lethal effects of a hydrogen bomb exploded over the centre of the city. However, because of the shelter of a rather sharp escarpment just east of the proposed site, the buildings themselves would probably not be destroyed although they might suffer minor damage. Short of moving many miles away from Ottawa, which did not seem to be practical from an administrative point of view, the military authorities were of the view that the Bell's Corners site offered practical advantage, taking into account both the security and administrative points of view.

(b) It was argued, on the other hand, that there was little point in ensuring preservation of buildings unless personnel could also be protected. It did not appear that the new site would lead to adequate security of personnel. In the circumstances, it would seem preferable not to seek second-rate security but to erect the new headquarters within the confines of the city limits in order to have access to municipal services, which should reduce considerably the overall costs involved. It was suggested that the property recently acquired by the government on the Bowesville Road between the city and Uplands Airport might be a suitable site.

(c) It was suggested that a special Cabinet Committee might discuss this whole question with the officials concerned and submit a further report to the government for consideration.

15. The Cabinet deferred decision on the joint recommendation of the Minister of Public Works and the Minister of National Defence regarding the acquisition of a site for a new National Defence Headquarters building, and agreed that a special Cabinet Committee, comprising the Minister of Trade and Commerce, the Minister of Public Works, the Minister of Finance and the Minister of National Defence, consider this question, consulting the officials most immediately concerned, and submit a report to the Cabinet at a subsequent meeting.

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Discussions concerning European defence arrangements

16. The Secretary of State for External Affairs, referring to discussion at the meeting of September 1st, reported that, following defeat of the European Defence Community plan in the French Assembly, the United Kingdom had proposed a meeting with the E.D.C. nations, that is, France, West Germany, Italy, Belgium, the Netherlands and Luxembourg, together with the United States, in London next week. The reaction of the United States, on the other hand, was that a N.A.T.O. Council meeting should be held in New York almost immediately. Canada had taken the position that the question should be considered first by the N.A.T.O. Council, because it was more than purely a defence matter, and that such talks should be held in Europe. Those N.A.T.O. nations who had expressed views on the matter had approved this approach except for the United Kingdom, who had then suggested holding a nine-power meeting in London, to include Canada. That day, however, the United States and West Germany had indicated that they were not prepared to attend a London meeting, with the result that the talks had been postponed. It seemed likely, therefore, that there would be an early ministerial N.A.T.O. Council meeting. There had been a suggestion that such a meeting should be held in Canada but it would be preferable to hold it in Paris at the permanent headquarters of the Council.

With regard to the substance of the problems to be considered, Mr. Pearson said his department was working on a proposal which it was hoped could be made acceptable to the French whereby Germany would be associated with N.A.T.O. as soon as possible. The proposal would include provisions for the regulation of arms, which would be applicable to all nations in the arrangement and not to Germany exclusively. The British, for their part, had produced a scheme in which the Germans would be called upon to accept certain restrictions which would not be imposed on the other nations concerned. It was highly unlikely that West Germany would aceept this solution. The United States had no proposals at all.

It appeared that the ministerial meeting would be held either before or after the initial meetings of the General Assembly of the United Nations, and Canada would formally put forward the views which were now being developed. It was essential to get Germany associated with N.A.T.O. as soon as possible because, if there was much delay, such association might not be possible at all. Germany's accession to N.A.T.O. would require the unanimous approval of all the member nations and would involve an amendment to the pact of the type made when Turkey and Greece joined the organization. The principle source of

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difficulty would likely be France, where it was now being realized that the original E.D.C. proposal was much better than anything else which seemed likely to come forward. The French Premier would probably work towards a watered down E.D.C. with which the United States and the United Kingdom would be connected and which would be associated with N.A.T.O. This might be a good suggestion but it seemed highly unlikely that the countries which had already approved E.D.C., and Germany in particular, would be able to get their Parliaments to agree to a less effective arrangement at this stage.

17. The Cabinet noted the report of the Secretary of State for External Affairs concerning European defence arrangements, and agreed that Canadian efforts should be directed towards having the West German question considered as a N.A.T.O. problem, that it would be desirable to have West Germany become a member of N.A.T.O. as soon as possible, and that such restrictions on German arms as were considered necessary should be made applicable with a minimum of discrimination.

Air strips; U.S. Air Force request for construction at Pinetree radar stations, Labrador and Newfoundland

18. The Secretary of State for External Affairs said that when the Pinetree radar project was originally planned, it was realized that some means would be required to supplement the sea supply of stations in Labrador and Newfoundland. The exchange of notes of August 1st, 1951 with the United States authorizing the project made provision for this situation, in saying that there would be prior consultation with Canadian authorities on any major construction that might subsequently be necessary. It had originally been hoped that helicopters could be used for supplying these stations but this had not proved feasible. The U.S. Air Force, therefore, had requested permission to conduct surveys preliminary to the construction of gravel air strips, suitable for light aircraft, at the radar stations at St. Anthony, Newfoundland and at Cartwright and Hopedale in Labrador. With the concurrence of the Minister of National Defence, he recommended that a note be despatched, agreeing to the U.S. request and that he be authorized to approve the actual construction of the strips. when permission for this purpose was sought.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 7,1954-Cab. Doc. 184-54).

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19. In the course of discussion, the following points emerged:

(a) It was apparent that there would be more and more pressure from U.S. authorities to enlarge the scope of defence installations, and it would be desirable to consider each request carefully.

(b) The U.S. Air Force was only asking for the right to make surveys and would, in due course, seek further authority to build the strips desired. These would be only incidental to the operation of the stations, and rights had already been granted intended to make the stations fit for their proposed use.

(c) There was a demand for a strip for civilian use at St. Anthony and, if one were to be provided by Canadian civil authorities, there would be no point in duplication by the U.S. Air Force. On the other hand, it would be worth exploring the possibility of using, for civil purposes, any strip which the U.S. might construct. It would in any event be available for use by the R.C.A.F., if required.

20. The Cabinet approved the recommendation of the Secretary of State for External Affairs, as concurred in by the Minister of National Defence, and agreed:

(a) that the Department of External Affairs be authorized to send to the U.S. Embassy the note, as submitted, concurring in the U.S. request for authority to carry out surveys for proposed air strips at St. Anthony, Newfoundland, and Cartwright and Hopedale in Labrador;

(b) that, when a request was received from the U.S. government for permission to construct the air strips, the Department of External Affairs be authorized, after consultation with the Department of National Defence, to approve the request in accordance with the provisions of the exchange of notes of August 1st, 1951, and subject to the conditions that the air strips should not be used by the U.S. Air Force for any purpose other than the supply of the radar stations, without the express approval of the Canadian government, and that they should be available for use by the R.C.A.F., if required; and,

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(c) that the departments concerned explore the possibility of using such air strip as might be constructed at St. Anthony for civil purposes.

Gut Dam claims; Canadian proposals on international arbitration

21. The Secretary of State for External Affairs referred to a decision of July 6th, 1954, when it was agreed, in accordance with the suggestion of the United States Embassy at Ottawa, that intergovernmental negotiations should be resumed on the establishment of an international arbitral tribunal to adjudicate the claims made by several U.S. residents for damages allegedly caused by the Gut Dam. He submitted a draft agreement on arbitration which had been prepared by the Canadian officials mainly concerned.

The Minister recommended that this draft be approved and that officials of the Department of External Affairs and other departments concerned should continue negotiations with U.S. representatives with a view to reaching agreement along the lines indicated in the draft.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 3, 1954- Cab. Doc. 184-54).

22. In the course of discussion it was pointed out that the proposed Canadian draft restricted international adjudication to claims by U.S. citizens. This might give rise to dissatisfaction on the part of persons resident in the U.S. but not U.S. citizens and whose property within the United States was also alleged to have been damaged. It would be advisable to relate the definition of eligible claimants under the agreement to the persons or groups of persons referred to in the documents exchanged between Canada and the United States at the time of the construction of the dam in 1903-04.

23. The Cabinet,

(a) approved the draft agreement submitted by the Secretary of State for External Affairs for the establishment of an international arbitral tribunal to adjudicate U.S. claims for damages allegedly caused by the Gut Dam; it being understood that there would be no objection to the definition of eligible claimants as presently contained in the draft, provided it did not substantially conflict with the persons or groups of persons referred to in the documents exchanged between Canada and the United States at the time of the construction of the dam in 1903-04; and,

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(b) agreed that officials of the Department of External Affairs, in consultation with officials of the other departments concerned, continue negotiations with U.S. representatives with a view to reaching agreement along the lines of the said draft.

United Nations General Assembly; 9th Session; instructions for Canadian delegation

24. The Secretary of State for External Affairs said that the 9th session of the General Assembly was not expected to result in relaxation of major international tensions. None of the items on the agenda offered hope for a significant rapprochement between the free nations and the communist world. Most of the contentious items on the agenda had been debated previously. The outcome of the Geneva Conference provided little scope for constructive action on a political settlement for Korea, and the decisions of the Conference on Indochina were not expected to come directly before the Assembly. Some new items, such as Cyprus and West New Guinea, raised grave problems for the countries of the free world, and lent themselves to communist exploitation.

Since the end of the 8th session, the communist alliance had achieved a number of diplomatic triumphs outside the United Nations. Its members in the United Nations undoubtedly would seek to pose as protagonists of peace, and to exploit and derive propaganda dividends from differences between non-communist countries which would be aired on a number of issues at the coming session. He felt that, in accordance with past practice, the Canadian delegation should, therefore, use its influence to mediate and conciliate disputes involving the non-communist countries in the interests of a united front for the free world. On the other hand, the delegation should not support any initiative which would deprive the communist members of their rights under the Charter or which, without some important compensatory advantage, would provoke them to leave the Organization.

Draft instructions to the Canadian delegation on such matters as elections, Korea, representation of communist China in the United Nations, admission of new members, Cyprus, Tunisia and Morocco, Dutch New Guinea, South Africa, disarmament, economic questions, human rights and social questions, dependent territories and personnel problems in the United Nations secretariat, were submitted for consideration.

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Some of these items presented rather difficult problems. For example, it was suggested that the Canadian delegation be instructed that, in the event the substantive question of whether communist China should be admitted to United Nations came to a vote, the matter should be referred back to Cabinet for consideration. This was merely a device to avoid the necessity of taking an immediate decision on a question of importance on which United Kingdom and United States views were sharply divided.

It was also feared that the question of Cyprus might give rise to a difficult situation. Consideration of the future of Cyprus had been requested by the Greek government who had complained that the United Kingdom had refused to take part in bilateral discussions. The U.K. government had indicated it would invoke Article 2(7) of the Charter, concerning domestic jurisdiction, in an attempt to prevent discussion and that, in the event the question actually did come up for discussion, the U.K. delegation would walk out. The past policy of the Canadian government on similar questions had been to favour the right of the Assembly to discuss the issue,but had been opposed to resolutions which clearly impinged on the domestic jurisdiction of states and involved intervention. At the same time, Canadian delegations, occasionally, in the past, had recognized the desirability of avoiding or postponing discussions on purely political grounds. He felt that the attitude of the Canadian delegation on the Cyprus question should be aimed at minimizing embarrassment to the free world,and views of the Canadian delegation on the usefulness of the Assembly discussing the question should be determined in the light of circumstances prevailing at the time and after consultation with other friendly delegations. In the event the question came to a vote, the Canadian delegation might abstain without taking a positive stand one way or the other.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 7,1954 - Cab. Doc. 187-54).

25. In the course of discussion the following points emerged:

(a) It was suggested that the Canadian delegation should be extremely careful in handling the Cyprus question. Of the total population on the island, approximately 80 percent were of Greek origin, 18 percent of Turkish origin and 2 percent of other origin. The Greek government contended that what it wanted was to enable the local population to determine , by free vote ,whether it wished to remain under British jurisdiction or to go to some other jurisdiction, or to have independent government. On the other hand, the U.K. government felt that

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the Greek government as an ally had been extremely ill advised in raising this issue at the present time in view of the recent withdrawal of British forces from the Suez Canal zone and the continuing need of Cyprus as a U.K. military base in the eastern Mediterranean.

(b) Problems arose more and more frequently in the United Nations which demonstrated the apparent conflict between that Article of the Charter which removed domestic matters from U.N. jurisdiction and another Article which stipulated that any matters came within U.N. jurisdiction if they affected peace and security. It was suggested that the Canadian delegation might consider the advisability of suggesting that this question be referred to the Secretariat for full consideration and report.

(c) With regard to proposals to establish a special United Nations Fund for Economic Development (S.U.N.F.E.D.) and an International Finance Corporation (I.F.C.), it was noted that, while Canada was not prepared to contribute at present, the delegation should support action to keep alive both the S.U.N.F.E.D. and the I.F.C. projects until the time might be propitious to implement them. Some doubt was expressed as to the advisability of having the Canadian delegation give support to these projects on the basis proposed.

26. The Cabinet approved the draft instructions to the Canadian delegation to the 9th session of the United Nations General Assembly, as submitted by the Secretary of State for External Affairs; it being understood that the stand to be taken by the Canadian delegation on proposals to establish a special United Nations Fund for Economic Development and an International Finance Corporation would be considered further by the Secretary of State for External Affairs and the Minister of Finance.

French imports; valuation for duty; social security taxes

27. The Minister of National Revenue, referring to discussion at the meeting of August 11th, 1954, said officials of his department and of Trade and Commerce, Finance and External Affairs had examined the question of excluding rebated social security charges in valuing French imports for duty. The General Agreement on Tariffs and Trade and the Canadian Customs Act provided for the non-inclusion in the value for duty of imported goods of any "internal tax" in the country of origin,

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from which the goods were exempt on export or relieved by refund. The charges levied by France appeared not to be taxes on goods but taxes imposed on wages and salaries contributed by employers and employees to provide funds for social insurance benefits, and should not, therefore, be excluded from the value reached for duty purposes. In the circumstances, it was felt that there was no choice but to apply the dumping duty to the French goods in question unless specific authority was given to disregard these social security charges for special or dumping duty purposes. This could be done by invoking the powers of section 6 of the customs tariff. Similar action had been taken in 1948 for the benefit of the United Kingdom but the concessions were not limited to British goods in order to avoid charges of discrimination. West Germany and the Netherlands appeared to follow, in some instances, the same practice as France but to a much lesser degree. The officials felt the present economic position of France was such as to justify some action being taken even though there was a possibility that other nations might try to take advantage of any concessions which might be extended. Other nations, including the United States, were doing what they could to assist the French at least until the situation with respect to artificial aids to exports had been discussed in the G.A.T.T. meetings.

28. Dr. McCann recommended that, for dumping duty purposes, rebated social security charges be disregarded for a period of a year in determining the value of imported goods.

29. In the course of discussion, it was pointed out that the ordinary duties would continue to be levied and the action proposed was only for one year, during which time it was hoped that France would be able to take some steps to improve her competitive position. The goods affected included high quality items such as wine, perfumes, lace and the like.

30. The Cabinet approved the recommendation of the Minister of National Revenue and agreed that, pursuant to section 6 of the Customs Tariff, authority be granted, in determining the value of imported goods for special or dumping duty purposes, to disregard, for a period not exceeding one year, social security taxes imposed as such in the country of manufacture or export from which the imported goods had been exempt or had been relieved by refund or drawback; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1345, Sept. 8).

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Proposal to require inspection of non-Canadian coastal vessels

31. The Minister of Transport explained that Canadian registered ships were, by the Canada Shipping Act, subject to inspection and required to maintain certain safety standards. The Governor in Council could direct that these provisions be extended to non-Canadian ships in the territorial waters of Canada. This had not, hitherto, been done. Complaints had been received, from time to time, that ships not registered in Canada but engaged in the coasting trade were not required to maintain the same standards as Canadian ships and were therefore in an advantageous position. These ships, if remaining in the coasting trade, would likely take on more and more Canadian seamen, for whose safety there was a moral responsibility. It appeared doubtful that other countries would object if non-Canadian vessels engaged in the Canadian coasting trade were subject to Canadian inspection standards or the equivalent. The change proposed would mainly affect British ships. However, many would qualify automatically if they were properly certified and registered in Britain.

The Minister recommended that Canadian inspection requirements be made applicable to non-Canadian vessels engaged in the coasting trade in Canada.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 3,1954-Cab. Doc. 183-54).

32. In the course of discussion, the following points were made:

(a) It seemed unfair to give non-Canadian ships an advantage over Canadian registered vessels. Furthermore, regulations governing the safety of seamen should be made applicable to all Canadians involved.

(b) While the whole question of the coastal trade should be studied prior to the completion of the St. Lawrence Seaway it might be useful to indicate now, through the adoption of this proposal, that the governmentwas concerned with this type of question.

(c) The ships normally affected would be British,as they were the only ones usually authorized to participate in coastal trade. The problem arose because such ships had avoided proper inspection in their own country. Those which had been certified as maintaining the standards of registry in the United Kingdom would qualify automatically.

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(d) If it were to be Canadian policy to extend protection through restricting coastal trade, it should be done directly rather than by imposing steamship inspection standards.

33. The Cabinet noted the report of the Minister of Transport concerning the inspection of non-Canadian coastal vessels and approved the application of Canadian inspection requirements, as provided under the Canada Shipping Act with respect to certified engineers and safety standards, to cargo ships registered elsewhere than in Canada and engaged in the coasting trade of Canada; an Order in Council to be passed accordingly.

Position of veterans and others under provincial hospital insurance plans; proposed interdepartmental committee

34. The Minister of Veterans Affairs explained that his department provided free hospital and medical treatment to veterans entitled to pensions for disability and, in some cases, to those who were indigent or who had limited assets and income. Other veterans could receive treatment at departmental hospitals provided they paid all or part of the costs involved. During the last several years, British Columbia, Saskatchewan and Alberta had established hospital insurance of various kinds and had attempted to supply treatment for all their residents. As a result, there had been some overlapping of coverage because of the treatment which his department provided for a special class of residents. British Columbia and Saskatchewan had excluded from the compulsory contributions required for their schemes veterans entitled to receive war veterans allowances, as they were of a class eligible for departmental services without charge. Other classes of veterans, however, paid their contributions and had entitlement under the provincial scheme as well as being eligible for treatment given by the Department of Veterans Affairs. Recently, British Columbia had abandoned its contribution plan and was financing the cost of hospital insurance by taxation. Furthermore, the province had excluded from the benefits of its plan anyone who was entitled to receive hospital care from the Federal government because of his being a member or former member of the armed forces, or from the Federal government for any other reason, or by coming under the provisions of the Workmen's Compensation Act and the Canada Shipping Act.

It would be desirable to have the whole matter studied and he recommended that an interdepartmental committee be established to examine and make recommendations so that a policy might be agreed which could be followed

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in future where such provincial schemes affected persons covered by some Federal service.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 22,1954-Cab. Doc. 159-54).

35. In the course of discussion, it was pointed out that, in addition to the departments mentioned in the memorandum, the Department of Citizenship and Immigration was also concerned with this problem in that it provided a measure of financial assistance for the medical treatment of immigrants during their first year of residence in Canada.

36. The Cabinet approved the recommendation of the Minister of Veterans Affairs and agreed that an interdepartmental committee, composed of representatives of the Departments of Veterans Affairs, National Health and Welfare, Labour, Citizenship and Immigration and Finance, be appointed to examine any provincial legislation whereby hospital or medical treatment was being provided as a general social measure to residents of a province, and its relation to parallel benefits provided by the government of Canada to particular classes of persons and the relation of these matters to the financial obligations of Canada to the provinces, and to make recommendations to the Cabinet with respect to all such matters, and,particularly,as to the extent, if any, and the basis upon which, departments of the government might enter into agreements with provinces for the sharing of costs of hospital treatment for such persons entitled to receive it from agencies of both governments.

Moose Jaw aircraft accident; arrangements for payment of claims

37. The Minister of National Defence, referring to discussion at the meeting of April 29th,1954, reported that further consideration had now been given to the question of settling claims arising out of the Moose Jaw aircraft accident. Agreement had been reached between officials of his department and Trans Canada Airlines on an arrangement by which the latter would absorb the loss of its aircraft and the revenue which would have been earned from its operations, and the Crown, through the Department of National Defence, would assume liability for third party claims. The aircraft was valued at $440,000, the loss in revenue would amount to approximately $800,000 and third party claims would run from $1 million to $1.5 million. It had been virtually impossible to assess the degree of responsibility for the accident. The arrangement proposed would involve each party bearing approximately half the costs. Both T.C.A. and the R.C.A.F. wished to have the

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question settled privately but he would have no objection to a public adjudication of the matter if this was thought to be necessary. It was important to come to an agreement as soon as possible since no one had yet received any compensation.

38. In the course of discussion, it was suggested that T.C.A. should also take care of any claims in respect of the crew operating its aircraft.

39. The Minister of Trade and Commerce said he was not sure how this detail had been treated in the proposed arrangement agreed between T.C.A. and the Deputy Minister of National Defence, but thought that, unless it had been settled otherwise, this suggestion might be adopted.

40. The Cabinet noted the report of the Minister of National Defence on arrangements for the payment of claims arising out of the Moose Jaw aircraft accident and agreed:

(a) that Trans-Canada Airlines forego making claims for the loss of its aircraft and for revenue which would otherwise have been earned from its operations;

(b) that the Department of National Defence assume the cost of settling third party claims and bear the loss of the R.C.A.F. aircraft;

(c) that Trans-Canada Airlines settle all third party claims directly and be reimbursed by the Department of National Defence; and,

(d) that, unless it had been specifically agreed between Trans Canada Airlines and the Department of National Defence that claims in respect of the death of the T.C.A. aircrew would be included in the third party claims to be paid by National Defence, these claims should be borne by the Airlines. (It was subsequently ascertained that the Department of National Defence had agreed, specifically, to bear the cost of these claims along with other third party claims.)

Korea; withdrawal of Canadian troops

41. The Minister of National Defence, referring to discussion at the meeting of August 18th, 1954, reported that agreement had now been reached with other U.N. nations having forces in Korea concerning the withdrawal of troops from that country. It was proposed to reduce

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the Canadian forces to the strength of one infantry battalion and a field ambulance by the end of the year. One of the battalions was due for relief in October, the others in April and May, respectively. It had been suggested that the first of these be relieved by the despatch of an additional battalion immediately and that all the infantry units now in Korea be returned to Canada at the time agreed upon. While this seemed a natural administrative course, the public would likely think it strange to begin the withdrawal of troops from Korea by sending out to that country a new battalion. He thought that the best course would be to bring home the two battalions which had served the longest in Korea and leave the third one there until May if this were necessary. If it were found that Canadian troops would still be needed after that time, the situation would be reconsidered in the light of the existing circumstances. He proposed to make a public announcement as soon as the plans for reducing the strength of the contingent had been settled.

42. In the course of discussion, it was pointed out that the troops belonged to the permanent force and, further, that it would be extremely difficult to create a composite battalion of those persons who might volunteer to remain in Korea beyond the normal tour of duty there.

43. The Cabinet noted with approval the report of the Minister of National Defence concerning the proposals for the withdrawal of Canadian troops from Korea.

Importation of a trawler into Newfoundland

44. The Minister of Fisheries, referring to discussion at the meeting of August 11th, 1954, when it had been agreed that a trawler could be imported into Newfoundland in accordance with the same policy by which trawlers were imported into British Columbia for deep sea fishing, explained that the situation in British Columbia was quite different from that in Newfoundland. In the former province, there had been, up to the present, no deep-sea fishing, and encouragement to import trawlers for this purpose had been given in order to make it possible to exploit benefits received under the North Pacific Treaty with the United States and Japan. On the east coast, deep-sea fishing was the normal practice. In recent months, operators in Nova Scotia and New Brunswick had imported six trawlers but they had not received the benefit of a remission of duty. If those who had already bought trawlers heard of the arrangement made in the case of Mr. Dixon of Newfoundland there would be unfortunate

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but justifiable criticism. He understood the trawler in question had not yet actually been purchased and consideration should be given now to dealing with the situation. Either the agreement to remit the duty to Mr. Dixon should be cancelled or else all other east coast importers of trawlers should have the duty which they had paid refunded. Some thought had been given earlier in the year to removing the duty on trawlers generally but it was felt then that if this were done there would be criticism by the United Kingdom, who benefited by a preference due to the free entry of trawlers from that country compared to a duty on those coming from non-Commonwealth sources. This suggestion might be kept in mind in considering the present cases.

45. In the course of discussion, the following points emerged:

(a) When the request to import the trawler into Newfoundland had been received, it had been represented that there was a market for the fish that would be caught and that the situation was somewhat analogous to the one in British Columbia in that the vessel would encourage new methods. The fact that other trawlers had been imported into Nova Scotia and New Brunswick without allowing a remission of duty had not been known.

(b) There was no question that the trawler was needed in Newfoundland, but the problem was that the operators in Nova Scotia, and New Brunswick would be placed in an unfavourable competitive position. Even after paying duty, the latter were better off by importing trawlers and they were not asking for remissions now. There was a feeling held in Nova Scotia, rightly or wrongly, that Newfoundland was being given preferred treatment, and this particular transaction would make the situation worse.

(c) The fact that it had been agreed to remit the duty in the case of the trawler had not become generally known. The best course, at present, would seem to be for the Minister of Citizenship and Immigration to see Mr. Dixon and ask him if he would voluntarily relieve the government of its commitment to refund the duty paid. If, however, knowledge of the transaction became general, or if he had entered a commitment to buy the vessel as a result of the concession, other courses of action would have to be considered.

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46. The Cabinet noted the report of the Minister of Fisheries concerning the agreement to remit the duty on a trawler to be imported into Newfoundland by Mr. J.R. Dixon and deferred further consideration of the matter pending discussions to be held between the Minister of Citizenship and Immigration and Mr. Dixon.

Canadian National Railways; re-appointment of directors

47. The Minister of Transport submitted a recommendation for the re-appointment of certain directors of the Canadian National Railways.

48. The Cabinet agreed that Donald Gordon, Esquire, be re-appointed Director and Chairman of the Board of Directors and that J.A. Northey, Esquire, of Toronto, Ontario, and W.J.T. Gagnon, Esquire, of Montreal, be re-appointed Directors of the Canadian National Railway Company, each for a further term of three years commencing October 1st,1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1346, Sept. 8)

Ottawa centenary; ceremonies, September 21st,1954; attendance by civil servants

49. The Minister of Citizenship and Immigration, as Acting Secretary of State , said the Mayor of Ottawa had enquired whether authority could be granted to allow civil servants to be let out at four p.m. on Tuesday, September 21st, when special centenary ceremonies would be held by the City.

50. The Cabinet agreed that civil servants in the City of Ottawa be allowed to leave work at four p.m. on Tuesday, September 21st, in order that they might attend special Ottawa centenary ceremonies to be held that day.

Floods in India,Pakistan and Nepal; emergency relief

51. The Secretary of State for External Affairs said recent floods had caused devastation over wide areas of northern and eastern India and extensive damage in East Bengal and in Nepal. The Canadian Red Cross was providing some assistance to India and Pakistan but not as yet to Nepal. Reports from the Canadian Missions in Karachi and New Delhi indicated that the United States government were to provide a substantial amount of flood relief assistance and that the United Kingdom government had announced a contribution of £100,000 for relief assistance to India, Nepal and Pakistan.

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The Union of Red Cross and Red Crescent societies of the U.S.S.R. had undertaken to provide the equivalent of $20,000 for flood relief in India. Our missions in Karachi and New Delhi considered that a contribution by the Canadian government would be welcomed by the countries concerned and would do much to strengthen relations between Canada and the South Asian countries involved.

From the political standpoint, it would appear that some contribution for flood relief to the governments of Pakistan, India and Nepal would be desirable. Similar disaster assistance had been extended by Canada to Japan and Greece, countries with whom our relations were in some respects less close. ($500,000 in relief and reconstruction materials had been provided for Greek earthquake relief and $50,000 in the form of canned pork and powdered milk had been made available for the relief of Japanese flood victims). It might also be noted that Canadian arguments for the rejection of F.A.O. proposals looking toward the establishment of an emergency famine fund were based on a stated preference for the extension of emergency assistance on a bilateral and ad hoc basis.

From the economic and commercial standpoint, an acceptable commodity was readily available in Canada. A substantial quantity of dried skim milk, for which serious marketing difficulties might be encountered, could be obtained. Officials of the Canadian Red Cross as well as our Missions concerned had indicated that this product would be acceptable for disaster relief purposes.

The Minister recommended that approval be given to an expenditure of $225,000 for emergency relief to India, Pakistan and Nepal. It was further recommended that $100,000 be allowed for India, $100,000 for Pakistan and $25,000 for Nepal, and that approximately 15 percent of the total amount of $225,000 take the form of antibiotics and similar drugs and that the balance be expended for the purchase of dried skim milk.

52. In the course of discussion it was pointed out that, although the type of relief suggested would provide a useful outlet for surplus Canadian dried skim milk, it would be unfortunate if repeated contributions of this kind created a precedent which implied that the Canadian government would automatically provide assistance to the victims of floods and similar disasters which occurred at rather frequent intervals in foreign countries.

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53. The Cabinet agreed, without prejudice to any action the government might take in similar circumstances in the future, that $225,000 be made available to provide emergency relief to the victims of recent floods in India, Pakistan and Nepal; 15 percent of the total contributions to be spent on antibiotics and other drugs required and the balance on dried skim milk.

Unemployment; alleviation by public projects

54. The Prime Minister referred to discussion at the meeting of September 1st, and to reports that unemployment among the unskilled labourer class was increasing in the cities of Montreal and Quebec and that there was also some slackening in the building trades.

He reiterated his view that vigorous action should be taken to step up the tempo on government projects, particularly construction projects for which appropriations had been obtained by the Public Works Department and others during the last session of Parliament. Generally speaking, he felt all departments and agencies of government, including Crown companies such as the Canadian National Railways, should proceed as quickly as possible with their construction projects in an effort to alleviate unemployment to the greatest extent possible.

55. The Minister of Public Works pointed out that total current appropriations for the Department of Public Works were only $150 million and there was every indication at this stage, that all or nearly all of this money would, in fact, be spent. He was making every effort to expedite business in the department and the Central Mortgage and Housing Corporation was vigorously giving effect to the new Housing Act. It now appeared that housing would reach, if not exceed, the high level of last year. He was fully conscious of the need to organize his department in such a manner as to be in a position to meet a greatly increased requirement for public projects should there be a serious decline in general employment in Canada. With this in mind, and as a start, he had recently established an economic unit in order to relate the planning of public projects more closely to economic factors.

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56. During the course of discussion it was suggested that two projects which might be proceeded with in the near future were the Chibougamau - St. Felicien railway, in view of the more encouraging reports on traffic potential in that area and also the long studied project of removing Ripple Rock in Seymour Narrows, B.C., on which it was understood the University of British Columbia would soon be in a position to submit a report.

57. The Cabinet noted with approval the Prime Minister's remarks on the necessity for all departments and agencies of government to press ahead vigorously with the planning and execution of approved public projects as a means of counteracting unemployment, particularly in those areas where there was a substantial surplus of labour of the kind that could be readily employed on such projects.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

September 17th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Friday, September 17th, 1954, at 2:45 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Knob Lake Labrador; report on Prime Minister's visit

1. The Prime Minister reported on his recent visit to the iron ore development at Knob Lake with the Minister of Trade and Commerce, Mr. Humphreys, the U.S. Secretary of the Treasury and Senator Byrd, Chairman of the U.S. Senate Finance Committee.

Present plans were to produce ten million tons of iron ore in each seven-month season. It was hoped that production would eventually be increased to twenty million tons of ore per season.

He had had an opportunity to discuss many problems of mutual concern with the U.S. Secretary of the Treasury. The latter was convinced that the U.S. Administration would always find a way to prevent the establishment of any trade restrictions in the United States which would be seriously harmful to the Canadian economy.

2. The Cabinet noted the report by the Prime Minister on his recent visit to the iron ore development at Knob Lake, Labrador, and on conversations he had had with the U.S. Secretary of the Treasury.

Legislation; Public Service Superannuation Act amendment

3. The Minister of Finance reported that, as a result of experience gained during the first months of operation of the new Public Service Superannuation Act, which came into effect on January 1st, 1954, he would bring forward a number of amendments in the near future. In the meantime, however, he suggested that consideration be given immediately to a proposal to extend from one to two years the period during which an election to pay for prior pensionable service may be made. The enlarged scope of the new Act, which added various agencies and employments beyond the jurisdiction of the Civil Service Act, as well as 60,000 new contributors on January 1st, 1954, had resulted in a volume of work which personnel offices of the various departments and the Superannuation Branch of the Department of Finance were unable to complete within the year now provided.

He suggested that the extension apply to all those who became contributors to the Superannuation account on January 1st, 1954, but not to those who became contributors under the old Act prior to that date since the processing of these latter elections could be completed within the normal time limit.

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If this proposal were approved, he felt it would be desirable that advance notice be given of the government's intention to ask Parliament to extend the period for election from one to two years, in order that contributors may be made aware that their opportunity to elect was not endangered.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 13,1954-Cab. Doc. 191-54).

4. The Cabinet approved in principle the proposed amendment to the Public Service Superannuation Act to provide that the period during which an election to pay for prior pensionable service for those who became contributors on January 1,1954, be extended from one to two years, and agreed that a draft measure be prepared accordingly; it being understood that the Minister of Finance would announce, immediately, the government's intention of seeking Parliamentary approval for such an amendment at the next session.

Legislation; Canadian Forces Bill 1955

5. The Minister of National Defence said he proposed to introduce, during the coming session of Parliament, a bill to be entitled The Canadian Forces Act 1955. It would involve ten amendments to the National Defence Act, six or more amendments to the Defence Services Pension Act, and possibly certain amendments to the Canadian Forces Voting Regulations (schedule 3 of the Canada Elections Act).

The proposed amendments to the National Defence Act were purely legal matters having to do mainly with courts-martial and appeals procedures.

The proposed amendments to the Defence Services Pension Act, generally speaking, were designed to bring the provisions of that statute more closely into line with certain features of the Public Service Superannuation Act.

If it were not intended to establish a Special Committee on Elections during the coming session, he would also suggest that the bill contain certain amendments to the Canadian Forces Voting Elections (schedule 3 of the Canada Elections Act). If, however, a committee were to be established, he felt that the amendments need not be included in the bill but might simply be forwarded to the House Committee for consideration along with the other amendments to be submitted by the Chief Electoral Officer.

An explanatory memorandum had been circulated

(Minister's memorandum, Sept. 8,1954-Cab. Doc. 190-54).

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6. During the course of discussion some doubt was expressed as to the advisability of including in a single bill such a large number of amendments to two completely distinct statutes. This somewhat unorthodox procedure might give rise to criticism in Parliament. It was pointed out, on the other hand, that this procedure had been followed for several years now without giving rise to any serious criticism. It was suggested that the same procedure should be followed in this case, since it was much more convenient for those who had responsibility for the actual day-to-day administration of the legislation.

7. The Cabinet approved in principle the proposed amendments to the National Defence Act and the Defence Services Pension Act as recommended by the Minister of National Defence, and agreed that a single draft measure, to be entitled "The Canadian Forces Act 1955", be prepared to incorporate such amendments; the proposed amendments to the Canadian Forces Voting Regulations would not be included in this measure but would, instead, be submitted for consideration to the Special Committee on Elections to be established shortly after Parliament next convened.

Legislation; Historic Sites and Monuments Board Act amendment

8. The Minister of Northern Affairs and National Resources said he proposed to introduce, during the coming session of Parliament, a measure to amend the Historic Sites and Monuments Board Act. The main features of the bill would be,-

(a) to empower the Minister to acquire buildings or structures which were of interest because of their age or architectural character rather than because of historic significance;

(b) to provide for the appointment of two Ontario and two Quebec representatives on the Board (each province was now represented by one member only); and

(c) to amend the present system of reimbursing members of the Board for their living and travelling expenses.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 3,1954-Cab. Doc. 186-54).

9. The Cabinet approved in principle the proposed amendments to the Historic Sites and Monuments Board Act as submitted by the Minister of Northern Affairs and National Resources and agreed that a draft measure be prepared accordingly.

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Legislation; Winnipeg and St. Boniface Harbour Commissioners Act amendment

10. The Minister of Transport said that, under the Winnipeg and St. Boniface Harbour Commissioners Act as it now stood, the quorum for the transaction of business was six of the seven members. For a variety of reasons it was frequently found impossible to arrange for the attendance of the present quorum. In the circumstances, he suggested that the Act be amended during the coming session of Parliament to provide that the quorum should simply be a majority.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept.13,1954-Cab. Doc. 192-54).

11. The Cabinet approved in principle the proposed amendment to the Winnipeg and St. Boniface Harbour Commissioners Act as submitted by the Minister of Transport and agreed that a draft measure be prepared accordingly.

Legislation; tentative programme for next session of Parliament

12. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, submitted for consideration the tentative legislative programme for the coming session of Parliament.

The list now comprised fifty individual legislative items. He pointed to the fact that explanatory memoranda, or draft bills as the case might be, had been received for only twelve of the items. In order to meet the Prime Minister's request that all government bills except budget proposals and unforeseeable measures be ready in printed bill form before Parliament met, the Cabinet Committee had suggested that all Ministers notify the Secretary to the Cabinet before the end of the month as to whether items should be added to or deleted from the programme. He also urged that explanatory memoranda be forwarded to the Privy Council Office as soon as possible in order that an early start might be made on actual drafting of the various bills.

An explanatory memorandum had been circulated.

(Memorandum, Chairman of Cabinet Committee on Legislation, Sept. 15,1954-Cab. Doc. 194-54).

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13. In the course of discussion the following points emerged:

(a) It was indicated that it might not be necessary to introduce bills to amend the Immigration Act and to repeal the Immigration Aid Societies Act. Although it had been suggested that certain amendments should be made to the Indian Act, it was also hoped that this could be avoided during the coming session.

(b) Reference was made to the previous meeting when it was agreed, in principle, that a bill be introduced to remove from the Defence Production Act the existing provision limiting the life of that legislation to July 31st,1956. If such a measure were to be introduced, it might be well to amend, at the same time, section 3 (2) of the act in order to bring the salary of the Minister of Defence Production in line with other ministerial salaries which had been increased to $15,000 per annum by an amendment to the Salaries Act passed the previous session.

(c) The Minister of Finance had not yet decided whether the proposed new Civil Disasters legislation should be recommended for introduction during the coming session.

(d) One of the more important proposed amendments to the Industrial Relations and Disputes Investigation Act was the inclusion in the legislation of a provision regarding voluntary revocable check-off. Some considerable doubt was expressed as to the advisability of proceeding with such an amendment. While the check-off feature was strongly supported by all union leaders, it was less than certain that this view was shared by the rank and file of union members. Although it was not proposed to include in the legislation anything more than the voluntary revocable check-off, past experience seemed to indicate that the check-off was seldom truly voluntary or revocable. One solution might be to provide some form of supervised secret balloting by union members in order to determine the real wishes of a majority of union members. Perhaps the wisest course would be to maintain the position that the check-off of union dues should not be dealt with by legislative action but should more properly form part and parcel of those things which were subject to negotiation by management and labour. In this connection, it was pointed out that some

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form of check-off had been obtained by the unions through negotiation for employees in a relatively large number of industries coming under Federal jurisdiction. For example, railway employees now had the check-off under the so-called "Rand" formula which was considerably more than the voluntary revocable check-off. It would be useful if the Department of Labour could be asked to supply members of the government with detailed information as to the industries (including Crown companies) which came under Federal jurisdiction and which now had some form of check-off written into current labour management contracts.

(e) The proposed amendment to the New Westminster Harbour Commissioners Act was designed to empower the Minister of Finance to make a loan to the Commissioners, not exceeding in the aggregate $200,000 for funds to be used for the construction of a causeway and trestle-bridge between New Westminster Harbour and Annacis Island, on which an English syndicate was planning to spend approximately $15 million for the erection of factories, construction of roads etc., to accommodate some 200 industrial establishments. The proposed causeway and trestle-bridge would also provide access to Robson Island which was adjacent to Annacis Island and owned by the Harbour Commission. While this proposal appeared to be worthy of support in itself, it should be ascertained whether it could in any way be regarded as Federal participation in what were essentially local improvements. If this were the case, an embarrassing precedent might be established and the matter should therefore be given careful consideration before a final decision was reached.

14. The Cabinet noted the report by the Chairman of the Cabinet Committee on Legislation on the government's legislative programme for the coming session of Parliament, and agreed,-

(a) that all Ministers inform the Secretary to the Cabinet as soon as possible whether legislation respecting their departments or Crown agencies for which they were responsible should be added to or deleted from the legislative programme as submitted, and that explanatory memoranda in respect of items to remain on the programme also be forwarded to the Secretary at an early date in order to expedite the drafting of government legislation by the Department of Justice;

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(b) that it was probably inadvisable to introduce legislation at this time to provide inclusion of the voluntary revocable check-off in the Industrial Relations and Disputes Investigation Act, and that the Department of Labour submit for Cabinet consideration detailed information as to the industries, including Crown companies, coming under Federal jurisdiction, which had agreed to the inclusion to some form of check-off provision in their labour contracts;

(c) that the proposed amendment to the Defence Production Act include a provision to bring the salary of the Minister of Defence Production in line with the ministerial salaries provided under the Salaries Act as revised during the last session of Parliament; and,

(d) that the Minister of Transport consider, further, whether the proposed amendment to the New Westminster Harbour Commissioners Act with respect to the proposed construction of a causeway and trestle-bridge between the Harbour and Annacis Island could be considered as constituting an undesirable precedent in Federal assistance towards local improvements.

Railway labour dispute; terms of reference and appointment of arbitrator

15. The Prime Minister submitted a recommendation for the appointment of Chief Justice Sloan of British Columbia as arbitrator of the labour dispute between the non-operating railway unions and the railways. The proposed Order in Council appointing Mr. Justice Sloan would simply refer to the terms of reference which had now been approved by the two parties to the dispute.

16. The Minister of Labour said he would have preferred the terms of reference to be somewhat broader in scope in order to enable the arbitrator, if he felt this to be in the public interest, to award something along somewhat different lines than the actual requests made by the unions. This, however, had proved unacceptable to the unions and, under the terms of reference as now agreed by the two parties, the arbitrator would have no choice but to grant or to deny the requests, in whole or in part.

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He added that arrangements for actual arbitration were now being made by his department in consultation with the parties concerned. It was expected that the hearings would begin at Montreal about October 10th.

17. The Cabinet approved the appointment of Chief Justice Sloan of British Columbia as arbitrator in the current railway-labour dispute, with the terms of reference as recently approved by both parties to the dispute; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1395, Sept. 17).

St. Lawrence Seaway Authority; transfer of administration of property at Cornwall, Ontario, and property at Montreal

18. The Prime Minister said personnel of the Cornwall Post Office would, in the near future, be transferred to the new Federal building in that city. The President of the St. Lawrence Seaway Authority had requested that the administration of the old Post Office property be transferred from the Department of Public Works to the Authority. Once this were done, and the old building demolished, the Authority would like to have the site transferred to it and to erect thereon a new building which would house the headquarters staff of the Authority.

(Letter, President, St. Lawrence Seaway Authority to President of the Privy Council, Sept. 14,1954).

19. The Minister of Transport reported that the St. Lawrence Seaway Authority would soon be calling for tenders for the construction of the lower end of the new 27-foot Lachine canal, which would lie on the south shore of the St. Lawrence River between Victoria and Jacques Cartier bridges. This portion of the canal was to be constructed on National Harbours Board property and it was, therefore, recommended that the administration, control and management of this property be now transferred from the National Harbours Board to the Authority.

20. The Cabinet noted the reports of the Prime Minister and the Minister of Transport and approved in principle,-

(a) the transfer of the administration, control and management of the property at Cornwall, Ontario, now occupied by the Post Office, from the Department of Public Works to the St. Lawrence Seaway Authority for the purpose of enabling the Authority to construct a new headquarters building on this site; and,

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(b) the transfer of the administration, control and management of certain property required for the construction of the lower end of the new 27-foot Lachine canal between Victoria and Jacques Cartier bridges, from the National Harbours Board to the St. Lawrence Seaway Authority;

it being understood that the details of these transfers, including a decision as to whether the value of the Cornwall Post Office site would be made a charge on the Authority, would be decided by the Ministers concerned; Orders in Council to be passed accordingly.

Labour unions; annual meeting with government

21. The Minister of Labour reported that senior officers of the Trades and Labour Congress would meet in Ottawa on Friday, November 5th, to honour Mr. Bengough on the occasion of his retirement as head of the Congress. As many of the T.L.C. representatives who were to attend this gathering were those who normally represented the Congress at the annual meeting with the government, enquiries had been made as to whether delegations from the four major Canadian labour unions could be received by the government some time during the following week. It had now been ascertained that this was agreeable to the Canadian Congress of Labour, the Canadian and Catholic Confederation of Labour and the Canadian Brotherhood of Railway Employees. Dates tentatively suggested were November 9th for the Trades and Labour Congress, November 10th for the Canadian and Catholic Confederation of Labour and the Canadian Brotherhood of Railway Employees and November 12th for the Canadian Congress of Labour.

22. In the course of discussion it was pointed out that it had been the practice to receive representatives of the Canadian Legion on a date near Remembrance Day, November 11th. The suggested arrangements for the four labour unions would not conflict with a possible meeting with Legion representatives on that date.

23. The Cabinet agreed,-

(a) that the Prime Minister and other members of the government would meet representatives of the four major Canadian labour unions at the following times and dates: Trades and Labour Congress, Tuesday, November 9th at 11:30 a.m.; Canadian and Catholic Confederation of Labour, Wednesday, November 10th at 11:30 a.m.; Canadian Brotherhood of Railway Employees, Wednesday, November 10th at 3:00 p.m.; Canadian Congress of Labour, Friday, November 12th at 11:30 a.m.; and,

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(b) that the Minister of Veterans Affairs inform the Canadian Legion that the Prime Minister and other members of the government would be prepared to meet with Legion representatives on Remembrance Day, Thursday, November 11th, at a time and place to be decided later.

Prime Minister of Pakistan; travel arrangements for visit to Canada

24. The Secretary of State for External Affairs, said it had been suggested that the C-5 aircraft be made available to transport Prime Minister Mohammed Ali of Pakistan from Washington to Ottawa on October 20th next. In view of the shortness of the trip, however, he felt that a smaller aircraft, an R.C.A.F. Dakota for instance, might prove to be equally suitable and less expensive.

25. The Cabinet approved the provision of an aircraft at public expense for the transportation of Prime Minister Mohammed Ali of Pakistan from Washington to Ottawa on October 20th; it being understood that the Secretary of State for External Affairs and the Minister of National Defence would consult further and decide on the particular aircraft to be used.

Payment of municipal taxes on Crown-owned private dwellings

26. The Minister of Finance said the Treasury Board had considered requests from various departments for a decision on the policy to be followed in dealing with municiapl taxes assessed against employees who were tenants of the Crown.

The immediate issue arose from the Supreme Court decision in the case of Phillips and Taylor versus Corporation of the City of Sault Ste Marie. Phillips and Taylor were employees of the Department of Transport, Canal Services, and occupied Crown-owned houses situated on land adjacent to the Sault Ste Marie canal. They had been assessed for municipal taxes by the city of Sault Ste Marie and had appealed to the Court of Revision of the city which had confirmed the assessments. There followed successive appeals to the District Court of Algoma, the Ontario Court of Appeal and the Supreme Court of Canada, the appeal being dismissed in each case.

Since the Supreme Court judgment on this leading and typical case was final and clear, municipal corporations that had assessed employee-tenants in the last four years were now pressing to collect the taxes due. It could also be expected that, from now on, all tenants of Crown property in Ontario would be assessed for municipal taxes, and that the issue would arise in

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other provinces, whether or not they had Assessment Acts similar to Ontario. However, Treasury Board had noted that, in one case, the employee against whom taxes had been assessed was no longer in the Public Service and had vacated the departmental dwelling he occupied; the board also noted that the City of Kingston had assessed some employees while it received a municipal grant in the calculation of which there was included the property the employees occupied.

The employees affected were usually required to occupy Crown-owned houses to perform their duties efficiently. They paid rent, and it would cause considerable hardship to some of them to pay the four years of tax arrears due.

In view of the above, Treasury Board had recommended that the government pay the municipal taxes up to and including the taxation year 1954 as an ex-gratia payment but that, commencing with the taxation year 1955, the rents paid by the employees be increased to include the municipal taxes and that the government, acting as agent, pay the taxes to the municipality from the money so collected. It might, of course, be necessary, in certain cases, to make adjustments by way of allowances or salary increases.

It was not intended to apply this new procedure to military personnel of the Department of National Defence but to civilian employees only. The legal position regarding military personnel was not clear and it was understood that the Department of National Defence proposed to test this in due course.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 7,1954-Cab. Doc. 189-54)

27. In the course of discussion the following points emerged:

(a) If the suggested procedure were approved, it would immediately give rise to the awkward question of school taxes. On balance it was felt that if, in future, public servants occupying Crown property were required to pay increased rents in order to meet municipal tax assessments, each such public servant should have the right to decide whether he was to be a public or separate school supporter.

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(b) There might not be a serious problem in regard to public servants who now paid rent and who would be subject only to a modest increase in rental to meet municipal tax assessments. However, in the case of certain employees who enjoyed rent free lodging as part of their remuneration, or paid only nominal rents the new procedure might cause hardship and in these cases an appropriate increase in the employee's salary seemed to be justified.

28. The Cabinet noted the report by the Minister of Finance on a recent decision of the Supreme Court of Canada regarding the question of municipal taxes assessed against public servants who were tenants of the Crown and agreed,-

(a) that the government pay municipal taxes so assessed up to and including the taxation year 1954 on behalf of the tenant employee as an ex-gratia payment;

(b) that, commencing with the taxation year 1955, the rents paid by public servants occupying Crown property be increased to include municipal taxes, and that the government, acting as agent, pay the taxes to the municipality from the monies so collected;

(c) that the employee should decide in each case whether he would be taxed as a public or a separate school supporter; and,

(d) that the procedures to be followed by departments in carrying out this policy shall be determined by the Treasury Board.

Payments to implement agreement for marketing of 1953 crop of potatoes in New Brunswick and Prince Edward Island

29. The Minister of Agriculture, referring to discussion at the meetings of August 13th and Dec. 3rd, 1953, said the agreements made with the Potato Marketing Boards of New Brunswick and Prince Edward Island for sale of the 1953 crop of potatoes provided that the boards would be reimbursed to the extent that the average realized wholesale price was less than the average initial payment together with processing, carrying and selling costs. At that time, potato prices were supported in the United States and it had been expected that there would be no charge on the Treasury here.

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However, early in 1954, the U.S. government announced there would be no assistance in marketing Maine potatoes which had a depressing effect on Canadian prices.

In the case of Prince Edward Island, the board had marketed about 90 percent of the potatoes sold outside the province. Every effort had been made to dispose of the crop at prices above the support level but, nevertheless, there had been severe losses, the total guarantee exceeding the net return by some $2,386,000.

In New Brunswick, marketing conditions had likewise been difficult. At completion of operations, the Board had marketed 75 percent of the potatoes sold during that year from the province and the losses amounted to some $2,871,000. There had been many complaints and criticisms in New Brunswick about this whole operation but a preliminary investigation indicated that complaints of fraud, if true, related to actions of individuals and not to the operation of the board. However, if some of the information presented in affidavits was true, charges might have to be laid. There had also been criticism concerning the volume of Maritime potatoes marketed in Nova Scotia, Ontario and Quebec.

The accounts of both the Prince Edward Island and New Brunswick Boards were, generally speaking, in good condition. The Minister submitted recommendations that the deficits arising from the operations of the agreements made under the Agricultural Products Co-operative Marketing Act with the Potato Boards of Prince Edward Island and New Brunswick be paid (together with interest charges accumulated on such deficits).

Explanatory memoranda had been circulated.

(Memoranda, Department of Agriculture, Sept.15 and Sept. 13,1954-Cab. Docs. 197-and 198-54).

30. In the course of discussion, the following points emerged:

(a) The agreements were made on an initial price basis which was approximately 40 percent of the average price of the last three years. If support had been continued in the United States there would have been no difficulty. At one stage it was hoped that the losses would have been less than had ultimately proved to be the case, but prices weakened further and the total deficit now amounted to approximately $5.3 million.

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(b) The losses incurred would create an embarrassing precedent and this experience suggested that, if similar agreements were to be made in the future, more adequate arrangements should be effected to safeguard the government's interest in the matter.

(c) While the complaints and suggestions of fraud should be thoroughly investigated, well informed local opinion in New Brunswick held that no serious wrongdoing had occurred.

(d) There had been charges in Nova Scotia that potatoes had been dumped into that province. It might be desirable to make agreements of this character for a whole area rather than one or two provinces in it.

(e) There would be criticism in Parliament on the operation of the agreements and, before settling the amount of payments due under them, it would be desirable to have a written report from responsible officials indicating that no irregularities had occurred, if this was in fact the case, and that the amounts in question had been verified and found correct. A committee composed of officials from the Departments of Agriculture, Finance and Justice might undertake this investigation.

31. The Cabinet noted the report of the Minister of Agriculture concerning deficits incurred in agreements made under the authority of the Agricultural Products Co-operative Marketing Act for the marketing of the 1953 potato crop in Prince Edward Island and New Brunswick, and agreed that, before final settlements were made, officials of the Departments of Agriculture, Justice and Finance should investigate and submit a written report on the charges of irregularities in New Brunswick, and verify, or otherwise, that the accounts of the operations of the boards in both provinces were correct.

Problems arising from the hurricane in the Maritime Provinces

32. The Minister of Public Works said that, on Saturday, September 11th, the Maritime Provinces had experienced the worst hurricane in their history. While there was a good deal of damage on the shoreline, most of this was to Federal government property. The major losses were suffered by apple growers in the Annapolis Valley in Nova Scotia. A large number of buildings had been damaged or blown down but the most serious effect was that approximately 85 percent of the apples had been blown off the trees. While he

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hesitated to recommend assistance for apple growers alone, he thought that the best thing would be for the Federal and the Provincial government, jointly, to appoint a commission to investigate the damage and make recommendations as to how the losses might be met. If a commission representing both governments was established and if it was understood at the outset that the Provincial government would bear a share of the losses, Federal authorities would be protected against possible inflation of the damage estimates. Furthermore, the Treasury would have reliable figures on which to base any aid that might be provided.

33. In the course of discussion, the following points emerged:

(a) Those who had suffered crop losses arising from a flood, hurricane or other natural catastrophe had not been assisted by the government in the past. Sections of Manitoba and Saskatchewan were now seriously damaged by excess rain and there was no crop in many areas. If compensation were given for the loss of apples in Nova Scotia, it would be almost impossible to avoid paying compensation for the loss of wheat crops in the West and a damaging precedent would be set for the future.

(b) 85 percent of the apple crop of the Annapolis Valley was on the ground and the remainder had been battered. There now appeared no prospect of marketing the apples in the United Kingdom. The crop this year was expected to have been larger than the production of 1953, and, while the price per bushel would have been slightly less, it had been expected that more in total would have been realized from 1954 sales. Even if salvaging operations now under way were successful and the damaged apples could be processed, the total loss to the growers might amount to approximately $1 million.

(c) Federal disaster policy in the past had been to try to treat all parts of Canada alike. When the fires at Rimouski and Cabano had occurred, a commission representing both the Federal government and the Provincial government had been appointed to assess the damage. A similar pattern might be followed in this case. On the other hand, when a hurricane had occurred in the Sarnia area in 1953, the Canadian Disaster Relief Fund had investigated the situation and the municipalities, the Provincial government and the Federal government had all made contributions on the basis of the findings of the fund. This might

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be the best approach to the present problem. There was an advantage in having an initial examination made by the Disaster Relief Fund in that funds were limited and the organization was not subject to the kind of pressures to which governments were exposed.

(d) On the Atlantic coast there was already an effective insurance programme operated by the Department of Fisheries for fishermen who lost their boats and gear. If aid was now to be provided for equipment that could have been insured but was not, the plan would be severely undermined. Incidentally, the hurricane might serve as an object lesson leading more fishermen to take advantage of the insurance facilities.

(e) The main difficulty in dealing with the results of these disasters was that the circumstances were never the same. However, experience in the Fraser and Red River floods the Rimouski and Cabano fires and the tornado in the Sarnia area were all useful guides as to what might be expected and done in this particular instance.

(f) The Premier of Nova Scotia had suggested that a conference between Federal and Provincial officials take place immediately with the thought of making a joint plan of assistance to storm victims. A reply might be sent to this request indicating that the procedure adopted in the case of the Sarnia disaster be followed.

34. The Cabinet noted the report of the Minister of Public Works on recent hurricane damage in the Maritime Provinces and agreed that a communication be sent informing the Nova Scotia government of the Federal government's concern over the disaster and suggesting that the Provincial government discuss the problem with the representative of the Board of the Canadian Disaster Relief Fund in the Atlantic Area, Chief Justice Ilsley, with a view to having the situation investigated by the Fund; it being also intimated that sympathetic consideration would be given to the findings of this investigation if a situation similar to those assisted by the Federal Government heretofore was revealed.

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Sale of ships to the Soviet bloc

35. The Secretary of State for External Affairs, referring to discussion at the meeting of September 1st,1954, reported that the meeting of the Consultative Group in Paris had produced no agreement on limiting the quantity of ships, not subject to embargo, which could be sold to the Soviet bloc. The Canadian delegate had made a statement in accordance with instructions approved by the Cabinet. Following this, the United Kingdom had submitted two new proposals. The first dealt with a special Danish situation and would allow Denmark to deliver to the bloc, out of a permissible quota of 35,000 tons, up to 15,000 G.R.T. at a higher rate of speed than otherwise specified. The second proposed that any country in the group might ship up to 35,000 G.R.T. per annum for each of the next three years. Any part of the quota not used in the first year might be carried on to the second and that portion not used in the first and second years carried on to the third. Whenever contracts for deliveries by all countries in the group during the three-year period reached a total of 500,000 G.R.T. the Co-ordinating Committee would meet to consider measures to prevent a 600,000 ton figure being exceeded. These proposals had been referred to governments with replies requested for consideration on September 20th.

The quotas proposed exceeded the amount which, in the Canadian view, was the largest permissible if control was to be effective. However, they would impose no greater restrictions on Canada than on any other country in the Group, apart from the Special clause for Denmark. Existing controls had had the result, in practice, that European countries could claim the right to export some ships to the Soviet bloc while Canada and the U.S. could not compete. Under the new United Kingdom suggestion, Canada would be given a quota of 35,000 tons per annum exactly as any other participant. There was a contingent possibility, however, that if other countries in the group were to enter into contracts amounting to 500,000 tons before Canada could make use of its quota there might be pressure to restrict sales from Canada. In this event, however, Canada would have an opportunity to express her views. In the circumstances, he recommended, with the concurrence of the Minister of Trade and Commerce, that the Canadian delegate be instructed not to maintain any reservation on these proposals.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 14,1954-Cab. Doc. 196-54).

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36. In the course of discussion, it was pointed out that the quota to be allocated to Canada was sufficient to take care of any orders that might conceivably be received.

37. The Cabinet approved the recommendation of the Secretary of State for External Affairs, concurred in by the Minister of Trade and Commerce, that the Canadian delegate to the Consultative Group meeting in Paris be instructed not to maintain any reservation, and to accept the proposals of the United Kingdom, provided they commended themselves to all other participating countries for quantitative control of the sale of vessels to the Soviet bloc, under which each country in the group could sell up to 35,000 tons per annum for each of the next three year; it being understood that, once contracts for deliveries of 500,000 tons had been reached, measures would be considered to prevent a figure of 600,000 tons being exceeded.

International Civil Aviation Organization; diplomatic privileges and immunities

38. The Secretary of State for External Affairs explained that the Headquarters Agreement of 1951 between the Canadian government and the International Civil Aviation Organization provided for the enjoyment by I.C.A.O. of some of the privileges and immunities set out in the United Nations Convention on this subject. The agreement stated, inter alia, that I.C.A.O., its property and its assets shall enjoy the same immunity from suit and every form of judicial process as was enjoyed by foreign governments and that the headquarters of the organization shall be inviolate. Pursuant to the authority contained in the Privileges and Immunities (U.N.) Act, Orders in Council had been passed from time to time granting some privileges and immunities to the organization, but these had been restricted to certain specific questions, such as customs and excise privileges.

This had been satisfactory up until a few months ago, when the Premier of Quebec had announced that the new provincial income tax law would apply to I.C.A.O. personnel. An entirely different situation had been created as search and seizure might be attempted by the provincial government in an effort to collect taxes. As a result, it was considered desirable that, instead of providing for immunities piecemeal, the full Headquarters Agreement be brought into force so that I.C.A.O. could be granted, amongst other things, immunity from every form of legal process, including any measure of execution. In order to prevent any possible execution for non-payment of taxes by I.C.A.O., it was also believed desirable that the premises of the headquarters be rendered inviolable. Having done this, the government

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would have implemented to the best of its ability the Headquarters Agreement notwithstanding that the Quebec Income Tax might still be leviable.

It was proposed that the privileges and immunities be granted with effect from a date prior to January 1st,1954. It was hoped that, by the steps contemplated, I.C.A.O. personnel and representatives of member countries would not be subject to the provincial income tax. Accordingly, he recommended that the privileges and immunities set out in the United Nations Convention on this subject be granted to I.C.A.O. to the extent that these were provided for in the Headquarters Agreement between the government of Canada and I.C.A.O.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 13,1954- Cab. Doc. 193-54).

39. In the course of discussion, the following points emerged:

(a) There might be some difficulty in making the retroactive feature apply to the Quebec income tax. Further consideration should probably be given to this matter.

(b) Representations had been received about the payment of the tax by Canadian personnel at I.C.A.O. It would not be desirable to grant tax immunities to this particular group of Canadian citizens.

40. The Cabinet deferred to a later date consideration of the proposal of the Secretary of State for External Affairs to implement in full the Headquarters Agreement between the Canadian government and the International Civil Aviation Organization granting the Organization certain privileges and immunities which could be granted under the Privileges and Immunities (United Nations) Act.

Economic Conference of the Organization of American States, Nov. 1954; implications of Canadian attendance

41. The Secretary of State for External Affairs, said an inquiry had been made by the U.S. State Department as to whether Canada was interested in being represented at the economic meeting of the Organization of American States to be held in Rio de Janeiro in November. In addition, he had received a personal letter from the U.S. Secretary of State suggesting that the

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Conference could be of considerable importance to Canada. Mr. Dulles wondered whether Canada would welcome an invitation. At the 10th Inter-American Conference of the Organization of American States, held earlier in the year, it had been agreed that major economic problems would be considered at a special conference during the last quarter of 1954. The reason for this was said to be that the U.S. administration's foreign economic policy, particularly towards Latin America, had not yet been approved by Congress,

The agenda of the Rio Conference would include such items as prices of raw materials, tariffs and trade restrictions, technical assistance and financial co-operation in economic development, and hemispheric trade. The arguments for having a representative at the meeting included the nature of the agenda, containing items of considerable interest to Canada, the belief that the Brazilians would attach particular importance to Canadian attendance in Rio ,and the claim that important decisions would be taken which would have a significant bearing on the conditions under which trade would be carried out in the western hemisphere. There was a keen interest in various departments in obtaining first-hand information on the problems to be discussed. The status of observer would not require any action by Canada at the conference.

On the other hand, the presence of an invited Canadian observer was not essential to obtain first-hand information about the conference, and many of the subjects to be discussed would be considered at forthcoming meetings of the Contracting Parties to the General Agreement on Tariffs and Trade and of the International Monetary Fund. Canadian attendance could be interpreted as an indication of Canada's growing interest in the Organization of American States and might well lead to a formal invitation to join.

Unless the government was prepared to re-consider its policy towards the Organization it appeared, on balance ,not to be in Canada's interest to accept the invitation. However, significant developments had occurred in Canada's relations with Latin America in recent years. U.S. policy towards the countries in the area was now more co-operative and flexible and the importance of obtaining their goodwill in the cold war was not negligible.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 14,1954-
Cab. Doc. 195-54).

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42. In the course of discussion the following points emerged:

(a) It was probable that the U.S. interest in Canada's attendance was motivated by a desire for support in resisting proposals likely to be made for economic aid and assistance.

(b) If the invitation to attend as an observer were accepted, it was likely that there would be increasing pressure for Canada to accept a formal invitation to join the organization.

(c) While the Canadian Ambassador in Brazil had indicated, earlier in the year, that he did not think it advisable to attend in the status of an observer, he had now changed his mind and felt that such a status would produce better reporting of the proceedings than would otherwise be possible.

(d) The relations between Canada and Latin American nations were increasing in scope and importance. Trade had grown and prospects for further expansion in this field were bright; more and more students were being exchanged. Within Canada, there were feelings in some quarters that the government was not as concerned with this organization as it was with others composed in large measure of English speaking, Protestant nations.

(e) If the invitation was accepted, any undue prominence which might be attached to Canada's participation at the Conference could be avoided by designating our Ambassador to Brazil as Canada's Observer. At a later stage the whole question of Canada's future association with the organization would probably have to be discussed, as an acceptance might well be followed up by suggestions that Canada accept full membership.

43. The Cabinet noted the report of the Secretary of State for External Affairs concerning the approach which had been made about an invitation to attend the Economic Meeting of the Organization of American States, to be held in Rio de Janeiro, in November, and agreed that an invitation to attend this meeting could be accepted and that arrangements should be made for the Canadian Ambassador to Brazil to act as Canadian observer at the Conference.

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Appointments

44. The Prime Minister submitted recommendations for appointments to the Federal District Commission and for an appointment of a Deputy Minister.

45. The Minister of Northern Affairs and National Resources submitted a recommendation for an appointment to the Council of the Northwest Territories.

46. The Cabinet approved the recommendations of the Prime Minister and the Minister of Northern Affairs and National Resources and agreed:

(a) that J.A. Ewart, Esq., of Ottawa be appointed a member of the Federal District Commission until December 31st,1955;

(b) that A.J. Major, Esq., of Ottawa, be appointed a member of the Federal District Commission until December 31st,1958;

(c) that David Aaron Golden, Esq., be appointed Deputy Minister of the Department of Defence Production effective October 1st,1954, at a salary of $15,000; and,

(d) that Charles M. Drury, Esq., Deputy Minister of National Defence, be a member of the Council of the Northwest Territories vice Air Commodore William Isaac Clements;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1398,-1400, and-1399, Sept. 17).

Appointment; Provincial Board of Conciliation

47. The Minister of Justice submitted a recommendation, pursuant to the Judges Act, seeking the consent of the Governor General in Council to the appointment, by the Minister of Labour of the Province of Saskatchewan, of a judge to be a member and chairman of a Board of Conciliation established under the Trade Union Act of that province to investigate, conciliate and report upon a dispute between the Saskatchewan Sanitorium Employees Union and the Saskatchewan Anti-Tuberculosis League.

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48. In the course of discussion, it was pointed out that, while it had not been usual for provinces to seek the Governor in Council's consent for this kind of appointment, technically such authority was required and the practice of seeking approval was a desirable one to encourage.

49. The Cabinet approved the recommendation of the Minister of Justice and agreed that consent be given for the appointment of Mr. Justice Roy T. Graham, of the Court of the Queen's Bench for Saskatchewan, to be chairman and member of the Board of Conciliation established under the Trade Union Act of Saskatchewan to investigate, conciliate and report upon a dispute between the Saskatchewan Sanitorium Employees Union and the Saskatchewan Anti-Tuberculosis League; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1396, Sept. 17)

Canadian delegation to the Colombo Plan Consultative Committee Meetings

50 The Secretary of State for External Affairs submitted a recommendation for the composition of the Canadian delegation to the Colombo Plan Consultative Committee Meetings to be held in Ottawa shortly.

An explanatory memorandum was circulated.

(Minister's memorandum, Sept. 16,1954 - Cab. Doc. 199-54).

51. In the course of discussion, it was suggested that one or two French-speaking officials be added to the list.

52. The Cabinet agreed that the Canadian delegation to the Colombo Plan Consultative Committee Meetings, to be held in Ottawa in September and October, consist of the Secretary of State for External Affairs and the Ministers of Trade and Commerce, Finance, Fisheries and Northern Affairs and National Resources; together with the following officials:-

Mr. K.W. Taylor, Deputy Minister of Finance (Leader of the Official Delegation)
Mr. J.F. Parkinson, Department of Finance
Mr. A.E. Ritchie, Department of External Affairs
Mr. R.G.N. Cavell, Administrator, International Economic and Technical Co-operation Division, Department of Trade and Commerce

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Mr. J. English, Director, Trade Commissioner Service
Mr. L. Rasminsky, Bank of Canada
Mr. M. Lamontagne, Asst. Deputy Minister of Northern Affairs and National Resources
Mr. S.M. Scott, High Commissioner designate to Pakistan
Mr. A.R. Menzies, Department of External Affairs
Mr. D.M. Cornett, Department of External Affairs
Mr. Georges Blouin, Department of External Affairs
Mr. J.P. Manion, Department of Trade and Commerce
Mr. Finlay Sim, Comptroller-Secretary, Department of Trade and Commerce
Mr. R.W. Rosenthal, Assistant Administrator, International Economic and Technical Co-operation Division, Department of Trade and Commerce
Mr. D.W. Bartlett, Director, Technical Co-operation Service, Department of Trade and Commerce.

Canadian Overseas Telecommunication Corporation; allocation of funds for construction of office building in Montreal

53. The Minister of Transport said the building now occupied by the Canadian Overseas Telecommunication Corporation in Montreal was obsolete and would require replacement within the next few years. The first leg of the new trans-Atlantic telephone and telegraph cable would be completed in 1956 and a substantial increase in business was then expected. Some increased facilities were going to be needed at that time in the Montreal Building and it would seem more economical to provide these when a move was made, as it must be before long.

The majority of the corporation's business would be in the area of Montreal some distance to the west of the present location of the company, and a move up town was desirable. The Department of Public Works had expropriated lands on the corner of Union and Belmont Streets which, it had now been ascertained, would not be suitable for the purpose originally intended but which would be an excellent site for the corporation offices. No money was earmarked in the present budget for this project but other capital expenditures for the current year now appeared likely to be less than had been anticipated and a sufficient amount could be made available for this project by reallocation in the budget.

A joint recommendation, with the Minister of Finance, was submitted for the purpose of amending the Capital Budget of the corporation.

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54. In the course of discussion, the following points emerged:

(a) A new building would be required in due course and, as the land was available and the new cable would be completed by 1956, it seemed sensible to make provision for the move at this stage.

(b) The International Telephone and Telegraph Corporation had proposed that its subsidiary, the Commercial Cable Co. (which had an old Canadian charter) should construct and operate a second trans-Atlantic co-axial cable via Canada, Greenland and Iceland, and the company had been informed that the matter would be considered by the government. There were both commercial and defence considerations involved and, while the question was not related to the proposal under discussion, the C.O.T.C. would have definite views about it, as would the United Kingdom authorities. Whatever was decided with respect to the present recommendation had no bearing on this new proposal.

55. The Cabinet approved the joint recommendation of the Minister of Transport and the Minister of Finance for revision of the Capital Budget of the Canadian Overseas Telecommunication Corporation for the financial year ending December 31st,1954, to provide for an allocation of $515,000 within the present total, to be used in acquiring a site for and commencing construction of a Montreal head office for the corporation; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1397, Sept. 17).

Income Tax Return forms,1954

56. The Minister of National Revenue submitted draft Income Tax Return forms for the year 1954 for consideration of the arrangements therein concerning income tax payable to the Province of Quebec.

57. Discussion took place on the meaning and implications of the wording, particularly in the explanatory footnote.

58. The Cabinet noted with approval the draft Income Tax Return forms,T1 short and T1 long,for 1954 as submitted by the Minister of National Revenue.

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U.N.E.S.C.O. meeting at Montevideo, November, 1954; Canadian delegation

59. The Secretary of State for External Affairs reported that the annual U.N.E.S.C.O. meeting would be held at Montevideo in November. He suggested that the Canadian delegation consist of the following:

Head of Delegation:	S.D. Pierce, Esq., Canadian Ambassador to Brazil
Delegation:	Dr. Philippe Panneton, Montreal, Que.
	Senator Nancy Hodges, Victoria, B.C.
	F.K. Stewart, Esq., Executive Secretary of Canadian Education Association
	G.T. Page, Esq., General Manager of the Chemical Institute of Canada
Alternates:	Arthur Lismer, Esq., Artist and Educational Supervisor, Museum of Fine Arts, Montreal
	Fulgence Charpentier, Esq., Department of External Affairs
	T.F.M. Newton, Esq., Department of External Affairs
	Eugene Bussiere, Esq., Department of External Affairs

60. In the course of discussion, it was suggested that it would be desirable to have a member of Parliament associated with the delegation in place of one or two of the government officials.

61. The Cabinet deferred consideration to a later meeting of the composition of the Canadian delegation to the U.N.E.S.C.O. meeting being held in Montevideo in November.

European Defence Arrangements

62. The Secretary of State for External Affairs, referring to discussions at recent meetings said that exploratory talks having to do with the possible association of Germany with N.A.T.O. appeared to have become somewhat confused. However, it was now certain that there would be a nine-power meeting in London on September 27th, which he felt he had to attend, and, probably a meeting of the N.A.T.O. Council about the middle of October. The present feeling was that Germany should be rearmed within N.A.T.O. along the lines suggested previously on this subject. The United States Secretary of State had intervened rather unfortunately by visiting Bonn and London while pointedly ommitting Paris. This might well generate further ill-feeling.

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63. The Cabinet noted the report of the Secretary of State for External Affairs concerning the nine-power conference to be held in London on September 27th on European Defence Arrangements and the likelihood of a N.A.T.O. Council meeting on the same subject about the middle of October.

Reproduction of a facsimile of money; possible prosecution

64. The Minister of Justice mentioned that, in the revised Criminal Code to come into effect in April of 1955, provisions relating to the reproduction of a facsimile of printed money had been strengthened. Just before the recent new currency was issued, officials of the Bank of Canada warned newspapers that they might be breaking the law if the new bills were reproduced in their publications. All newspapers had taken heed of the warning with the exception of the Montreal Gazette and two other smaller publications. The Bank of Canada was pressing strongly to prosecute those concerned for this alleged contravention of the law. However, such prosecution would have to be taken under the provisions of the old Criminal Code which was still in effect, and the Department of Justice felt there was no point in proceeding in the courts on this issue when there was a good prospect of acquittal under the law as it now stood. Prosecution could be undertaken and the whole matter might remain sub judice until the new law came into effect. On the other hand, the case might not stand over to April when the new Code would come into effect and it was a likely possibility that the Crown might lose. It seemed, on balance, desirable not to prosecute at this time.

65. In the course of discussion, it was pointed out that the provisions of the present law were designed to deal with counterfeiting. What the Gazette and the other small papers had done was merely sensational reporting and this was covered under the new legislation.

66. The Cabinet noted the report of the Minister of Justice concerning the reproduction of a facsimile of the new bank notes by some newspapers and agreed that no legal action be initiated at this time.

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Public Service; salary adjustments for members of Boards, Commissions and certain senior civil servants

67. The Minister of Justice, referring to the decision at the meeting of September 8th, on salary adjustments for members of Boards and Commissions and certain senior civil servants, suggested that consideration might usefully be given to an increase in salary for the Director of Investigation and Research under the Combines Investigation Act.

68. The Cabinet deferred consideration of a proposed adjustment in the salary of the Director of Investigation and Research under the Combines Investigation Act pending such time as a decision was reached with regard to the salaries of members of the Restrictive Trade Practices Commission and other quasi-judicial boards and commissions.

R.B. Bryce,
Secretary to the Cabinet.

1971-05-17

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CABINET CONCLUSIONS

Meeting

September 22nd, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, September 22nd, at 2:30 p.m.

Present:

The Minister of Trade and Commerce,
Minister of Defence Production
and Acting Prime Minister
(Mr. Howe) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
(Dr. McCann),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
and Acting Secretary of State for External Affairs
(Mr. Pinard),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Appointment; Acting Secretary of State for External Affairs

1. The Minister of Trade and Commerce, as Acting Prime Minister, submitted a recommendation for the appointment of Acting Secretaries of State for External Affairs.

2. The Cabinet noted with approval the Acting Prime Minister's recommendation that Mr. Martin be authorized to act as Secretary of State for External Affairs in the absence or incapacity of Mr. Pearson, and that Mr. Pinard be authorized to act as Secretary of State for External Affairs in the simultaneous absence or incapacity to act of Mr. Pearson and Mr. Martin; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1450, Sept. 22)

Legislation; Meat and Canned Foods Act repeal

3. The Minister of Agriculture said he proposed to introduce a measure during the coming session of Parliament to repeal the Meat and Canned Foods Act and to replace that act by a Meat Inspection Act to provide for the necessary inspection of meat entering into interprovincial and export trade, and by a Processed Fruits and Vegetables Act to provide for the necessary inspection and grading of processed fruits and vegetables entering into interprovincial and export trade.

The present act purported, amongst other things, to deal with intra-provincial trade. The constitutional validity of this had been questioned by the Deputy Minister of Justice, who had indicated also that, in his opinion, the provisions of the Act were inadequate to authorize certain of the regulations which had been passed under it.

The fish inspection feature now contained in the act would be dropped from the proposed new legislation since this was now provided for in the Fish Inspection Act 1949, which would likely be soon brought into force.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 17, 1954- Cab. Doc. 202-54).

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4. Mr. Gardiner mentioned that, in considering this proposal the previous day, the Cabinet Committee on Legislation had agreed, that, for constitutional and other reasons, it would be desirable to repeal the act and to replace it by new legislation drawn in such terms as not to leave the least doubt as to its constitutional validity. The committee also felt that a separate Meat Inspection Act was required, since this dealt exclusively with inspection from the point of view of hygiene in abattoirs, meat packing houses and similar establishments. Insofar as the establishment of grade standards was concerned, however, the Committee felt the legislation might be usefully extended to cover all agricultural products and not only processed fruits and vegetables as had been recommended. Such an act might be patterned along the lines of the Dairy Products Act enacted a few years ago. If this were done, it would be possible, in the course of time, to re-enact under the new all-embracing legislation the rather large number of regulations which had been passed under such acts as the Fruits, Vegetables and Honey Act, the Livestock and Livestock Products Act, the Maple Products Industry Act, the Meat and Canned Foods Act and possibly other statutes. When all of these regulations had been revised and re-enacted under the new legislation, action could be taken to repeal the individual acts relating to the grading and inspection of various agricultural products, many of which acts contained certain features of which the constitutional validity was probably quite as doubtful as certain provisions of the Meat and Canned Foods Act.

In principle, he felt that the Cabinet Committee suggestion was a sound one, subject to it being ascertained that none of the individual statutes referred to needed to be kept in force more or less indefinitely because of special agreements that might have been entered into with some of the provinces.

5. The Cabinet noted the report of the Minister of Agriculture and approved in principle the introduction, during the coming session of Parliament, of a measure to repeal the Meat and Canned Foods Act and to replace that act by a Meat Inspection Act and by a general statute relating to the grading of all agricultural products entering into interprovincial or export trade; it being understood that the Minister would ascertain whether any existing statutes relating to the grading of specific agricultural products would require to be continued in existence after enactment of general legislation for the establishment of grade standards as had been suggested; draft measures to be prepared accordingly.

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Legislation; Government Employees Compensation Act

6. The Secretary submitted a recommendation of the Minister of Labour for amendments to the Government Employees Compensation Act. These were substantially the same as those approved by Cabinet during the last session of Parliament. A bill had been prepared by the Department of Justice at the time but had not been introduced.

One of the more important amendments would provide that injured government employees would, henceforward, be entitled to the rates of compensation applicable in the employee's usual province of employment rather than those of the province in which the accident occurred.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Labour, Aug. 31,1954- Cab. Doc. 201-54).

7. In the course of discussion the suggestion was noted that, if and when the proposed amendments to the Act came into force, the Flying Accidents Compensation Order (P.C. 6538, December 29th,1949), passed under the authority of section 5 of the Aeronautics Act, be revoked. This order provided benefits similar to those under the Pension Act for employees who were killed or injured as a direct result of an unscheduled flight undertaken in the course of duty. In support of this it had been pointed out that accidents resulting from unscheduled flights should not be compensated at a higher rate than in the case of other accidents, since other groups or categories of employees were exposed to equal or greater risks in their regular occupation, for example certain employees engaged on various research projects, in mine inspection, and in other activities of a hazardous nature. It was argued, on the other hand, that continuation of some form of special compensation would be warranted, if, as was thought to be the case, accidents arising from certain forms of unscheduled flights were not insurable under commercial insurance policies. It was pointed out, in this connection,that,even if the Flying Accidents Compensation Order were revoked, authority would still remain under section 5 of the Aeronautics Act for the making of regulations and the issuing of orders to cover any unusual or special cases or situations that might arise.

8. The Cabinet approved in principle proposed amendments to the Government Employees Compensation Act as recommended by the Minister of Labour and agreed that a draft measure be prepared accordingly; it being understood that, if it were ascertained that accidents resulting from certain forms of unscheduled flights were not commercially insurable, further consideration would be given to the desirability of revoking the Flying Accidents Compensation Order passed pursuant to section 5 of the Aeronautics Act.

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Legislation; New Westminster Harbour Commissioners Act amendment

9. The Minister of Transport, referring to discussion at the meeting of September 17th, said an English syndicate headed by the Estate of the Duke of Westminster had acquired Annacis Island in the Harbour of New Westminster, B.C., and proposed extensive development of the island for industrial establishments. His department had been advised that the syndicate contemplated an ultimate expenditure of approximately $15 million for erection of factories, construction of roads, drainage, etc., for some 200 industrial establishments.

Over the past several months discussions had taken place between the syndicate, the Departments of Transport and Public Works, and the New Westminster Harbour Commissioners on a request by the developers that a causeway be erected to provide access to and egress from Annacis Island. The syndicate representatives had been informed that the Department of Public Works would not approve of a causeway, which would completely close Annacis Channel, because such a structure would increase the danger of flooding, but would be prepared to approve a structure part causeway and part trestle bridge.

It was the expectation of the commissioners that industrial development of Annacis Island would cause a material increase in harbour traffic. Furthermore, the proposed structure would provide access to Robson Island which was adjacent to Annacis Island and owned by the commissioners.

To permit the commissioners to undertake construction of the causeway and trestle bridge it was proposed to lend them $200,000, the estimated cost of the structure and approaches.

The Minister recommended, with the concurrence of the Minister of Finance, that authority be given to introduce a bill respecting the Commissioners Act of Incorporation, being chapter 158 of the Statutes of Canada 1913, which would empower the Minister of Finance to make loans to the commissioners of amounts not exceeding in the aggregate $200,000, such amounts to be secured by debentures of the commissioners and the loan to be otherwise on terms to be settled by the Minister of Finance.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept.17,1954-
Cab. Doc. 200-54).

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10. In the course of discussion the following points emerged:

(a) It would be unfortunate if implementation of this proposal appeared to be a Federal contribution towards ordinary local improvements, since that might well give rise to embarrassing demands in the future. It did not appear, however, that this proposal could be so regarded. Moreover the proposal seemed economically sound.

(b) It was noted that the New Westminster Harbour Commissioners had two outstanding loans -- one in the amount of $700,000 dating back to 1948 and the other in the amount of $274,537.23 dating back to 1931. In neither case had any portion of the capital been repaid although the Harbour Commissioners had consistently met all interest charges. It was suggested that, before any new loans were made to the commissioners, consideration be given to the desirability of including in any loan agreement an amortization provision which would ensure the eventual repayment of the capital. Alternatively, it might perhaps be possible to consolidate any new loan with the outstanding ones and to provide an overall amortization feature which would bring about the eventual repayment of the consolidated loans.

(c) If it were agreed in principle that a bill be introduced during the coming session of Parliament to authorize the Minister of Finance to make the requested loan, it was suggested that an Order in Council be passed immediately to approve a by-law passed by the Harbour Commissioners on June 28th, 1954, which would enable the commissioners to make a start on the construction of the proposed causeway and trestle bridge using funds drawn from the Commissioners' Reserve for Contingencies, subject to such withdrawals being repaid into the Reserve when the proposed loan bill had been approved by Parliament.

11. The Cabinet

(a) approved in principle a bill respecting the New Westminster Harbour Commissioners Act as recommended by the Minister of Transport and agreed that a draft measure be prepared accordingly; it being understood that the Minister of Finance would consider including an amortization provision in the proposed loan agreement or alternatively, consolidating the new and outstanding loans in a single loan which would include an amortization provision; and,

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(b) approved by-law No. 159 as passed by the New Westminster Harbour Commissioners on June 28th,1954, which would enable the Harbour Commissioners, in advance of parliamentary approval of the proposed loan bill, to withdraw, temporarily, certain funds from the Commissioners' Reserve for Contingencies in order that a start might be made on construction of the new causeway and trestle bridge to Annacis and Robson Islands; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1454,Sept. 22).

Legislation; Municipal Grants Act

12. The Minister of Finance referred to discussion at the meeting of March 19th,1954, when it was agreed that a resolution and bill to amend the Municipal Grants Act be introduced in the House of Commons. Following that decision, a resolution was actually placed on the Order paper but was not taken up. He now sought approval in principle for introduction of the same measure during the coming session of Parliament.

It would be recalled that the result of the proposed amendments would be, approximately, to double the total amount of the grants now paid to some forty municipalities and make another fifty odd municipalities eligible for grants. The various changes would increase the total annual payments under the Act from about $2.8 million to over $6 million. It was planned that the amendments should come into effect on January 1st,1955.

13. In the course of discussion the following points emerged:

(a) It was noted that on the revised basis, the city of Ottawa would receive approximately $2.65 million per annum instead of the current grant of about $1.4 million. It could be argued that this was unduly generous when taken together with substantial expenditures made in and around Ottawa by the Federal District Commission. It was understood that certain amendments might be made to the Federal District Commission Act during the coming session. If this were so, both the amendments to the Municipal Grants Act and the changes proposed in the Federal District Commission Act might be considered together in order to achieve a better balance between the proposed higher scale of municipal grants and the contributions made by the Commission to the development of Ottawa as the National Capital.

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(b) Although the government was committed to the introduction of a bill to amend the Municipal Grants Act, no commitment had been made as to the nature or size of the increased grants.

(c) It was suggested that there might perhaps be some merit in referring the whole question for study to a Special Senate Committee or possibly to a Joint Committee of both Houses.

14. The Cabinet noted the report of the Minister of Finance and agreed in principle that a measure to amend the Municipal Grants Act be introduced some time during the coming session of Parliament, subject to the proposed amendments being reviewed again by the Ministers and officials concerned, with particular regard to the possible desirability of amending the Federal District Commission Act and of establishing a more acceptable relationship between any increased grant to the city of Ottawa under a revised Municipal Grants Act and the expenditures made by the Federal District Commission in and around the city.

Legislation; Financial Administration Act amendment

15. The Minister of Finance said he proposed to introduce a measure during the coming session of Parliament to amend the Financial Administration Act; the sole purpose of the amendment would be to provide legislative authority for payment of an increased salary to the Auditor General in accordance with an earlier decision of Cabinet.

An explanatory memorandum was circulated.

(Minister's memorandum, Sept.20,1954- Cab. Doc. 205-54).

16. The Cabinet approved in principle the proposed amendment to the Financial Administration Act as recommended by the Minister of Finance and agreed that a draft measure be prepared accordingly.

Legislation; Members of Parliament Retiring Allowances Act amendment

17. The Minister of Finance reported that, as a result of experience gained during the past two years in administration of the Members of Parliament Retiring Allowances Act, certain inconsistencies had come to light in regard to the payment of interest on contributions for prior service. He was reluctant to open up the act this coming session,but proposed that a measure should be made ready for introduction which would correct these inconsistencies and clarify two minor points in the law.

An explanatory memorandum was circulated.

(Minister's memorandum, Sept. 21,1954- Cab. Doc. 208-54).

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18. The Cabinet approved in principle preparation of proposed amendments to the Members of Parliament Retiring Allowances Act.

Legislation; Public Service Superannuation Act amendments

19. The Minister of Finance, referring to discussion at the meeting of September 17th, submitted for consideration certain additional amendments to the Public Service Superannuation Act.

These were related to the waiting period before a civil servant became a contributor under the Act, the minimum salary requirement for contributors, treatment of sessional employees of Parliament, the maximum salary on which contributions and benefits may be based, the special position of "unestablished" public servants of Newfoundland who were absorbed in the Federal service on April 1st,1949, marriage of a pensioner to his common-law wife and other minor changes.

An explanatory memorandum was circulated.

(Minister's memorandum, Sept. 21,1954- Cab. Doc. 206-54).

20. In the course of discussion it was noted that, prior to the confederation of Newfoundland with Canada, gratuities were payable on marriage to Newfoundland female civil servants. It had been suggested that, in cases where such persons had been absorbed into the Federal service at April 1st,1949, and the Newfoundland government had agreed to bear the cost of such marriage gratuity, it be added to the other benefits under the Public Service Superannuation Act. This proposal seemed to go beyond the spirit of the undertakings given by the Federal government in the Terms of Union. It was consequently suggested that such a provision be not included in the Public Service Superannuation Act but that the Minister of Finance inform the government of Newfoundland that if it wished to amend its own legislation to make direct payments of such marriage gratuities to former Newfoundland female civil servants now in the Federal service, the Federal government would have no objection.

21. The Cabinet approved in principle proposed amendments to the Public Service Superannuation Act as submitted by the Minister of Finance, with the exception of that relating to the payment of a marriage gratuity to former Newfoundland female civil servants now in the Federal service, and agreed that a draft measure be prepared accordingly.

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Reclamation project, Kootenay Flats, B.C.; application to International Joint Commission for amending order

22. The Secretary of State, as Acting Secretary of State for External Affairs, said that, on October 20th, 1950, the International Joint Commission had approved an application submitted by the Creston Reclamation Company, Limited, and the Duck Lake Dyking District, for the reclamation for agricultural purposes of approximately 3200 acres on Kootenay Flats near the south end of Kootenay Lake. The Order of Approval of the Commission had granted the applicants the right to retain part of Duck Lane, but only on condition that the protective works be operated so as to ensure that other interests in the area were not adversely affected. Several conditions to this effect had been included in the order.

The Secretary of State for External Affairs had received an application, dated March 23rd, 1954, from the Creston Reclamation Company, Limited, and the Duck Lake Dyking District, requesting an amending order to that of 1950 which would absolve the applicants of three of the conditions. In view of its technical nature he had sought engineering advice from the Department of Northern Affairs and National Resources on the matter. Technical studies had now been completed and it appeared that the applicants were seeking relief from responsibilities to which they should perhaps be held if other interests were to be fully protected. On the other hand, the possibility existed that the other interests, principally the Consolidated Mining and Smelting Company of Canada, Limited and its subsidiary, the West Kootenay Power and Light Company, Limited, would be prepared to have some of the conditions of the 1950 Order of Approval modified in a manner that would partly meet the requests of the applicants.

In these circumstances, there appeared to be sufficient evidence to justify transmitting the request to the International Joint Commission. Such a decision would not prevent the government from making any representations thought advisable to the commission.

The Secretary of State for External Affairs had recommended, with the concurrence of the Minister of Northern Affairs and National Resources, that the application be transmitted to the International Joint Commission for consideration.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, Sept. 16, 1954-Cab. Doc. 203-54).

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23. The Cabinet approved the recommendation of the Secretary of State for External Affairs that the Application by the Creston Reclamation Company Limited and the Duck Lake Dyking District seeking relief from certain conditions contained in the International Joint Commission's Order of October 20th,1950, approving the agricultural reclamation project at Kootenay Flats, B.C., be transmitted to the International Joint Commission, and that the applicants be so informed.

N.A.T.O. Permanent Headquarters, Paris; Canadian contribution

24. The Secretary of State, as Acting Secretary of State for External Affairs, said that, during the Lisbon Meeting of the North Atlantic Council, in 1952, the Ministers of N.A.T.O. countries had agreed that the Permanent Headquarters of N.A.T.O. should be located in the vicinity of Paris. For temporary accommodation the French government had offered the buildings constructed for the use of the 1951 Session of the United Nations General Assembly,and the N.A.T.O. Secretariat had been in these buildings since 1952. At the 1952 meeting, the Permanent Council of N.A.T.O. had invited the French representative to submit proposals for permanent accommodation as soon as possible but all proved unsuitable until, in April, 1954, the French government placed at the disposal of N.A.T.O.,free of charge, a site in the area of the Porte Dauphine on the edge of the Bois de Boulogne. The Permanent Council accepted this offer and asked the French government to nominate an architect who would be responsible for the construction work. The Council had now approved a general design for the new building and the contract with the architect was in the final stages of discussion.

On June 11th,1954, the Treasury Board approved a recommendation that the Canadian delegation to N.A.T.O. take offices in the new building when completed. It was expected that actual construction would begin in June,1955, and that the building would be completed within eighteen to twenty-four months.

It was estimated that the total cost of construction would be approximately 2,400 million French francs (roughly $6,650,000 at present official exchange rate). The N.A.T.O. Council Committee on Permanent Headquarters had recommended that the construction be financed in common in accordance with the N.A.T.O. Budget Cost-Sharing Formula. As this was a capital cost, Canada's share in accordance with the formula approved for 1954 by Cabinet on July 6th,1953, would be 6.7 percent. The percentage figure of 5 percent had been used for internal accounting purposes as being

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representative of Canada's "capacity to pay". Therefore, if the principle of a Canadian contribution to the cost of the Permanent Headquarters was agreed to, 5 percent of the total cost of construction would be paid out of the External Affairs appropriation for N.A.T.O. costs and the balance of 1.7 percent out of the Mutual Aid appropriation. The total Canadian contribution would be approximately $450,000. The building would be the property of the North Atlantic Treaty Organization.

In the circumstances, the Secretary of State for External Affairs recommended, with the concurrence of the Acting Minister of National Defence, that Canada share on an appropriate basis with other N.A.T.O. countries in the cost of constructing the proposed new N.A.T.O. permanent headquarters at Paris.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, Sept. 17,1954-Cab. Doc. 204-54).

25. In the course of discussion some doubt was expressed as to the wisdom of constructing an expensive building at this time as a permanent headquarters for N.A.T.O. However, the N.A.T.O. Council had long since approved of this proposal and, under all circumstances, there seemed no alternative but to share in the cost of it.

26. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed that Canada share with other N.A.T.O. countries the cost of constructing the proposed new N.A.T.O. permanent headquarters at Paris in accordance with the N.A.T.O. Budget Cost-Sharing Formula for capital costs in effect at the time the payments are made.

Disposal of Storage Eggs

27. The Minister of Agriculture reported that the Agricultural Prices Support Board had received a firm offer for the sale of 10,000 cases (300,000 dozen) Grade "A" large eggs at a price of 35 cents a dozen delivered at Montreal for export to Europe. If the exporter found this shipment was acceptable, he would be prepared to take up to a total of 100,000 cases. The present cost of the eggs to the Board would be 42 cents per dozen plus something for handling and freight, the latter depending on the locality from which shipments might be made. If the offer were accepted, the loss would be a little over $24,000 and, on 100,000 cases, it would approach $250,000. The Board had another offer from a domestic

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processing plant for 5,000 cases at 30 cents per dozen. These would be broken, and dried or frozen, and sold mainly to the baking trade. Generally speaking, prices were lower in the United States than in Canada and it was claimed that eggs for breaking could be imported from that country for less than 30 cents a dozen.

A larger amount of eggs were potentially deliverable to the Board for 1954 than for 1953. Production had increased and the September rate of withdrawals from storage was not as great as in the corresponding period of the previous year. Lower grades were relatively more abundant and their price much more attractive to the consumer, weight for weight, than the Grade "A" variety. If no action was taken at present to dispose of some eggs, it could be expected that the Board would have to take delivery before December 31st of practically the total amount now in storage. By then, low-priced eggs from the U.S. might have largely supplied the Canadian baking trade and, with the heavy current production continuing, it would be necessary to incur the expense of breaking, freezing and drying the quantities held. It was not possible to estimate what the loss might be if this occurred but it might run to as much as $1 million. It was recommended that the offer to purchase eggs at 35 cents for delivery to Europe be accepted and that the Board be authorized to sell up to 10,000 cases to domestic processors at prices competitive with those prevailing in United States markets.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 22,1954-Cab. Doc. 207-54).

28. Mr. Gardiner added that, while the price of Grade "A" Small eggs was considerably lower than the higher grades, they weighed only about 10 percent less. He thought dealers were consciously leaving the larger eggs in storage and marketing the smaller ones with the possible result that the Support Board might ultimately have to accept delivery of the higher-priced sizes later. The initial export offer might be accepted and, on the basis of that experience, consideration might be given to the others later on.

29. In the course of discussion, the following points emerged:

(a) It was most desirable to avoid the United States practice of dumping surplus agricultural products abroad. If the proposal to sell eggs for export at a loss were accepted, Canadian complaints to the United States on

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subsidizing oats and barley would not have as much force. It might be preferable to take a loss on the domestic market and not be placed in the position of violating the principles Canada had been endeavouring to maintain. It was argued, on the other hand, that this particular transaction could not be considered dumping as the eggs would presumably be sold at the best possible price.

(b) If eggs were sold below the support price, the whole price structure of the industry would be depressed, while there might at the same time be much criticism from housewives about cheap sales in foreign markets.

(c) The spread in price between what the farmer actually received and what the eggs cost the consumer was very great; the situation might bear examination.

(d) Ungraded eggs in several instances were selling at much lower than the support price, and the price of the graded product had decreased as well. If support was to be provided in the future, the whole programme should be examined and consideration given to adjusting guarantees.

30. The Cabinet deferred decision on offers to purchase eggs from the Agricultural Prices Support Board for export to Eastern Europe, and for use in the domestic baking trade, pending further consideration of the proposals.

Strait of Canso causeway; compensation to fishermen for disturbance caused by a temporary closure of the Strait to navigation

31. The Minister of Transport referred to the decision of July 13th, 1954, in which compensation for fishermen for the disturbance of their business caused by the temporary closure of the Strait of Canso had not been approved. The Minister of Fisheries had not been present at the time and he wondered if there was any further information which might lead to a reconsideration of the decision.

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32. In the course of discussion it was argued that no new factors had come to light which might alter the situation. Payments of this type did not seem to be a Federal government responsibility. It appeared anomalous to compensate those suffering only a temporary inconvenience whereas nothing was to be done for those in Hawkesbury and Mulgrave whose livelihood would come to an end when the causeway was completed. The Canadian National Railways were considering establishing a new marshalling yard at Havre Boucher. Hawkesbury already had some rail facilities available and, if these could be employed instead of constructing a new yard elsewhere, the situation might be improved for this community.

33. The Cabinet

(a) reaffirmed the decision of July 13th, 1954, regarding payments of compensation to fishermen for the disturbance of business caused by the temporary closure of the Strait of Canso; and,

(b) agreed that the Minister of Transport might request the Canadian National Railways to consider the possibility of using the railway facilities at Hawkesbury, Cape Breton Island, with a view to providing employment to the inhabitants of that community, rather than constructing a new yard at Havre Boucher.

Appointments

34. The Secretary of State, as Acting Secretary of State for External Affairs, submitted a recommendation for the appointment of a Consul General.

35. The Minister of Trade and Commerce as Chairman of the Committee of the Privy Council on Scientific and Industrial Research, with the concurrence of the Minister of National Defence, submitted a recommendation for an appointment to the Commonwealth Advisory Aeronautical Research Council.

36. The Cabinet agreed that:

(a) Mr. Jean Fournier be appointed Consul General of Canada at Boston with jurisdiction in Massachusetts, Vermont, New Hampshire, Maine and Rhode Island, effective August 14th, 1954; and,

(b) Air Vice Marshal J.L. Plant be appointed to represent Canada on the Commonwealth Advisory Aeronautical Research Council, vice Air Vice Marshal D.M. Smith, effective September 1st, 1954;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1451 and 1452, Sept. 22).

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Memorial Buildings, additional cafeteria

37. The Minister of Finance said the Treasury Board had considered a proposal to revise the plans of the new west building of the Memorial Buildings to provide for a cafeteria. Generally speaking, the policy had been to supply cafeterias in buildings constructed on the fringe of Ottawa but not in the centre of the city. The plans for the Memorial Buildings included a cafeteria designed to serve the two portions. An additional one could only be provided at the cost of a loss of valuable office space. The Board felt the one cafeteria was adequate for all the occupants of the two portions and was of the opinion that plans for the west building should not be altered.

38. In the course of discussion, it was pointed out that, if there was a need for further restaurant facilities, private enterprise should be given the opportunity to serve the needs of those working in that area of the city.

39. The Cabinet noted with approval the view of the Treasury Board that the plans of the west building of the Memorial Buildings should not be altered to include a cafeteria.

Senators and Members of Parliament; payment of benefits on occasion of death

40. The Minister of Finance explained that, in the past, it had been the practice to pay to the widows or estates of Senators and Members of Parliament a gratuity, equal to the sessional allowance, for the remainder of the session during which death occurred. There had been some inequities in the way this had worked, and now that the allowance had been increased and was payable on a monthly basis the Commissioners of Internal Economy in the House had been considering a new system somewhat similar to that applicable to civil servants. Tentatively, they had reached the conclusion that the widow of the estate of a Member or a Senator might be paid the balance of the allowance for the month during which death occurred and a benefit equal to two months of the annual indemnity. The $2,000 allowance for expenses incidental to the discharge of duties was paid at the end of each calendar year, and it was proposed also to continue the practice of paying to the estate or the widow the proportionate amount which had accrued while the Member or Senator was alive.

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41. The Cabinet noted with approval the report of the Minister of Finance on the proposal to revise the system of payments made to widows or estates of Senators and Members of Parliament and agreed that, in future, there be paid a benefit consisting of:

(a) the balance of the allowance for the month during which death occurred; and,

(b) an amount equal to two months of the sessional allowance.

Civil Service Recreational Association; provision of land

42. The Minister of Agriculture said the Civil Service Recreational Association had enquired whether it would be possible to secure 15 or 20 acres of the Central Experimental Farm grounds on which to construct a building and facilities for recreational purposes. The initial request was for a site on the northwest corner of the farm near the Civic Hospital. The city had also sought the same area for a city hall some time previously and had been refused because of the needs of the farm. The Association then suggested that it might have a site in the Arboretum if the trees could be removed elsewhere. This had not proved feasible and a further possibility put forward was for an area in the southeast corner of the farm near the Green Valley Restaurant. He had not considered the proposals in great detail because, on the whole, he thought it desirable, both in the interests of the city and of the farm, to maintain the farm substantially intact.

43. In the course of discussion, it was pointed out that the land in question was quite valuable and could be sold for a large amount. It would not be wise to break up the main body of the farm but it might be possible to make some land available on the eastern side near the canal. This was in fact used by the public now for recreational purposes, particularly in the winter. Even if the proposition were to be adopted, title to the land should remain vested in the Crown.

44. The Cabinet noted the report of the Minister of Agriculture concerning the request of the Civil Service Recreational Association to acquire a portion of land belonging to the Central Experimental Farm in Ottawa, and deferred consideration of the matter to a later meeting pending a detailed examination of its implications by the Minister.

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Problems arising from the hurricane in the Maritime Provinces

45. The Minister of Agriculture, referring to the discussion at the meeting of September 17th, said that the loss to the apple growers in the Annapolis Valley would be serious. However, it was his opinion that if anything was to be done, action should be initiated by the provincial government. The apples should be salvaged as soon as possible in any event as losses increased the longer the fruit remained on the ground.

46. The Minister of Public Works added that the Acting Premier of Nova Scotia had already communicated with the representative of the Canadian Disaster Relief Fund in the Atlantic area, as suggested, and it appeared that the fund would make a contribution. However, there was no individual or organization available to make the required survey. The Nova Scotia government had been informed of this and had appointed a judge to carry out the inquiry.

47. The Cabinet noted the reports of the Ministers of Agriculture and Public Works regarding the problems in Nova Scotia arising from the recent hurricane in the Maritime Provinces.

By-elections; electoral districts of Selkirk, Trinity, York West, Stormont, St. Lawrence - St. George and Saint Antoine-Westmount

48. The Minister of Trade and Commerce as Acting Prime Minister referred to vacancies which existed in the electoral districts of Selkirk, Trinity, York West, Stormont, St. Lawrence - St. George and Saint Antoine-Westmount.

49. The Cabinet agreed that by-elections be held on November 8th, 1954, in the electoral districts of Selkirk, Manitoba; Trinity, Ontario; York West, Ontario; Stormont, Ontario; St.Lawrence-St.George, Quebec; and Saint Antoine-Westmount, Quebec; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1449, Sept. 22).

United Mine Workers of America; request for interview with the government

50. The Minister of Mines and Technical Surveys reported that he had received a request from the western Canadian section of the United Mine Workers of America for a meeting with the government at which a brief on the coal industry would be presented. The union had asked that the three western provincial governments and the mine operators be represented as well. He had informed those

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making the request that he could see no purpose for such a meeting, but the reply had been that the union had directed its officers to arrange such an interview and they could not agree to do otherwise.

51. In the course of discussion, it was pointed out that if the Mine Workers wished to discuss labour matters these would have to be taken up at the regular annual meetings of one of the national union organizations of which the Mine Workers formed a part. However, there would be no objection to the minister and one or two other members of the Cabinet receiving the delegation to discuss questions relating to the coal industry if this was desired.

52. The Cabinet noted the request of the United Mine Workers of America for a meeting with the government to present a brief on the coal industry, and agreed that there would be no objection to the Minister of Mines and Technical Surveys arranging for himself and several other Ministers to receive this delegation, preferably early in November.

Fisheries; marketing of Newfoundland salt fish; deficiency payments on 1953-54 salt cod production

53. The Minister of Fisheries, referring to discussion at the meeting of March 10th, 1954, submitted a recommendation to provide deficiency payments of 1 cent per pound for the 1953 catch of cod in Newfoundland.

54. The Cabinet approved the recommendation of the Minister of Fisheries and agreed that, pursuant to the Fisheries Prices Support Act, dried or fresh codfish of the 1953 production in Newfoundland, as specified, be designated as a fisheries product and that a prescribed price of $10.28 per quintal be set by the Fisheries Prices Support Board for the purpose of paying a deficiency payment of 1 cent per pound to the producers of such fish sold during the 1953-54 marketing season; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1453, Sept. 22).

World Hockey Championship

55. The Minister of Fisheries reported that officials of the Canadian Hockey Association had spoken to him about Canada's representation at the World Hockey Championship to be held in Europe next year. He had been informed that the best possible amateur team would be sent and, as a result, it would be quite likely that the Soviet Union would not remain champions. The Association was not asking for direct assistance from the Federal government

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but they did need some kind of financial help. It was suggested, in view of the fact that exhibition games would be played before Canadian troops overseas, that some contribution from funds normally used to provide entertainment for servicemen abroad might be made to cover a share of the costs of the whole project. Once the Russians had been convihcingly defeated the Canadian Hockey Association proposed to withdraw from any future so-called world hockey competitions.

56. In the course of discussion, it was pointed out that nothing should be done which might in any way suggest that the government had supported a team representing Canada in the world championship, not only because this was in theory, amateur sport, but also because, as a principle, government finances should not be made available for activities of this kind.

57. The Cabinet noted the report of the Minister of Fisheries on proposals for the participation by Canada in the World Hockey Championship, to be held in Europe early in 1955.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

September 30th, 1954.

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THIS DOCUMENT ON LOAN FROM THE PRIVY COUNCIL OFFICE - CANADA

TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, September 30th, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs
(Mr. Martin),
The Minister of Labour
(Mr. Gregg),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Colombo Plan meetings; presiding Minister

1. The Prime Minister said the Secretary of State for External Affairs had wired from London that he might not be back in Ottawa in time to preside over the forthcoming Colombo Plan meetings. In that event, he suggested that this responsibility be taken over by the Minister of Trade and Commerce, or the Minister of Finance, or the Minister of Fisheries.

2. The Cabinet agreed that, as the Minister of Trade and Commerce would not be present for the opening of the Colombo Plan meetings, if the Secretary of State for External Affairs did not return in time from the London Conference, the Minister of Finance or, if the latter was not available, the Minister of Fisheries should preside.

Colombo Plan; proposed Japanese participation

3. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, said the Japanese Ambassador had notified the Canadian government, on September 17th, that Japan desired to participate as a full member of the Colombo Plan. The Chairman of the official meetings of the Colombo Plan Consultative Committee reported this development at the first meeting on September 20th. The Committee felt that, in accordance with practice usually followed in the past, the views of member governments should be secured before action was taken on a matter of this kind. Accordingly, the Department of External Affairs, acting on behalf of Canada as the host government, had consulted other members through diplomatic channels.

Since a general sentiment in favour of Japanese admission had been indicated in consultations prior to and during the present meetings, member governments had been told that, subject to confirmation that full participation by Japan would be agreeable Canada would propose,-

(a) that Japan be represented at the first of the closed Ministerial meetings in Ottawa and that Japan be received as a full member of the Consultative Committee at that time; and,

(b) in anticipation of such action at the time of the Ministerial meetings, that the Japanese government be invited to have an observer present during the balance of the official-level meetings in order that the Japanese government might be familiar with the background of the Ministerial meetings. Present indications were that all members would favour Japanese admission, except possibly Nepal, and perhaps Indonesia from which word had not yet been received. Should the latter country dissent, it was suggested that the Canadian delegation might seek, in consultation with the other members, to find a formula acceptable both to Japan and to the dissenting country or countries.

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If Japan were admitted to membership in the Colombo Plan, it would be understood that she would be a contributor rather than a recipient, even though her contributions would likely be modest.

An explanatory memorandum had been circulated.

(Acting Minister's memorandum, Sept. 27,1954- Cab. Doc. 213-54).

4. In the course of discussion it was suggested that the Colombo Plan was the sort of organization into which it would be desirable to bring as many of the free nations of the world as possible, modest as some of their contributions might be. In the circumstances, Japan's admission to the Plan seemed highly desirable.

5. The Cabinet noted the report of the Acting Secretary of State for External Affairs and agreed that Japan be admitted as a full member of the Colombo Plan if it was the general view among other member countries that this course be followed; it being understood that, if any member country dissented, the Canadian delegation at the forthcoming Colombo meetings should attempt, in consultation with other members, to find some formula which would be acceptable both to Japan and to any dissenting country.

Distinguished visitors to Canada; air transportation arrangements

6. The Prime Minister said Mr. Casey, the Australian Minister of Foreign Affairs, and other delegates coming to the ministerial meetings of the Colombo Plan within the next few days would arrive in New York on October 2nd. It had been suggested that the Department of Transport provide air transportation for these delegates from New York to Ottawa.

7. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, reported that the U.K. High Commissioner's Office in Ottawa had raised the question of a visit by the U.K. Secretary of State for Air with the Minister of National Defence shortly before the latter left Ottawa. On arrival in London, Mr. Campney was again approached on the matter and had indicated that the proposed dates of October 17th to 27th were rather awkward as there would be a number of other distinguished visitors in Canada at about the same time. These dates, however, appeared to be the only practical ones for Lord de L'Isle and Dudley, and it was finally agreed that he would provide his own aircraft.

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8. The Minister of Transport suggested that there were from time to time fairly routine needs for the use of government aircraft in transporting distinguished visitors, which hardly warranted individual Cabinet consideration and for which it would be convenient to have a speedier method of authorization.

9. The Cabinet agreed,-

(a) that the Department of Transport provide an aircraft for the transportation from New York to Ottawa of approximately twelve delegates to the forthcoming Colombo Plan meetings; and,

(b) that the Minister of Transport might authorize the use of government aircraft for the transportation of distinguished visitors where he considered it was in accordance with the usual practice, on the understanding that he would secure Cabinet consideration of any proposals of an unusual nature or involving large expenditures.

Parliament; opening of next session

10. The Prime Minister said the Leader of the Opposition had enquired as to the date on which the next session of Parliament would be convened. As there would likely be increasing enquiries of this kind it would be useful now to reach at least a tentative decision on the matter.

Barring unforeseen developments he did not see any need to call the next session before January,1955.

11. The Cabinet agreed that the Prime Minister inform the press and the Leader of the Opposition that, barring unforeseen developments which would make an earlier session desirable, Parliament would not be convened to meet before January 1955.

President of Haiti; visit to Canada

12. The Prime Minister said President Magloire, of Haiti, was planning a visit to the United States between the 26th and 29th of January 1955. He had expressed interest in paying a visit to Canada at that time.

As President Magloire was a Head of State, it would seem appropriate, if it were agreed that an invitation be extended, to have the invitation forwarded by the Governor General, and to arrange that the President stay at Government House during his visit to Ottawa.

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13. The Cabinet noted the wish expressed by President Magloire of Haiti to visit Canada sometime before or after his projected visit to the United States between January 26th and 29th, 1955, and agreed that the Governor General be approached with a view to his extending an invitation to the President to visit Ottawa sometime late in January 1955.

Legislation; Prairie Farm Rehabilitation Act amendment

14. The Prime Minister reported that the Minister of Agriculture had recommended the amendment, during the course of the next session of Parliament, of the Prairie Farm Rehabilitation Act, to bring certain sections more closely in line with the provisions of the Financial Administration Act.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Agriculture, Sept.21, 1954-Cab. Doc.210-54).

15. The Cabinet approved in principle certain amendments to the Prairie Farm Rehabilitation Act as recommended by the Minister of Agriculture and agreed that a draft measure be prepared accordingly.

Legislation; implementation of Canada-US Convention on Great-Lakes Fisheries

16. The Prime Minister, referring to discussion at the meeting of August 18th, 1954, said a convention on Great-Lakes fisheries between Canada and the United States had been signed in Washington on September 10th. This convention provided for research work and lamprey control on all five of the Great Lakes.

Although most of Canada's obligations under this convention could probably be carried out under the Fisheries Act, it was felt that there should be legislation to enable Canada to implement this convention in full. The Minister of Fisheries had recommended, therefore, with the concurrence of the Acting Secretary of State for External Affairs, that authority be granted for the preparation of a measure to implement the convention and that this bill be introduced during the coming session of Parliament.

An explanatory memorandum was circulated.

(Memorandum, Minister of Fisheries, Sept. 29,1954 - Cab. Doc. 215-54).

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17. The Cabinet approved the recommendation of the Minister of Fisheries and agreed that a draft measure be prepared to implement the Convention on Great Lakes Fisheries between Canada and the United States signed at Washington on September 10th, 1954.

General Agreement on Tariffs and Trade; binding of tariff rates beyond June, 1955

18. The Minister of Trade and Commerce submitted recommendations of the Minister of Finance on the position to be taken by Canada at the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, beginning in Geneva on October 28th, with regard to the binding of tariff rates beyond June 1955. If the rates became "unbound" they would remain at their present reduced levels, but, after June 30th next, countries would have certain unilateral rights to raise these tariff rates which rights they had agreed to forego until that time.

The bound tariff schedules, together with the "fair trading" provisions of the General Agreement, embodied the commercial policy of the government. Apart from economic reasons, there were special circumstances at present which made it desirable to continue this policy for a further period. The U.K., in leading a collective approach to freer trade and payments, had already removed many quantitative restrictions and was urging their complete abolition subject only to rigorous "escape clauses". Most leading continental countries showed signs of following the U.K. lead. The U.S. had faltered slightly in its post-war programme for more liberal trade policies and the forces for and against further progress were precariously balanced. In the circumstances, the Canadian delegation should be instructed to seek a re-binding of tariff schedules on the broadest base acceptable and, if possible, for a three-year period.

It was clear that a complete re-binding would not be possible because of difficulties in particular rates and tariff adjustments by certain countries removing quantitative restrictions. Any general round of tariff re-negotiations would probably lead to higher rates of tariff and the whole structure of concessions, built up laboriously since the war, might be torn down. It would seem desirable to persuade as many countries as possible not to exercise their rights to increase tariffs after June 1955 but to re-bind the schedules, and, if it were found to be necessary in some cases, to seek relief in regard to bound items only from time to time and on a piecemeal basis under the escape clauses available. For this purpose, it might be sufficient to embody permanently in the agreement a special escape arrangement, already in operation on an interim

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basis, under which a country seeking such relief had to establish a case for special consideration before re-negotiation could begin.

He concurred in these recommendations.

An explanatory memorandum had been circulated.

(Memorandum, Minister of Finance, Sept. 24,1954- Cab. Doc. 212-54).

19. The Cabinet approved the recommendation of the Minister of Finance, concurred in by the Minister of Trade and Commerce, and agreed that the Canadian delegation attending the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, beginning in Geneva on October 28th,1954, should:

(a) seek to achieve a general re-binding of tariff schedules for a further three years on the broadest base acceptable to the Contracting parties;

(b) seek to avoid any general tearing down of the existing structure of tariff concessions, such as might result from a new general round of tariff negotiations under present conditions; and,

(c) seek further instructions before accepting any positions materially at variance with (a) or (b) above.

General Agreement on Tariffs and Trade; Ninth Session of the Contracting Parties; Instructions to the Canadian Delegation

20. The Minister of Trade and Commerce submitted draft instructions for the Canadian delegation to the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade. These supplemented the recommendations already made on the binding of tariff rates. In general, the delegation should attempt to strengthen the Agreement, limit any deviation from its basic principles and thereby support the promotion of trade.

The U.S. had indicated that it might seek largely formal changes in the organizational provisions of the Agreement and these proposals should be examined constructively and sympathetically, provided they did not involve a weakening of the Agreement or deviation from its objectives.

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The U.K. would be proposing a general tightening of the balance of payments escape clauses to take effect after an agreed interval following a move towards convertibility. If major currencies were made convertible, some countries might have to use quantitative restrictions, but Canada should insist that they be non-discriminatory in character and should seek more satisfactory arrangements than those envisaged by the U.K. as to the circumstances in which such restrictions might be imposed and the length of time for which they might remain in existence. The U.K. would also propose that discriminatory import restrictions be applied only where a country's currency was recognized by the International Monetary Fund as being scarce because of the country's persistent creditor position. There would be no economic justification for discrimination once a move to convertibility had been made, and while the delegation could raise questions as to the desirability of including such a"persistent creditor" clause its main effort should be to seek reasonable safeguards limiting its use and application .

It would also be proposed that a transitional period be provided following the convertibility operation to permit countries to adjust their import restrictions to the new rules. The delegation should attempt to make this period as short as practicable.

The question might also be raised of permitting a further period beyond the main transitional period to remove a limited number of quantitative restrictions which had , by protection, created industries which would be in serious difficulty without some protection. Any such proposal should be resisted but, if it was found unavoidable to give some recognition to this problem, a compromise should be sought which would avoid unilateral rights and limit such measures to a short period, minimize their discriminatory character and ensure that they cover only a small number of specified cases.

The U.S. would have proposals on import restrictions in agriculture and fisheries. Any alternatives to the existing provisions should be critically examined, and, in whatever rules were agreed upon, Canadian products should have access to the U.S. and other markets on a fair and equitable basis. Further instructions should be sought before agreeing to any proposals in this field. The delegation should also seek a more effective control over the use of export subsidies and endeavour to avoid any weakening of the present provisions regarding customs valuation. Sympathetic consideration should be given also to the special position of under-developed countries.

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He recommended, with the concurrence of the Minister of Finance, that these instructions be approved.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 24,1954-Cab. Doc. 211-54).

21. In the course of discussion it emerged that the U.S. was clearly not yet prepared to seek any modification of its existing legislation which required imposition of import restrictions on agricultural commodities where they interfered with price support or other agricultural programmes. It had been hoped that the U.S. would adopt a more reasonable attitude. Even so, this firm position did not necessitate any change in the instructions submitted. In general, Canada should seek to maintain as much as possible of the existing rules of trade and try to limit proposals for weakening the Agreement.

22. The Cabinet approved the instructions to the Canadian Delegation attending the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, commencing in Geneva on October 28th,1954, as submitted by the Minister of Trade and Commerce.

General Agreement on Tariffs and Trade; Ninth Session of Contracting Parties; Canadian delegation

23. The Minister of Nati nal Health and Welfare as Acting Secretary of State for External Affairs, submitted a recommendation for the composition of the delegation to attend the Ninth Session of the Contracting Parties to the G.A.T.T. at Geneva. In addition to those mentioned, it might be necessary for other officials to participate in this Review Session during the course of its work.

An explanatory memorandum had been circulated.

(Minister's memorandum, Sept. 22,1954-Cab. Doc. 209-54).

24. The Cabinet approved the recommendation of the Acting Secretary of State for External Affairs, concurred in by the Minister of Trade and Commerce, and agreed that the Canadian Delegation to the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade consist of Mr. Howe, as Minister in charge, together with:-

Mr. L.D. Wilgress,(Chairman of the Delegation)
Mr. A.F.W. Plumptre,Department of Finance
Mr. L.E. Couillard, Department of External Affairs
Dr. A.E. Richards, Department of Agriculture
Mr. A.W. Brown, Department of National Revenue

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Mr. B.G. Barrow, Department of Trade and Commerce
Mr. A.Annis, Department of Finance
Mr. M. Schwarzmann, Department of Trade and Commerce
Mr. W. Lavoie, Department of Trade and Commerce (Secretary)

Hurricane damage in the Maritimes

25. The Minister of Public Works, referring to discussion at the meeting of September 22nd, said the Nova Scotia Minister and Deputy Minister of Agriculture had come to see him requesting financial aid from the Federal government to pay for losses caused by the recent hurricane in the Maritimes. On learning that the province had developed no plan of its own for dealing with the problem, he had replied that there would have to be a provincial programme before the Federal government could even consider what assistance it might provide. Nova Scotia's initial estimate of the damage to the apple crop was around $4.8 million. After discussion of what might be done to salvage the fruit, this figure had been reduced to $1 million. Consideration was being given to reconstituting the provincial apple marketing boards in an effort to dispose of the crop. He had suggested that an appeal to the National Disaster Relief Fund might take care of one-third of this loss and the remainder might be shared evenly between the two governments. He had also said that nothing could be done until there had been a thorough investigation of the damage and the whole loss was known. While the fruit had been put in boxes or piled under trees, none had yet been moved to the processors.

26. The Prime Minister suggested that the problem of the damaged fruit crop be met by a price support arrangement for the windfall or damaged fruits. While this might be slightly more expensive in the end than the aid proposed, the Federal government would not be indemnifying growers directly for crop losses and a most dangerous precedent would be avoided. Minimum support for the producer could be provided in an unusual marketing situation, which was one of the purposes of price support legislation. It was to be noted that price support action in such an emergency had been taken in the case of the winter fishery in the Prairie Provinces during 1952-53.

27. In the course of discussion, the following points emerged:

(a) The suggestion of price support for the apple crop would have the advantage of bringing out automatically the extent of the crop losses. No appropriation would need to be secured until all apples had been disposed of. While the total guarantee might amount to more than what

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would be given for direct storm relief, it would no doubt compare favourable with the likely deficit in marketing the recent potato crop in New Brunswick and Prince Edward Island. The necessary authority was available in existing statutes and the programme could be inaugurated at once. The province would be required to re-constitute its apple board, but producers would not be compelled to sell to it, and, if better prices could be obtained otherwise, the amounts payable by the Federal government would be reduced and the producers who did not sell to the board would get a better return for their fruit.

(b) The people in Nova Scotia expected some kind of aid, and, if none was forthcoming, it would be a serious shock. If apple prices were supported, property damage could be dealt with quite readily by the province itself.

(c) A good proportion of the fishermen's losses would be met through the insurance programme already in existence, although there might be some difficulty in connection with lobster traps which had not been actually in the water when the hurricane struck.

28. The Cabinet noted the report of the Minister of Public Works on the recent hurricane in the Maritimes and agreed that a price support programme for apples damaged or blown off the trees in Nova Scotia should be prepared and discussed with the Nova Scotian authorities.

Canadian Federation of Mayors and Municipalities; meeting with government

29. The Prime Minister said the Canadian Federation of Mayors and Municipalities was holding the annual meeting of its National Executive in Ottawa, on November 24th to 26th,1954. The Executive meetings usually concluded on the morning of the third day with a meeting with the government, at which time recommendations were presented on behalf of the Federation. Such a meeting had been requested on Friday, November 26th.

30. The Cabinet noted the report of the Prime Minister regarding a request of the Canadian Federation of Mayors and Municipalities to meet the government and agreed that such a meeting be arranged to take place in Ottawa on Friday, November 26th,1954.

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New Brunswick power requirements

31. The Prime Minister reported that, during the course of a recent discussion he had had with the Premier of New Brunswick and the Leader of the Opposition of that province on New Brunswick power requirements, Mr. Flemming had suggested that another Royal Commission on Maritime rights be established. This would seem likely to create resistance in other provinces against what might be done to assist the Maritimes, since such a Commission would only raise issues which provinces in other parts of Canada might feel they had to oppose and, in reply, he had said he thought each problem should be dealt with on its merits. The more prosperous sections of the country were anxious to ensure that those areas not so well favoured were treated as well as possible because they provided markets around which there were no tariff barriers. He had suggested that New Brunswick approach Quebec directly with a view to obtaining the power needed.

32. The Cabinet noted with approval the report of the Prime Minister on recent discussions held with the Premier of New Brunswick and the Leader of the Opposition of that province regarding New Brunswick power requirements.

Federal-Provincial relations; meeting with Premier of Quebec; discussions with Province of Ontario

33. The Prime Minister said that he and the Premier of Quebec had arranged to meet next week in Montreal to discuss Federal and provincial taxation. In a telegram to the Progressive-Conservative candidate for the forthcoming by-election in St. Antoine-Westmount on the subject of such a meeting, he had stated that the Federal authorities could not accept the assertion in the Quebec income tax legislation that the provinces had a constitutional priority over the nation in the fields of taxation of corporation or individual incomes. He had also said that Mr. Duplessis might feel he could not recede in any way from that position and, although no conference could possibly reconcile the stands on both sides on that issue, some other approach to the problem might be suggested. The Federal government would always be prepared to participate in a meeting if one was desired by the provincial government.

At the meeting, Mr. Duplessis would probably wish to discuss succession duties. While the Federal government was not vitally concerned about the amount it collected, it was necessary to remain in this field so that estates could be scrutinized to ensure that income had been properly reported for tax purposes and income tax paid on it.

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He had also discussed taxation problems with the Premier of Ontario that morning, and had reiterated the government's desire to see that the less well-off provinces received a reasonable share of the national product. He had told Mr. Frost that, if this could be achieved in other ways than through the existing tax rental agreements, the Federal government would be quite prepared to consider such alternatives. Before the last war, provincial income taxes, where levied, had been collected by the Federal authorities provided they were on the same basis as the Federal taxes. It might be that a similar scheme could be worked out for the future with the provinces receiving a supplement to the taxes collected for them up to the amount provided for in the tax rental agreements. The level of taxes on personal incomes and corporations levied by the Federal government however, would have to provide an amount sufficient for the poorer provinces to receive a fair share of the national yield of such taxes. He had also informed Mr. Frost that, depending on the attitude of Mr. Duplessis, it might be possible to advance the date of the Federal-Provincial Conference to be held prior to the termination of the existing tax agreements. If all the provinces wanted new agreements by 1956 rather than 1957, consideration would be given to such a proposal. In any event, Mr. Frost was anxious to have some of his officials come to Ottawa to discuss financial and economic matters with the appropriate Federal officers and he had told him that this could be easily arranged.

34. In the course of discussion, the following points emerged:

(a) One good development from the recent public discussion of relations between Quebec and the rest of Canada was that nearly all the extremists had backed away from separatism.

(b) If arrangements were made to collect income or corporation taxes for provinces that wished to levy them, the provincial statutes would have to be strictly parallel to the Federal provisions. Collections could be made only if the Provincial tax were defined by relation to the Federal tax and in accordance with similar terms and conditions.

35. The Cabinet

(a) noted with approval the report of the Prime Minister concerning arrangements made for a meeting in Montreal with the Premier of Quebec to discuss taxation; and,

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(b) agreed that appropriate arrangements be made for financial and economic discussions between Ontario and Federal government officials, in accordance with the request of the Premier of Ontario.

Agreement between British Columbia and Kaiser Aluminum Company for storage of water on Arrow Lakes

36. The Minister of National Health and Welfare, as Acting Secretary of State for External Affairs, reported that the government of British Columbia had made an agreement with Kaiser Aluminum Company allowing the company to build a dam on the Arrow Lakes and store 3 million acre-feet of water to be released from time to time for the use of hydro-electric plants downstream on the Columbia River in the United States, in return for which the province would receive 20 percent of the benefits for the power so developed in the form of power delivered free of charge at the border.

37. The Minister of Trade and Commerce explained that a number of power plants on the Columbia River at certain seasons of the year had only sufficient water to operate at 40 percent of their capacity and the Arrow Lakes water was needed for more power. The major plants were Grand Coulee, Chief Joseph, Rock Island, McNary, The Dalles and Bonneville Dams and, by the agreement, these plants would have a more regular supply of water. According to expert Canadian opinion, the new storage dam would make available, in the United States, power to the extent of 2.2 billion killowatt hours per annum, of which .4 billion would be returned free of charge at the border to British Columbia, and 1.8 billion would be available to the U.S., half to Bonneville Power and half to Kaiser Aluminum. The power thus provided would, according to a preliminary estimate, be enough to process 90,000 tons of aluminum per annum or more than the initial output of Kitimat at probably one-quarter of the cost of Kitimat power.

The principle of compensation for downstream benefits in the form of power was well recognized in the United States. It was that, where storage was provided upstream that made possible the development of power downstream, compensation would be paid for such storage, in the form of power. In this case, however, the agreement, said to be for 50 years, only provided a low rate of benefit. Furthermore it was understood that Bonneville Power had an agreement with Kaiser Aluminum whereby it could increase its share, of power at the expense of Kaiser Aluminum's share and British Columbia had agreed, in that event, to give up to Kaiser Aluminum 1 percent of its share for each 1 percent which Kaiser was called upon to give to Bonneville.

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The net result might be that B.C. would get no power benefits at all. In the process, the province would have given this resource to U.S. interests and have put the Canadian aluminum industry in jeopardy. Kaiser Aluminum, through the aid of British Columbia, would have achieved for the benefit of the Northwestern U.S. what was denied by Canada to Alcoa in the northwest corner of British Columbia. While it appeared that the agreement was firm, it was subject to drilling by Kaiser to find a dam site and some weeks might elapse before the Federal government was prevented from taking whatever steps might be desirable in the national interest to prevent consummation of the agreement. It was doubtful, however that anything could be done under existing legislation.

38. In the course of discussion, it was pointed out that one manner of dealing with the situation would be to use the powers granted in the Navigable Waters Protection Act and refuse authority to build the dam on the grounds that it would interfere with the ferry service on the Arrow Lakes. This appeared to be an unsatisfactory method. A more preferable course of action would be to amend the Electricity and Fluid Exportation Act which now covered the exportation of water in a pipe. Meanwhile, the British Columbia government and Kaiser Aluminum should be informed that Federal legislation would be amended and their agreement could therefore not be made effective. Parliament should retain control over the export of all resources. While there might be some difficulties in drafting the required statute, it should provide for the release of stored water for export only under licence and subject to Federal government policy.

39. The Cabinet noted the reports of the Acting Secretary of State for External Affairs and the Minister of Trade and Commerce on an agreement between the Province of British Columbia and Kaiser Aluminum Company for the construction of a dam on the Arrow Lakes to store water for the use of facilities in the United States, and agreed,-

(a) that legislation be enacted to give the Federal government control over the export of water stored for power purposes in the manner envisaged in the agreement; and,

(b) that the Minister of Trade and Commerce inform the British Columbia authorities of the intention of the Federal government to introduce legislation which would restrict the ability of British Columbia to carry out the contract with Kaiser Aluminum Company.

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Post Office; international airmail rates

40. The Postmaster General, referring to discussion at the meeting of July 6th,1953, reported that the international air transit rates, as set out in the international postal convention,had been reduced from six gold francs per tonne kilometre to four gold francs on July 1st,1953. By Order in Council P.C. 1953-1823 of November 23rd, it was stipulated that, insofar as Trans-Canada Airlines were concerned, the international air transit rate would be five gold francs from July 1st,1953. It was understood at the time that a year or more later, the rate paid to Trans-Canada airlines would be further reduced from five to four gold francs in accordance with the International Convention. It was for consideration whether a new Order in Council should be passed now for this purpose .

41. The Cabinet noted the report of the Postmaster General and agreed that the international air transit rate applicable to Trans-Canada Airlines for the transportation of first class airmail on the North Atlantic route be reduced from five to four gold francs per tonne kilometre as of January 1st,1955; an Order in Council to be passed accordingly.

Dominion Council of Health; appointment

42. The Minister of National Health and Welfare, submitted a recommendation for an appointment to the Dominion Council of Health. This was required to fill the vacancy caused by the expiry, on May 31st,1954, of the appointment of Miss N.D. Fidler.

43. The Cabinet approved the recommendation of the Minister of National Health and Welfare, subject to concurrence by the Minister of Finance,for the appointment of Miss Priscilla Campbell, Administrator of the Chatham General Hospital, Chatham, Ontario, as a member of the Dominion Council of Health for a term expiring May 31st, 1957; an Order in Council to be passed accordingly.

R.B. Bryce
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

October 6th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, October 6th, 1954, at 11:00 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Finance
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Federal-provincial fiscal problems; report on discussion between Prime Minister and Premier of Quebec

1. The Prime Minister, referring to discussion at the last meeting, said he had met with the Premier of Quebec the previous day at Montreal, For more than two hours, they had discussed the problems involved in the Quebec income tax and the absence of a tax-rental agreement between Quebec and the Federal government.

Mr. Duplessis had been very cordial. One of the first statements he had made was that he would be prepared, during the next session of the Quebec legislature, to introduce a bill to amend the Quebec income tax legislation by removing any statement or suggestion that provincial legislatures had priority in the field of direct taxation. He was also prepared to adopt the same principles that were in the federal law with regard to credit on dividends and distribution of corporate surpluses. He would not however, reduce the present Quebec exemptions on personal income of $3,000 for married persons and $1,500 for single to the federal levels of $2,000 and $1,000 respectively. It did not appear, however, that this would create any insuperable obstacle to agreement if other aspects could be adjusted. Mr. Duplessis had made it clear that he did not believe in the principle of federal subsidies to the provinces. He wanted the Quebec government to raise its own taxes.

The Prime Minister had informed the Premier that, if and when the Quebec legislature amended the provincial taxation legislation as proposed, it would then be possible to reconsider the broad question of federal-provincial taxation. The Federal government was not wedded to the tax-rental scheme, but it worked and nothing better had yet been devised. The Premier had also been informed that the Federal government could not consider doing something special for Quebec; any new taxation arrangement that might be devised for that Province would have to be available to any of the provinces.

Mr. Duplessis had agreed that a fair part of the revenues from income and corporation taxes should be given to the poorer provinces, but he did not like the way in which this was now being done under the present tax rental plan.

The Prime Minister had told Mr. Duplessis that, provided the Quebec legislation was satisfactorily amended, it would be possible, and perhaps useful, to convene a federal-provincial conference on taxation earlier than had been contemplated.

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There was no thought of not being willing to carry through with the taxation agreements entered into with nine of the provinces but, in the event a generally acceptable scheme were devised during the course of such a conference, it might be put into effect by general consent before the current tax rental agreements expired, and might even apply from 1956 to 1962.

At the conclusion of the discussions, the Premier of Quebec had agreed to send the Prime Minister, in writing, the proposed amendments to the Quebec income tax legislation. If these proved satisfactory, consideration could be given to the desirability of devising new federal-provincial taxation methods. Matters were left in the position that the government was anxious to get ahead with reaching an agreement but the next move was for the Premier to send his proposals in regard to the Quebec tax act.

Mr. St-Laurent had taken the opportunity to suggest that, in his capacity as a resident of the province of Quebec, he was rather disturbed by the fact that the people of Quebec were not getting the benefit of the various federal grants offered to all provinces. For example, Quebec might obtain something of the order of $20 million towards the construction of the Quebec portion of the Trans-Canada highway. Mr. Duplessis had noted difficulties in regard to widths and standards, and in the need for the Province to concentrate its highway expenditures on secondary roads. Mr. St-Laurent had noted too that universities and colleges in Quebec were being deprived of fairly substantial sums available to them under the University Grants plan, which seemed to have gained very wide popular support in all Canadian provinces. He noted, in passing, that the scheme had been devised very carefully in order to avoid any legitimate criticism that the Federal authorities were invading the field of education, which everyone recognized to be exclusively within provincial jurisdiction. He recognized that the Premier was under pressure in regard to primary and secondary schools, but wondered if something could not be worked out to add these federal grants to those of the province.

The Prime Minister had also told Mr. Duplessis that the constitutional conference of 1950 had not been reconvened because it was clear that the views of the Federal government and of the provincial governments could not be reconciled on several important issues. For example, the Quebec government apparently did not wish to make it possible for those portions of the constitution dealing with property and civil rights to be amended without its consent, even though the other provinces might wish to have an amendment made.

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On the whole it appeared that the Premier might have developed a different attitude toward relations with Ottawa.

2. In the course of discussion it was noted that the Premier of Ontario did not really like the present tax rental scheme and would prefer something along the line of the pre-war arrangement under which the Federal government collected both federal and provincial taxes in a single operation. It was thought, however, that Mr. Duplessis would likely prefer to have the Quebec income and corporation taxes collected directly by the provincial government. In any event, if the Quebec exemption on personal income were to differ from the federal ones, there did not seem to be any practical way of having a single income tax form used for the purpose of collecting both taxes.

3. The Cabinet noted the report by the Prime Minister on the discussions he had had the previous day with the Premier of Quebec.

Ottawa cross-town road

4. The Prime Minister said he had been informed that the Premier of Ontario would meet with the Mayor of Ottawa and representatives of the Federal District Commission at Ottawa on or about October 13th to discuss plans for the construction of a major limited access road through the city of Ottawa.

One of the most important faatures of the National Capital Plan involved removal of railway lines from the centre of Ottawa to the southern edge of the city and the use of these rights-of-way for road purposes. The F.D.C. had already undertaken construction of alternative railway lines and yards south of the city and the Canadian National Railways were in the process of moving their freight yards and had already abandoned much of the cross-town freight line from South March, on the west of the city, to Bank Street. In the next few years, the C.N.R. would be turning over more and more rights-of-way in central Ottawa to the Commission. In addition, the government had, from time to time, authorized the Commission to acquire additional land adjoining this railway property, to make it wide enough for a first-class roadway, and to acquire land eastwards from Hurdman's Bridge to the city limits so that the roadway might be extended in that direction to meet the new highway from Montreal.

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It was now suggested that the Commission be authorized to turn over these lands to the city or to the province in order that a first-class road might be constructed. This road would be the main traffic artery into and through Ottawa. It would not be in the nature of a parkway nor intended primarily as a federal project. It would be a city or provincial road and would likely make it unnecessary for ten or twenty years to build a major by-pass highway around Ottawa as a link in the Trans-Canada Highway. It was understood that provincial and federal highway engineers believed this project to be technically and economically sound, and acceptable as a portion of the Trans-Canada Highway.

If the road were approved as a part of the Highway it would be eligible for a federal grant under the Trans-Canada Highway Act. It was not suggested that the Federal government should make any other grant towards the cost of its construction, but it was thought that the provincial government would likely make a substantial contribution in view of the importance of this road in the Ontario highway system.

The length of the road within the city limits would be slightly less than ten miles. It was planned as a four-lane divided highway which could be widened to six lanes if required. The crossings would eventually be by over-passes and under-passes but, in the early years, some would be level, with signal lights. The F.D.C. engineers had estimated the cost of construction, as finally completed with over-passes etc., at approximately $9 million spread over ten or fifteen years and the value of the land to be turned over by the Commission at about $5 million, mostly railroad property valued at the cost of the alternative property given in exchange.

If authority was granted to the Federal District Commission to turn over the land required for the road, arrangements for construction would be discussed with provincial and municipal representatives and a proposal would probably be submitted later, for consideration by the Minister of Public Works and the government, that the new cross-town roadway be designated a portion of the Trans-Canada Highway.

(Memorandum, Secretary to Prime Minister, Oct. 4, 1954).

5. The Cabinet noted the report by the Prime Minister on forthcoming discussions between the Chairman of the Federal District Commission, the Premier of Ontario and the Mayor of Ottawa in connection with the proposed construction of a limited access road through the city, mainly along the existing cross-town railway right-of-way and agreed that, provided the province and municipality were prepared to undertake the construction of such a road up to certain standards, the Federal District Commission be authorized to transfer the required land to the province or municipality for the purpose.

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Hurricane damage; price support for Nova Scotia apples

6. The Minister of Agriculture, referring to discussion at the meeting of September 30th,1954, reported that the five year average annual production of Nova Scotia apples was 2,049,000 bushels. As a result of the recent hurricane there were about a million bushels of windfalls and about 300,000 bushels of apples still on trees, which would be suitable only for processing. There were approximately 450,000 bushels of apples picked or still to be picked which would be suitable for sale as fresh apples.

In the light of the previous decision, he recommended that, under authority of the Agricultural Prices Support Act, the Prices Support Board offer to purchase sound orchard run apples suitable for processing produced in Nova Scotia during 1954 at a price of 90 cents per bushel of 45 lbs. delivered at designated warehouses, storage or processing plants.

On the assumption that the maximum that could now be delivered for processing was only 1 million bushels, this plan would bring total returns to producers in Nova Scotia of $2,002,500, made up as follows:

450 bushels of fresh apples at $1.85 per bushel	$ 832,500
1.3 million bushels of apples for processing at 90¢ per bushel	1,170,000
Total	$2,002,500

This would be approximately $1.00 per bushel as compared with the average return of $1.11 per bushel during the past three years.

If it were assumed that the Agricultural Prices Support Board received 1.3 million bushels of apples, it was estimated that these could be resold for processing on the following basis:

Apples on trees - 300,000 bushels at 80¢ per bus.	$240,000
Apples on ground -1,000,000 bushels at 30¢ per bus.	300,000
Net return to the Agricultural Prices Support Board	$540,000

It would cost the Board $1,170,000 to purchase these apples and therefore the net cost to the government under the Price support scheme would be $630,000. In addition, there would be administrative expenses which could not be estimated with accuracy but would likely increase the total cost to $700,000 or $750,000.

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It was planned that this programme would be operated by a five man management committee composed of the three members of the Nova Scotia Marketing Board and two officials of the Federal Department of Agriculture - the Chairman of the Agricultural Prices Support Board and the Chief of the Fruit and Vegetable Division of the Marketing Service.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 6,1954- Cab. Doc. 219-54).

7. In the course of discussion the following points emerged:

(a) If the price support plan outlined by the Minister of Agriculture were approved, it was understood that the Nova Scotia government would not make any request for federal assistance towards rehabilitation of property damages sustained during the hurricane.

(b) It was not thought that more than one million bushels would be delivered to designated warehouses under the price support programme. It should and would be stipulated by regulation that any grower wishing to take advantage of the Agricultural Prices Support Board's offer would have to bring his whole crop to the management committee and not only the culls remaining after the better grade apples had been sold to the trade at a higher price.

(c) It was suggested that some effort should be made to dispose of some of these apples on the British market, as it was understood that the United Kingdom were prepared to purchase rather large quantities of apples this year.

(d) Every effort would be made to prevent the dumping in Ontario of these price-supported Nova Scotia apples as this would undoubtedly bring complaints from Ontario growers that their prices were being undercut as a result of Federal government action.

8. The Cabinet approved the recommendation of the Minister of Agriculture for a price support plan for the Nova Scotia apple crop damaged by a recent hurricane in the Maritime Provinces, and agreed:

(a) that, under the Agricultural Prices Support Act, the Price Support Board be authorized to offer to purchase sound orchard run apples suitable for processing produced in Nova Scotia during 1954 at a price of 90 cents per bushel of 45 lbs. delivered at designated warehouses, storage or processing plants; and,

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(b) that, for the purpose of purchasing and disposing of the apples received under this Price support programme, a special apple Marketing Board be appointed comprising Senator C.G. Hawkins (Chairman), Mr. R.J. MacSween and Mr. R.D. Sutton of the Nova Scotia Marketing Board, and Mr. A.M. Shaw and Mr. E.M. Paige of the Federal Department of Agriculture.

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1541 and -1542, Oct. 6).

Salaries; President and Vice-President of Central Mortgage and Housing Corporation

9. The Minister of Public Works submitted recommendations to increase the salaries of the President and Vice-President of Central Mortgage and Housing Corporation. The Directors of the Corporation had originally recommended that Mr. Mansur's salary be set at $25,000 and Mr. Secord's at $17,500. He felt these figures were too high, having in mind the level of salaries in the public service, and had therefore suggested that they be reduced. It was particularly important that an increase be made in the case of the Vice-President because salaries of other senior officials of the Corporation could not be dealt with until this case had been settled.

10. The Cabinet noted the recommendations of the Minister of Public Works, and approved the resolution of the Board of Directors of Central Mortgage and Housing Corporation fixing the salary of D.B. Mansur,Esq., President of the Corporation, at $22,500 per annum, effective October 1st, 1954, and of P.S. Secord, Esq., Vice-President of the Corporation, at $15,000 per annum, effective the same date; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1620 and -1621, Oct. 6).

Public Works; parking for Members of Parliament

11. The Minister of Public Works, referring to discussion at the meeting of May 6th,1954,said he considered the best solution for providing parking facilities for Senators and Members of Parliament near the Centre Block would be to convert most of the ground between the West Block and the Old Supreme

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Court Building into a parking lot, allotting the spaces here to officials of the Senate and the House of Commons and members of the Press Gallery, and thereby releasing for the use of Senators and Members spaces immediately in the vicinity of the main building. In making the new lot it would be kept in mind that Sir Robert Borden's monument was to be erected in the same general area.

12. In the course of discussion it was pointed out that, while the suggestion might not meet with the approval of Mr. Greber, there had to be proper parking facilities on Parliament Hill for Senators and Members, and this appeared to be the best solution to the problem.

13. The Cabinet noted the report of the Minister of Public Works regarding parking for Members of Parliament and agreed that the area of ground between the West Block and the Old Supreme Court Building be converted into a parking lot so as to free spaces immediately adjacent to the Parliament buildings for the use of Senators and Members of Parliament.

Appointment of Commissioners in Indo-China

14. The Prime Minister submitted recommendations for appointments to the International Supervisory Commissions in Indo-China.

15. The Cabinet approved the Prime Minister's recommendations and agreed:

(a) that Sherwood Lett, Esq., be appointed Canadian Commissioner, International Supervisory Commission for Viet Nam, effective October 1st,1954, at a salary of $12,000 per annum, together with representation and separation allowances of $15,000 and $2,400, respectively, to be paid from the date of arrival in Viet Nam;

(b) that Leon Mayrand, Esq., of the Department of External Affairs, be appointed Canadian Commissioner, International Supervisory Commission for Laos, effective October 1st,1954, and be paid representation and separation allowances of $6,000 and $2,400 per annum, respectively, effective the date of his arrival in Laos;

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(c) that Ronald McAlister Macdonnell, Esq., of the Department of External Affairs, be appointed Canadian Commissioner, International Supervisory Commission for Cambodia, effective August 11th,1954, and be paid representation and separation allowances of $6,000 and $2,400 per annum, respectively, effective the same date; and,

(d) that in order to make possible his appointment, and in lieu of pension rights, Mr. Lett's life be insured under a term policy for $150,000 and Aviation Accident Insurance in respect of him be taken out to the extent of $100,000.

Orders in Council to be passed accordingly.

(Orders in Council P.C.1954-1543,-1544, and -1545, Oct. 6).

Public Works; terms on which works will be provided to harbours operated by independent harbour commissioners

16. The Minister of Public Works said he had been considering the situation regarding works carried out by his department, without charge, for harbours operated by independent commissioners. He had been struck by the wide borrowing powers granted to the commissioners, but never or rarely exercised. Rather than have Public Works providing facilities free, the independent commissioners should finance projects they needed by borrowing, possibly from the government. Most of the big independent harbours were revenue producing, had profits of varying amounts, and should be able to afford to operate on the basis he suggested. In Hamilton, as an example, the government had already provided about $5 million worth of installations and this year proposed to spend another $1.5 million on a large dock largely for naval use. After that he thought the Hamilton harbour commissioners should do their own financing for extensions of their facilities as required. Those with whom he had discussed the idea regarded it as the right business approach but open to other criticisms and dangers. He suggested that a committee of officials representing the Departments of Finance, Transport and Public Works examine the implications of the suggestion and make recommendations as to how the works of independent harbour commissioners might be financed in future.

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17. In the course of discussion the following points emerged:

(a) While the National Harbours Board served a most useful purpose, it seemed desirable that as many harbours as possible to be administered locally because some felt this gave better management. The proposal that independent commissioners finance their own individual projects had a good deal of merit and was worth serious study.

(b) It was considered, in some quarters in Newfoundland, that, by the Terms of Union, St. John's should be treated as a national harbour. It would be desirable to include this port in any study that might be made.

18. The Cabinet noted the report of the Minister of Public Works, and agreed that a small committee, representing the Departments of Public Works, Transport and Finance, be established to review the terms under which works were provided for independent harbour commissioners and make recommendations as to how such works might be financed in the future; it being understood that the Committee would also consider what should be done in regard to the proposal that St. John's Newfoundland be a National Harbour.

Consultative Committee for Economic Development in South and South-east Asia; report on current meeting

19. The Minister of Fisheries said that, apart from meeting delegates properly on arrival in Ottawa, the general arrangements for the Colombo Plan Conference were excellent. The meetings appeared to have gone well and the Asians were particularly gratified with the reception they had received. All delegates were looking forward to the tours of Canada which they were going to make. At the ministerial talks it had been agreed to admit Thailand and Japan, the former as a recipient and the latter as a donor country. There had been no difficulty over Thailand. The principal reason for that country not becoming a member of the organization thus far was that there was no need to join because of the large amount of assistance received from the United States. However, now that all the South-east Asian countries had agreed to become members, Thailand felt that she should no longer stay out. Burma and Indonesia had some objections to Japan's admission, having in mind the brutalities that had occurred during the war and reparations problems which had not yet been settled. However, they eventually had agreed that Japan be admitted. In this connection, some Asian nations were concerned lest the provision of technical assistance by Japan for fishing might lead to the appearance of Japanese fishing fleets near their shores.

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The question of raising Canada's annual contributions had still to be settled. This however was related to the question of giving aid to countries not in the Commonwealth and to the renewal of the Colombo Plan beyond its present life of six years.

20. The Minister of Finance added that it seemed possible that any statement on increased contributions could be postponed for the present. The plan had two years to run, although many projects would probably not be completed within that period. The question of renewal of the plan, therefore, would not come up until next year. He himself opposed an increase in contributions at this time. While it was true that Pakistan and Ceylon were in difficulties, the position of other countries had improved. No country at the conference had indicated that its contributions would be increased, although some had said that the rate of spending from amounts already committed would go up. The full $25 million donated by Canada for the current year and approximately $8 million from the past still remained to be spent.

21. In the course of discussion the following points emerged:

(a) Difficulties had arisen in connection with a cement plant in Pakistan and, if these were to be overcome, Canada might have to exercise stricter financial control of the project. It might also be necessary to devote another $1 million to it perhaps from counterpart funds. Ceylon's financial position was weak and there was a requirement for capital assistance so that the fullest possible use could be made of aid already given to that country under the Plan. While it would be desirable to provide aid in Indonesia and Indo-China, plans for projects in these countries were not very far advanced.

(b) Insofar as the question of increasing contributions was concerned, Canada might take the position at the meeting that $33 million was available to be spent and that the government had an open mind as to what its future contribution under the Plan might be. In any event, the question of continuing the Plan would not be settled until the following year.

22. The Cabinet noted the reports of the Ministers of Finance and Fisheries on the current meeting of the Consultative Committee for Economic Development in South and South-east Asia, and deferred decision on the question of increasing the Canadian contribution for capital aid and technical assistance.

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International Monetary Fund, International Bank and Commonwealth Finance Ministers Meetings in Washington; report by Minister of Finance

23. The Minister of Finance said that, at the recent meetings of the International Monetary Fund and the International Bank in Washington, the U.K. Chancellor of the Exchequer had made it clear there would be a postponement of a move to convertibility. While this had been disappointing, he personally had not been surprised. In the circumstances he had told the Chancellor he hoped the U.K. would continue to liberalize its trade and release more dollars for imports from Canada. At the Bank meetings, the principal point of interest was the adoption of a policy to broaden the base of loans, which might be of more help to underdeveloped countries. In the discussions with Commonwealth representatives, the Australians had, with some heat, attacked British trade policies and expressed dissatisfaction with the manner in which the preferential system was operating. He had merely stated that Canada would continue to work towards freer trade in the G.A.T.T. and would deal with the problem of preferences along with the other items on the agenda for the review session beginning later in the month.

24. The Cabinet noted with approval the report of the Minister of Finance on recent meetings of the International Monetary Fund and International Bank and on the discussions held by Commonwealth Finance Ministers in Washington.

U.S. restrictions on imports of barley

25. The Minister of Trade and Commerce reported that the U.S. Tariff Commission had submitted a report to the President for the establishment of a tariff quota on barley. At the hearings held by the Commission, the U.S. Department of Agriculture had recommended a quota of 16.4 million bushels and an import fee of 20 percent ad valorem on imports in excess of the quota. The Tariff Commission's report put the quota figure at 22.5 million bushels with imports within the quota paying the prevailing rate of duty, while an additional import fee of eight cents per bushel would be levied on all imports in excess of the quota. Canada was the principal supplier of barley to the United States market and he recommended that a strong protest be made to the U.S. government about the Tariff Commission's recommendations. The President would have to decide within a few days what action he should take on the recommendation and comments should therefore be made immediately to Washington.

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26. In the course of discussion it was noted that, of all the items on which the U.S. Tariff Commission had made adverse recommendations, barley was as good a one as any on which to express strong and vigorous views.

27. The Cabinet noted the report of the Minister of Trade and Commerce on the U.S. Tariff Commission's recommendation to restrict the imports of barley by the impositions of a tariff quota and an additional import fee on imports in excess of the quota, and agreed that a strong protest be made to the U.S. government with respect to this recommendation.

Canada Council; review by Cabinet Committee

28. The Prime Minister referred to representations recently made to certain members of the government by representatives of the Social Science Research Council, the Humanities Research Council and the National Conference of Canadian Universities on early implementation of the Massey Commission recommendations on the Canada Council and suggested that an ad hoc committee of Cabinet might review the matter and prepare draft legislation for subsequent consideration. This should be done forthwith so that a decision might be reached before the convening of Parliament as to whether or not the government would proceed, during the course of the coming session, with introduction of such legislation.

29. The Cabinet agreed that an ad hoc Cabinet Committee comprising the Secretary of State for External Affairs, the Minister of Finance, the Minister of Citizenship and Immigration and the Minister of Northern Affairs and National Resources review the recommendations of the Massey Commission on the establishment of a Canada Council with a view to the preparation and submission to Cabinet of draft legislation for this purpose.

St. Lawrence Seaway Authority; acquisition of water lots in vicinity of Montreal

30. The Minister of Transport said the St. Lawrence Seaway Authority required certain water lots in the St. Lawrence River near Laprairie and Caughnawaga for the construction of the new 27-foot Lachine canal. It had been suggested that these water lots be acquired by expropriation.

31. In the course of discussion it was pointed out that title to the water lots in question was likely vested in the Crown in the right of the Province of Quebec. It might be useful, before instituting any expropriation proceedings, to attempt to obtain transfer of these properties from Quebec for a nominal charge.

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32. The Cabinet noted the report of the Minister of Transport regarding certain water lots at Lachine and Caughnawaga required by the St. Lawrence Seaway Authority for the construction of the new 27-foot Lachine canal and agreed that, before any expropriation proceedings were instituted, the President of the Authority should ascertain whether the government of the Province of Quebec would be prepared to transfer these properties to the Authority for a nominal charge.

South Saskatchewan project; recent developments

33. The Minister of Agriculture, referring to discussion at the meeting of June 8th, 1954, said that he had received a letter from Premier Douglas of Saskatchewan during the summer stating that representatives of the Saskatchewan government would be glad to meet with federal representatives "as soon as the Federal government had decided that the construction of the South Saskatchewan dam is in the national interest".

He had informed the Premier that it would not be possible to carry on further discussions if it was assumed before these were undertaken that the Federal government had decided to proceed with construction of the dam or had agreed that its construction would be in the national interest. He suggested to Mr. Douglas that discussions could only be resumed if it were clearly understood by all parties that no commitments of any kind had been made by the Federal government. Mr. Douglas had subsequently agreed that there should be no assumption that any commitment of any kind had been made.

In the circumstances, he did not see any reason why informal discussions could not be resumed with provincial authorities.

34. The Cabinet noted the report by the Minister of Agriculture on recent developments on the South Saskatchewan River project.

North Saskatchewan River; conference on pollution

35. The Minister of Justice reported that, following correspondence between the Prime Minister, the Premier of Saskatchewan and himself, a conference had been held at Regina on October 1st regarding anti-pollution measures in the North Saskatchewan River. In addition to himself and certain federal officials the conference had been attended by representatives of the governments of the three Prairie Provinces.

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It had finally been agreed that the pollution problem on the North Saskatchewan River was one for the three provinces concerned to deal with and that the Federal government should not be directly or indirectly involved, except insofar as pollution on rivers flowing into or out of the Northwest Territories might be concerned. It had been agreed that a joint board, comprising representatives of the three Prairie Provinces, would be established to look into this matter. This board would operate under authority of appropriate legislation in each province. It had been suggested, that, in the event pollution problems arose in rivers flowing through the Yukon and the Northwest Territories and one or more of the prairie provinces, the territorial governments might be represented on the joint board, in which event of course the Territories would bear their fair share of the board's expenses.

36. The Cabinet noted with approval the report by the Minister of Justice that, as a result of a conference held in Regina, on October 1st, it had been agreed to recommend to the governments concerned that the problems arising out of the pollution of the North Saskatchewan River should be dealt with by the three Prairie Provinces;it being understood :

(a) that a joint board would be established for this purpose, comprising representatives of the three prairie provinces and operating under appropriate legislation enacted in each province; and,

(b) that the Yukon and Northwest Territories would only be represented on the joint board in the event pollution problems arose in streams flowing through the Territories and into one or more of the prairie provinces.

Agreement between British Columbia and Kaiser Aluminum Co. for storage of water on Arrow Lakes

37. The Minister of Trade and Commerce, referring to the discussion at the meeting of September 30th,1954, said that preliminary examination of the relevant legislation made it clear that the Federal government did not have authority to control the export of water to be stored for power purposes, as envisaged in the Agreement made between British Columbia and Kaiser Aluminum Company. The matter was being pursued further, however, with a view to introducing legislation which would ensure Parliament's jurisdiction in this field.

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38. The Cabinet noted the report of the Minister of Trade and Commerce on the agreement between British Columbia and Kaiser Aluminum Company for storage of water in the Arrow Lakes and on the studies being made to provide authority for the government to control the export of water stored for power purposes.

Post Office; ownership of trucks for delivery of mail

39. The Postmaster General said the report of J.D. Woods and Gordon Limited on the organization and administration of the Post Office had recommended that experiments be conducted to determine whether it was more economical for the department to own and operate fleets of trucks for the carrying of mail in large centres than to continue having this cartage done by private enterprise on a tender basis. Experiments had been carried out in Ottawa and Windsor and, according to his officials, there were savings of $10,000 and $8,000 respectively. In Vancouver, on parcel post alone, it was thought there could be a saving of $40,000. There were two questions which had to be settled before such a policy was adopted by the Post Office. One was whether real savings would, in fact, occur, and the other was to decide, as a matter of principle, whether there should be public ownership by the Post Office of fleets of trucks for mail purposes.

40. In the course of discussion it was argued that no money had been saved in Windsor, and it was highly unlikely that there would be any savings in Vancouver. The trucks used had not been driven by men under union contract, and there were no overhead or maintenance charges, as was the case with private companies. In Ottawa, where there was a large group of public servants, Post Office business might be run in a different way than in other centres. In any event, the experiments had been going on for a long time and the facts should be verified to see if any money had actually been saved.

41. The Cabinet noted the report of the Postmaster General on the experiments conducted by the Post Office concerning ownership of trucks by the department for the delivery of mail and parcels in larger centres, and deferred consideration of the matter pending verification by the Treasury Board of the alleged savings made in the Ottawa experiment.

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Importation of trawlers

42. The Minister of Finance, referring to discussion at the meeting of September 8th,1954, said he had examined the existing policy on importation of trawlers, and had come to the conclusion that he would recommend in the next budget the abolition of tariffs on these boats when used for deep sea fishing. This raised the question as to what should be done about the trawlers already imported into Nova Scotia and New Brunswick, on which duty had been paid. It was probable that reasons for remitting such duties could be found, as was the case in British Columbia.

43. In the course of discussion the hope was expressed that it would not be necessary to remit duties in Nova Scotia and New Brunswick. This would not provide aid for fishermen who needed it most.

44. The Cabinet noted the report of the Minister of Finance on the possibility of eliminating the tariff on trawlers imported for deep sea fishing, and agreed that the matter be discussed further by the Ministers of Finance, Public Works, Fisheries and Citizenship and Immigration.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

October 13th, 1954.

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Items Discussed

Legislation; Radio Act amendment	2.
Northern Affairs; establishment of Northern Health Services; expansion of Whitehorse, Yukon Territory	2.
Television; proposed Canadian Broadcasting Corporation station at St. John's, Newfoundland	5.
Commuter Service, Oakvill-Toronto; appeal against order of the Board of Transport Commissioners	6.
Payments to implement agreement for marketing of 1953 crop of potatoes in New Brunswick and Prince Edward Island	7.
Erection of cold storage warehouses in Calgary, Lethbridge, Edmonton, Regina and Saskatoon by Interprovincial Cold Storages Limited; request for subsidy	8.
External Affairs; London Nine-Power Conference on Germany; Canadian resolution on disarmament at United Nations; report concerning Geneva Conference on Korea	9.
Restrictive Trade Practices Commission; report on alleged combine in the distribution and sale of gas in the Vancouver area	13.
Kingston Penitentiary; report on fire and riot	16.
Naturalization; aliens exempted from military service	17.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, October 13th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St.-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler).

The Assistant Secretaries to the Cabinet
(Mr. Pelletier),
(Mr. Martin).

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Legislation; Radio Act amendment

1. The Minister of Transport said he proposed to introduce a bill during the next session of Parliament to amend the Radio Act. The main purpose would be three-fold,-

(a) to confer on municipalities the power to make and administer regulations designed to impose standards as to strength, lightening hazard, etc., of radio and television antennae;

(b) to prohibit the unauthorized use of information obtained by interception of radio communications;and,

(c) to exempt from the normal licencing procedure certain radio apparatus such as remote control garage doors.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 7,1954- Cab. Doc. 221-54).

2. In the course of discussion some doubt was expressed as to the advisability of having Parliament delegate certain powers direct to municipalities. This would establish a precedent which might well be embarrassing in the future. In the circumstances, it might be preferable to draft the legislation in broader terms without referring specifically to municipalities.

3. The Cabinet deferred final decision on proposed amendments to the Radio Act,pending further consideration after a draft measure had been prepared along the lines recommended by the Minister of Transport,and in the light of the suggestion made during the discussion regarding the proposed delegation to municipalities of the power to make and administer regulations designed to impose standards as to strength, lightening hazard etc., of radio and television antennae.

Northern Affairs; establishment of Northern Health Services; expansion of Whitehorse, Yukon Territory

4. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of April 14th,1954, submitted, on behalf of the Minister of National Health and Welfare, detailed proposals on the establishment of a Northern Health Services Division in that Department and the provision of hospital facilities at Whitehorse and Mayo Landing. Mr. Lesage also put forward complementary proposals for expansion of Whitehorse townsite.

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It was recommended,-

(a) that definitive approval be given to the establishment of a Northern Health Services Division in the Department of National Health and Welfare;

(b) that the Department be authorized to proceed, through the Department of Public Works, with the construction of a $3 million hospital at Whitehorse and of a $400,000 hospital at Mayo Landing; it being understood that 75 percent of the cost of the Whitehorse hospital would be borne by National Health and Welfare and 25 percent by the government of the Yukon Territory, while 100 percent of the cost of the Mayo Landing hospital would be met by the Yukon government;

(c) that the necessary funds be allotted to the new Division for the development and operation of the health services and facilities required in the Yukon and Northwest Territories;

(d) that provision be made in the estimates of the Department for the staff required for the functioning of the new division; and,

(e) that, as there was no suitable location for the new Whitehorse hospital in the present townsite on the west bank of the Yukon River, the hospital be located on the east bank. (This would necessitate construction of a concrete or steel bridge at an estimated expenditure of $750,000. In addition to serving the hospital, the bridge would permit development of a new townsite on the east bank for which there was an acute need. It was suggested that the Federal government assume the cost of the bridge and that the Territorial government be lent the sum of $780,000 to finance the cost of road, sewer and water services for the new townsite.)

Explanatory memoranda had been circulated.

(Memorandum, Minister of National Health and Welfare, Oct. 12,1954 - Cab. Doc. 217-54; memorandum, Minister of Northern Affairs and National Resources, Oct. 4,1954-Cab. Doc. 220-54).

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5. In the course of discussion the following points emerged:

(a) Although assumption by the Federal government of responsibility for establishing northern health services for the Yukon and Northwest Territories might give rise, in the future, to embarrassing demands by provincial authorities, it was recognized that the Federal government had a special responsibility in the Territories and that special circumstances existed in the far north. It was felt, therefore, that approval should be given to the proposal.

(b) It was noted that, under the proposal submitted by the Minister of National Health and Welfare, 75 percent of the cost of the new Whitehorse hospital would be borne by his Department and 25 percent by the government of the Yukon Territory. While there was no objection to this general division of financial responsibility, it was suggested that perhaps the Department of National Defence should contribute a certain proportion of the federal share in view of the extensive use to be made of the new hospital facilities by members of the Armed Forces. Alternatively, it might be possible for the federal share to be borne entirely by National Health and Welfare on the understanding that National Defence would pay normal per diem rates for hospitalized members of the Armed Forces and, in addition, would bear a pro-rated share of operation and maintenance costs.

(c) It was further noted that establishment of the new Services would involve additional accounting, clerical and other staff. It was suggested that consideration be given to the possibility of having the territorial governments provide at least some of the additional staff. This seemed sensible since it was hoped that the services would be transferred eventually to the territorial governments.

(d) It was understood that the interest on the loans to be made to the territorial governments for the construction of the proposed new hospitals at Whitehorse and Mayo Landing would be at a rate equivalent to that on government borrowings at the time the loans were made.

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(e) Construction of the new Whitehorse hospital on the east bank of the Yukon River would involve substantial expenditures that could be avoided were the hospital to be located in the existing townsite on the west bank. Every possibility of finding suitable land there should be exhausted before a decision was finally taken to construct on the east bank.

6. The Cabinet,

(a) approved the establishment of a Northern Health Services Division in the Department of National Health and Welfare and agreed that the Department proceed with the construction of new hospitals at Whitehorse and Mayo Landing in the Yukon territory; and,

(b) agreed that an ad hoc Cabinet Committee, comprising the Ministers of National Health and Welfare, Public Works Finance, National Defence, and Northern Affairs and National Resources, consider further details relating to the establishment of the new service, such as the location of the hospitals, the method of financing construction, the provision of the additional staff required and so on.

Television; proposed Canadian Broadcasting Corporation station at St. John's, Newfoundland

7. The Minister of Citizenship and Immigration, referring to discussion at the meeting of July 1st, 1954, said he had reviewed the situation regarding the possible establishment of a C.B.C. television broadcasting station at St. John's Newfoundland, He had also had the opportunity of seeing an estimate, prepared by the Corporation at the request of Dr. McCann, of the likely operating deficit. In his opinion, the capital investment involved and the probable annual losses were of a magnitude which did not justify a publicly owned station giving only a limited coverage. He had discussed this aspect of the situation with some of those who had expressed a strong desire for a C.B.C. station and he was under the impression they would agree that the expenditure was not warranted. Apart from the financial difficulties there were also general policy considerations. Present television policy provided for public stations at Halifax, Montreal, Ottawa, Toronto, Winnipeg and Vancouver. If an exception

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were to be made for Newfoundland, objection could justifiably be taken by private operators who had been given to understand they could apply for licences in the other provinces and in the areas not served by the Corporation. In addition, if Newfoundland were given a public station there might also be requests from different quarters in New Brunswick, Saskatchewan and Alberta for the establishment of C.B.C. stations in those provinces.

Having regard to all the circumstances, he concluded it would be preferable to grant a licence for a privately operated station. If this were done, however, it would be desirable to make a public statement indicating there was some measure of supervision and control by the C.B.C. over private stations and that these stations had to carry a certain proportion of C.B.C. programmes.

8. In the course of discussion it was pointed out that the installation of a C.B.C. station would require defending the expenditure of the public funds involved as well as the exception made to general television policy. It was unfortunate that there was only one applicant, the Newfoundland Broadcasting Company Limited, for a private station licence, and that those involved were the owners of an influential radio station in St. John's and a weekly newspaper. Nevertheless, if a C.B.C. station were not established, there appeared to be no alternative but to grant a licence to this applicant.

9. The Cabinet noted the report of the Minister of Citizenship and Immigration and agreed that, subject to any further representations that Dr. McCann might wish to make, approval be given to the issue of a private television broadcasting licence to the Newfoundland Broadcasting Company Limited to operate a station at or near St. John's Newfoundland.

Commuter Service, Oakville-Toronto; appeal against order of the Board of Transport Commissioners

10. The Prime Minister reported that the Oakville Commuters Association had submitted a petition to the Governor in Council appealing against a recent order of the Board of Transport Commissioners permitting an increase of 100 percent in the commutation rates in the Toronto area. The petition alleged unjust discrimination by the Canadian National Railways. It sought improvements in the services provided, requested more commuter trains and better equipment, and asked that the Board direct the C.N.R. to make available full particulars concerning revenue and expenses on the operation of the Toronto-Oakville commutation service. Before arrangements for a

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hearing were made, it would be desirable for the Department of Transport to submit a full factual report on the petition.

(Letter, President Oakville Commuters Association, Oct. 4, with attached petition to the Governor in Council, Oct. 1,1954).

11. The Cabinet deferred consideration of the petition of the Oakville Commuters Association concerning commutation rates and service in the Toronto area pending a report on the subject by the Minister of Transport.

Payments to implement agreement for marketing of 1953 crop of potatoes in New Brunswick and Prince Edward Island

12. The Minister of Agriculture, referring to discussion at the meeting of September 17th,1954, said an investigation had now been made by a small committee of officials from Justice, Finance and his department. Written reports had been submitted on the operations of the Potato Marketing Boards in Prince Edward Island and New Brunswick.

In connection with the operations of the P.E.I. Board, no representations had been received that any irregularities existed and the committee, from its own enquiries, found no such evidence. He recommended, therefore, that the deficit arising from the operations of the agreement made with this Board be paid.

The Committee had also found no evidence that the N.B. Board itself, or any member, had dishonestly been a party to any irregular transaction. However, there might have been irregularities through the dishonesty of other individuals and the committee had recommended an intensive investigation, by the R.C.M. Police and representatives of the audit branch of the Department of Finance, of the activities of five dealers. Pending completion of this investigation, the committee felt it would be desirable to settle a considerable portion of the accounts payable so as to save bank interest.

In the circumstances, he recommended that interim payments of up to $2.5 million be made on account of the liability for sale of N.B. potatoes and that either the Minister of Finance and himself be authorized to complete the payments, if the further investigation showed no irregularities, or that he report back to the Cabinet on the investigation before any further payment was made.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 12,1954-Cab. Doc.283-54).

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13. In the course of discussion, it was made clear that the preliminary investigation in New Brunswick had led to suspicions in respect of five dealers. There was no evidence to suggest that other individuals had committed any wrongdoing. Doubt was expressed as to the desirability of seizing records. However, so long as there was no discrimination and as long as the investigation was to be as complete as possible, such a seizure was probably necessary.

14. The Cabinet approved the recommendations of the Minister of Agriculture and agreed:

(a) that an amount not exceeding $2,385,689.45, plus interest accruing from September 1st, 1954, to date of final liquidation and estimated not to exceed $18,000.00, be paid to Mr. Donald A. MacDonald, Selling Agency for the Prince Edward Island Potato Marketing Board, in full settlement of the agreement entered into under the Agricultural Products Co-operative Marketing Act in connection with the marketing of potatoes produced in P.E.I. during the year 1953;

(b) that an amount of $2.5 million be paid to the New Brunswick Potato Marketing Board on account of the liability of the Federal government arising out of the agreement entered into under the Agricultural Products Co-operative Marketing Act in connection with the marketing of potatoes produced in N.B. during 1953; and,

(c) that a detailed investigation of the activities of five selected dealers who handled large quantities of potatoes on behalf of the New Brunswick Potato Marketing Board be made as recommended, the Minister of Agriculture to report on the results thereof before any further payments were made.

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1573 and -1574, Oct. 13,1954).

Erection of cold storage warehouses in Calgary, Lethbridge, Edmonton, Regina and Saskatoon by Interprovincial Cold Storages Limited; request for subsidy

15. The Minister of Agriculture said the Treasury Board had had for consideration a request by Interprovincial Cold Storages Limited for the grant of a subsidy under the provisions of the Cold Storage Act to assist in the construction of cold storage warehouses at Calgary, Lethbridge,

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Edmonton, Regina, and Saskatoon. The company had established a similar warehouse in Vancouver some time previously and, after initial difficulties, were operating it quite successfully. This particular type of storage was used mainly for poultry products. It involved certain novel features and was designed to meet Canadian needs. Heretofore, storage had been provided in neighbouring U.S. warehouses with the result that, when the produce was brought back and sold in the Canadian market, prices were higher than would otherwise have been the case. The proposed plants would serve all of Western Canada.

16. The Cabinet noted the report of the Minister of Agriculture and agreed that, pursuant to the Cold Storage Act, a subsidy be granted for the construction by the Interprovincial Cold Storages Limited of cold storage warehouses at Calgary, Lethbridge, Edmonton, Regina and Saskatoon.

External Affairs; London Nine-Power Conference on Germany; Canadian resolution on disarmament at United Nations; report concerning Geneva Conference on Korea

17. The Secretary of State for External Affairs reported that, as a result of the Nine-Power Conference on Germany held in London between September 28th and October 3rd, the Canadian government would be called upon to reach decisions on several important matters. These questions could be dealt with in detail at the next meeting of Cabinet.

The nine countries participating in the London Conference had been the United Kingdom, the United States, France, the Federal Republic of Germany, the three Benelux countries, Italy and Canada. The Canadian objectives had been,-

(a) that N.A.T.O. should be maintained and strengthened as the chief organ of Western collective defence and that the new Brussels Treaty Organization should be tied as closely as possible to N.A.T.O.;

(b) that the Atlantic Community should remain the framework for co-operation in the non-military fields and that progress toward closer European unity should be made within this larger framework;

(c) that the interests of the other N.A.T.O. countries not represented at the Conference should not be overlooked, and that adequate provision should be made for consideration by N.A.T.O. of the conclusions of the Conference; and,

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(d) that every effort should be made to find a solution acceptable to the countries most directly concerned (i.e. the former E.D.C. countries), provided it met the foregoing points.

In many ways the Conference had been difficult, not only because strong personalities with conflicting views had participated but also because some very important problems had been settled in the short period of five days. The Conference had nearly broken down on a few occasions over such matters as the re-arming of Germany and what some participants considered unreasonable obstinacy on the part of Mr. Mendes-France with regard to relatively unimportant matters. He felt perhaps, this was too harsh a judgement. In order to obtain the support of the French Assembly, which had subsequently been forthcoming, Mr. Mendes-France perhaps believed he had to adopt a more rigid attitude towards the other participants in the Conference, and particularly towards Germany, than might otherwise have been necessary.

Eventually, however, the more important problems had been solved. Of all the concessions made France's was perhaps the greatest in finally agreeing to the acceptance of West Germany as a full member of N.A.T.O. Chancellor Adenauer had also made a substantial concession in agreeing that West Germany would not manufacture atomic, chemical or biological armaments. Another major concession, and an important departure from traditional British policy, was the U.K's decision to maintain troops on the Continent of Europe for the life of the Brussels Treaty. Mr. Eden had been an excellent chairman and had conducted the meetings with remarkable skill. It was understood that he had experienced considerable difficulty in convincing some members of the U.K. government, including the Prime Minister, to agree to the decision on maintenance of troops. Once the decision had been taken, however, Mr. Churchill had been most helpful in bringing about a meeting of minds between participants in the Conference, particularly between Mr. Mendes-France and Chancellor Adenauer. The decision, apparently, had been well received by the British public. The only dissenting voice had been the Beaverbrook controlled press.

The decisions of the London Conference were contained in the Final Act signed by the nine Foreign Ministers on October 3rd. This Act was divided into six main parts:

Part I recorded the decision of the U.S. the U.K. and France to end the occupation regime in the German Federal Republic as soon as possible, to revoke the Occupation Statute and to abolish the Allied High Commission, retaining their special powers only with respect to those obligations under the Potsdam Agreement which they could not relinquish prior to a final German peace treaty.

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Part II outlined the arrangements to allow Germany and Italy to accede to the Brussels Treaty and to give the Brussels Treaty Organization increased powers and responsibilities in controlling the levels of forces of all its members and the armaments production of its continental members (the levels of forces were to be controlled by fixing maximum levels which could be increased only by unanimous consent; armaments production was to be controlled by a special agency set up under the authority of the Brussels Treaty Council).

Part III referred to assurances made during the Conference by the U.S. (to continue its support for European unity), by the U.K. (to maintain its present forces on the continent of Europe), and by Canada (to discharge the continuing obligations arising out of its membership in N.A.T.O. and to support the objective of European unity).

Part IV recorded the decision of the Conference to recommend to N.A.T.O. that the German Federal Republic be invited to become a member and that the N.A.T.O. machinery be reinforced to give SACEUR greater control over the forces on the Continent under his command (including powers of inspection to check the level and effectiveness on these forces).

Part V contained a declaration by the German Federal Republic to refrain from any action inconsistent with the strictly defensive character of the North Atlantic Treaty and the Brussels Treaty and a joint declaration in reply by the U.S. the U.K. and France with which the three powers intend to invite the association of the other N.A.T.O. countries.

Part VI outlined the procedure to obtain approval for and to implement these decisions.

The procedure called for a meeting of the four Foreign Ministers, on the question of German sovereignty followed by a meeting of the nine Foreign Ministers, which would take place in Paris the following Thursday. The decisions of the London Conference would then be submitted to a special meeting of the N.A.T.O. Council on Friday, October 22nd. If approved, the protocol of accession of Germany to N.A.T.O. and the other relevant documents would be submitted to the governments of the N.A.T.O. and Brussels Treaty countries for ratification. Insofar as Canada was concerned, all the required measures could probably be taken by governmental action except the protocol

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of accession of Germany to N.A.T.O., which should perhaps be submitted to Parliament for approval prior to ratification.

Although it would be difficult, presumably, for Canadian ratification to be given much before the end of January, 1955, there seemed to be a general desire to obtain the required ratifications from all countries before the end of the year, so as to avoid any internal political difficulties that Mr. Mendes-France might have to face if final disposition of the matter were delayed unduly. Early disposition would also be helpful to Chancellor Adenauer, who had to face a hostile and increasingly powerful socialist party in West Germany.

18. Mr. Pearson also referred to the statement made by Mr. Vishinsky at the United Nations on September 30th, when introducing a Soviet resolution on disarmament. This resolution was, in reality, a belated response to the Anglo-French resolution on disarmament, which had been made during the course of meetings of the Sub-Committee of the Disarmament Commission of the United Nations the previous summer. Although, superficially, the Soviet resolution appeared to go a long way towards meeting the views of Western members of the U.N. on disarmament, it would be examined critically to ascertain whether in fact it provided a practical framework for international disarmament. He added that the Minister of National Health and Welfare was introducing that day a Canadian resolution on disarmament. This was being presented by the Canadian delegation as a member of the Sub-Committee of the Disarmament Commission because, for a variety of reasons, it had not been possible to obtain, as had been hoped earlier, a joint resolution by four of the five members of the Sub-Committee (U.K., U.S., U.S.S.R., France and Canada). When submitting the resolution, however, Mr. Martin would invite other members of the Sub-Committee to associate themselves with this resolution and it was understood that the U.K. the U.S. and France would then do so.

The Minister said further, that the fifteen countries which had participated in the United Nations police action in Korea were now attempting to draft an agreed report on the Geneva Conference. Some difficulty had been caused, however, by the U.S. supported South Korean contention that the report should refer to communist aggression and not simply to aggression. The U.S. and South Korea also held the view that elections in Korea should be supervised by the United Nations. It was clear that this might not be acceptable to the Chinese, since they were not U.N. members. In the circumstances, other countries engaged in the preparation of this report were generally prepared to agree that the Korean elections be supervised by any impartial international body that was acceptable to the United Nations. It was hoped that the U.S. would eventually come around to this view.

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19. The Cabinet noted with approval the reports by the Secretary of State for External Affairs on the London Nine-Power Conference on Germany, the Canadian resolution on disarmament recently introduced at the General Assembly of the United Nations and the preparation of an agreed report concerning the Geneva Conference on Korea, and deferred final decision on various matters arising out of the London Conference, on Germany pending further consideration at a meeting to be held the following Tuesday, October 19th.

Restrictive Trade Practices Commission; report on alleged combine in the distribution and sale of gas in the Vancouver area

20. The Minister of Trade and Commerce reported that, as a result of legal advice on the findings contained in the report of the Restrictive Trade Practices Commission dealing with an alleged combine in the distribution and retail sale of gasoline in Vancouver, the Department of Justice proposed to prosecute a certain number of individual retailers and the Standard Oil Company of British Columbia, even though the report of the Commission appeared to exonerate the Company. This appeared to be unfair and there was consequently unrest and dissatisfaction in the Vancouver area.

21. The Minister of Justice summarized the results of the Inquiry made by the Commission. Prior to 1951, the retail price of gasoline was controlled in British Columbia by a public authority which was empowered to make regulations prescribing fixed prices and margins for gasoline. When control ceased, certain arrangements had been made by retailers to establish minimum mark-ups and regulate the price of gasoline in the Vancouver area. The Commission concluded from the evidence available that a combine or combines within the meaning of the Combines Investigation Act existed and had so existed since public control by the province ceased. It was alleged that the parties concerned entered into actual or tacit agreements or arrangements or were a party thereto in the fixing of a common price and thereby prevented or lessened competition. It went on to state that such arrangements were detrimental to the public interest.

The practice followed in his department, when the Restrictive Trade Practices Commission submitted a report of this character was to seek the best legal advice obtainable in the area where an inquiry had taken place as to whether it would be desirable to prosecute any or all of the individuals named in the report.

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Competent counsel had been engaged and, after examining the evidence and the report carefully it was recommended that informations be laid against all the defendants named in the report, including Standard Oil. In the past, when prosecutions had been recommended, the Department had invariably secured convictions. Even though counsel's opinion in this case appeared to be at variance with the report of the Commission in respect of Standard Oil, he and his officers considered it advisable to accept that advice. He had the impression that the recommendation for the laying of an information against Standard Oil, the only corporate offender, was made to ensure convictions against the other accused, particularly if they chose jury trials.

22. In the course of discussion, the following points emerged:

(a) In order to avoid a price war in British Columbia when provincial price control on gasoline ended, representatives of all the dealers agreed at various meetings to sell gas at a certain price. The large corporations producing and selling gas, with one exception, did not attend the meetings and were not associated directly with the agreements made. Standard Oil of British Columbia however, had attended the first of these meetings but, as soon as the company's representative learned that prices were being discussed, he withdrew. Nevertheless, because of attendance at this one meeting, Standard Oil, as well as the retailers present, had been cited. It seemed unfair not to cite all the retailers in the area since they were, in fact, represented at the conferences. It also appeared to be unfair to cite small dealers and only one of the companies when it was generally known that all the producers, played a major if indirect role in establishing prices and mark-ups.

(b) Counsel engaged by the Department of Justice concluded that Standard Oil should be prosecuted on the basis of attendance at only one retailer's meeting even though it appeared that the company's intentions were not then known. In other words prosecution was based on undisclosed intentions whereas it should be carried out only on the basis of overt facts. It was questionable whether a conviction could be obtained. On the other hand, it seemed that the evidence was much clearer in the case of the retailers representatives and theoretically convictions could be obtained more easily against them. If it emerged that the

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only company involved was acquitted and all the small retailers found guilty, the public reaction would likely be unfavourable. The dealers had probably learned their lesson and it might, in the circumstances, be preferable to drop the charges.

(c) It was argued on the other hand that, in all previous cases where there had been evidence of a combine and where advice had been given to lay charges, this course had been followed and convictions obtained. It was true that the present combines case was an exceptional one. In most other circumstances the evidence of collusion between companies had been reasonably conclusive. This was not so in Vancouver and proof would have to be obtained by the calling of witnesses. While it might be thought desirable to drop the case against Standard Oil, this was clearly not advisable. It would be better to drop all or none of the cases.

(d) In reply to a suggestion that, under the Combines Act as amended in 1952, a combine was not deemed illegal unless the Restrictive Trade Practices Commission had determined that such a combine was detrimental to the public interest, it was pointed out that, while the Commission was now directed to appraise the degree to which a combine might be detrimental to the public interest, under the new legislation as well as under the old, a combine was considered per se to be detrimental to the public interest provided it came within the definition of combine as set out in the Act. Price fixing by public bodies such as provincial and municipal authorities was not regarded as a combine within the meaning of the Act, as such fixing was regarded as being amenable to democratic processes.

23. The Cabinet noted various comments on the reports of the Restrictive Trade Practices Commission and of special counsel concerning an alleged combine in the distribution and retail sale of gasoline in the Vancouver area.

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Kingston Penitentiary; report on fire and riot

24. The Minister of Justice referring to discussion at the meeting of August 18th,1954, said he had now received the results of the enquiry that had been made into the fire which had broken out in the Kingston penitentiary on August 13th. It had been established beyond doubt that the fire had been incendiary in origin and had started in the dome of the main cell block. This cell block was constructed in the shape of a cross. The north and south wings had been rather severely damaged and no evidence had been found there as to how the fire began. However, certain evidence found in the east and west wings indicated that someone had deliberately, if unsuccessfully, attempted to set fire to these wings as well. The investigation had not been successful in indentifying the culprits.

It would be recalled that, following the fire, the inmates who were normally lodged in the north and south wings had been given temporary quarters in the prison shops. After the damaged wings had been temporarily rehabilitated a few days later, the inmates were reinstated in their cells in the north and south wings. A small group, however, had refused to leave the temporary quarters and this group had initiated the incidents that took place on August 15th.

According to a preliminary estimate it would cost approximately $114,000 to repair the roof of the main cell block. In addition, approximately $340,000 would have to be spent to repair the shops and to replace destroyed equipment and supplies.

These incidents had underlined the desirability of taking special measures to deal with the relatively small incorrigible element among the inmate population of Canadian penitentiaries. This problem was becoming more acute as the population of penitentiaries increased. He noted in this connection that the total population of Canadian penitentiaries at the present time was 5,000 as compared to 3,000 in 1943. One suggestion was that the women's prison at Kingston be converted, at a cost of approximately $100,000, to house incorrigible inmates. New prison quarters for female inmates could be provided at a cost of approximately $600,000. If this proposal were approved, additional prison staff would likely be required at an approximate cost of $100,000 per annum.

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25. The Cabinet,-

(a) noted the report by the Minister of Justice on the results of the investigation into the fire and riots which had taken place at the Kingston penitentiary the previous August; and,

(b) approved in principle the proposal that separate prison quarters be provided for incorrigible penitentiary inmates in order to prevent a recurrence of the recent Kingston incidents and to facilitate the rehabilitation of those who could not be considered to be hardened criminals.

Naturalization; aliens exempted from military service

26. The Minister of Citizenship and Immigration said it had been agreed, in 1950, that naturalization would not be granted to aliens who had signed undertakings waiving their capacity to acquire Canadian Citizenship in return for exemption from military service during the last war. A case of hardship had come to his attention where it was evident that a person signed such an undertaking in what appeared to be complete ignorance. While the Minister firmly believed that this was a wise rule he thought it should not be applied with complete rigidity. After investigating the circumstances fully he recommended that an exception be made to the rule and citizenship granted to the individual concerned.

27. The Cabinet noted the report of the Minister of Citizenship and Immigration and agreed that the Minister might make exceptions to the rule that citizenship be denied aliens who had signed undertakings waiving their desire to acquire Canadian citizenship in return for exemption from military service, when the circumstances were clearly such as to warrant this action.

Paul Pelletier
Assistant Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

October 19th, 1954.

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Items Discussed

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Sale of Guns to Israel 8.

Accommodation for Canadian government agencies in London, England 9.

Hurricane damage in Toronto area; suggested establishment of United Kingdom relief organization 12.

Armed Forces; participation in religious services 13.

Lobster trap indemnity regulations; proposed amendments 14.

Northern Health Services; new hospital, bridge and townsite, Yukon Territory 14.

Television Station at St. John's, Newfoundland 16.

Agricultural Prices Support Act; floor prices for hogs and pork 17.

Civil Service; weekly hours of work 18.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, October 19th, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
(Dr. McCann),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Public Works
and Acting Minister of Fisheries
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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North Atlantic Treaty Organization and Germany

1. The Secretary of State for External Affairs, referring to discussion at the meeting of October 13th, pointed out that, while each of the decisions reached at the Nine-Power London Conference did not commit participating countries to the same extent, nevertheless, they were all of interest to all N.A.T.O. members. They formed part of a single settlement which represented a delicate international compromise and which could be easily upset by undue insistence on purely national interests by any participant. Since the end of the Conference, documents to give effect to the various parts of the final act were being prepared and would be submitted to meetings of the nine foreign ministers and of the North Atlantic Council this week. Those documents of direct concern to Canada and on which government decision was required, consisted of:

(i) a resolution whereby N.A.T.O. members other than the U.K., the U.S. and France would associate themselves in the Three-Power declaration on Germany and Berlin;

(ii) a protocol to provide for the accession of the Federal German Republic to the North Atlantic Treaty; and,

(iii) a resolution reinforcing the N.A.T.O. military machinery.

The Three-Power declaration was an acknowledgment of the pledges of the Federal Republic never to resort to force to achieve the reunification of Germany or the modification of the present boundaries of the Republic. It reaffirmed the resolve of the U.K., the U.S. and France to discharge the obligations contained in Article 2 of the U.N. Charter and underlined their agreed policy with respect to a final German settlement, the unification of Germany, and the security of Berlin. The association of other N.A.T.O. members with this declaration was designed to enhance its importance and to establish a link in the public mind, particularly in France, between admission of Germany to N.A.T.O. and the attitude of the three powers towards any act in violation of the purposes of the North Atlantic Treaty. It would not modify in any way the obligations of the associating countries already existing by virtue of membership in N.A.T.O. In the Minister's view, the principles enunciated in the Joint Declaration accorded with existing Canadian policy.

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The protocol to provide for the accession of the German Federal Republic to the North Atlantic Treaty was similar in language to that used in the accession of Greece and Turkey. Once it was ratified by all countries, an invitation would be issued to Germany to accede to the Treaty. The Minister assumed that Parliament would be given an opportunity to approve the protocol prior to deposit of an instrument of ratification by Canada. In the unlikely possibility that all other N.A.T.O. countries might ratify the protocol before January, which might mean that Canada would be holding up the accession of Germany to N.A.T.O. further consideration would be given to the need to seek Parliamentary approval in advance.

The third matter on which a decision was needed was the proposed resolution to reinforce the N.A.T.O. military machinery. The main features of the resolution covered the following points:

(i) acceptance by any Brussels Treaty Power of force goals, arising out of the N.A.T.O. Annual Review, higher than the limits set by the special agreement among members of Brussels Treaty Organization would be subject to the unanimous approval of the Brussels Treaty Powers;

(ii) all forces of N.A.T.O. countries in the area of Allied Command Europe would be placed under the authority of SACEUR with certain exceptions such as forces required for the defence of overseas territories;

(iii) the location of combat forces under SACEUR in the area of Allied Command Europe would be changed only with the consent of the appropriate N.A.T.O. authorities;

(iv) integration at army group and tactical air force levels would be the rule and at lower levels if military efficiency permitted;

(v) SACEUR's responsibilities for logistic support and priorities would be extended; and,

(vi) SACEUR would be granted increased authority to obtain information about forces placed under his command, including inspection powers.

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In general, all these measures should not cause Canada any special difficulty and did not commit Canada in advance to accept any particular proposals. If there were suggestions that integration take place at lower levels, Canada should ensure that they would not involve any alteration in the present organization of the Canadian brigade and air division now in Europe. Any measure for increased integration might also entail increases in commonly-financed items, but specific proposals on such matters would have to be made and submitted to the appropriate N.A.T.O. body for consideration in the normal way.

2. The Minister recommended:

(a) that approval be given to the association of Canada with the Three Power declaration and, in so doing, that the Canadian view be reaffirmed that such an association would involve no alteration in existing commitments or obligations under N.A.T.O.

(b) that the necessary authority be granted to sign the protocol for accession of the German Federal Republic to the North Atlantic Treaty;

(c) that the resolution on reinforcement of the N.A.T.O. military machinery be approved; and,

(d) that the Minister be authorized to accept, at the forthcoming meeting, minor amendments to the protocol and resolutions, if they were in accord with the spirit of the Final Act of London, were generally acceptable to other N.A.T.O. members and did not adversely affect Canada's interests.

3. Mr. Pearson added that there were three other matters arising out of the Conference which were of direct interest to Canada but on which no decisions were required at this time. Discussions between the occupying powers and the German Federal Republic were now being held on the status of forces in Germany. Canada was not an occupying power but was being kept informed of these talks and the Embassy in Bonn was endeavouring to ensure that Canadian interests, arising out of the presence of our forces in Germany, were protected. Secondly, the Brussels Treaty contained a provision whereby the Brussels Council would transmit, to the agency set up to control arms, information it received from the U.S. and Canada on military aid granted to its continental members. This would not require any substantial alteration in the present procedure for allocation of Canadian items but it would mean that,

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after the usual recommendations for allocations were received from the Standing Group, the Brussels Treaty Council as well as the Brussels Treaty countries themselves would be informed of any arms or equipment allocated to them. Finally, it might be expected that the reinforcement of the N.A.T.O. military machinery would involve some tightening up of the Annual Review procedure in the direction of making the yearly negotiation of force goals a more truly multilateral exercise. At present, recommendations made at the Review, unless accepted by the countries to which they were directed, had the status merely of N.A.T.O. Secretariat proposals. If this procedure remained unchanged, the Federal Republic of Germany might choose to set its own force goals at levels conflicting with the maximums set by the Brussels Treaty Organization. One might expect a move to modify the Annual Review procedure so that such recommendations would become the subject of general discussion and agreement in the Annual Review Committee. The Minister thought that Canada should acquiesce in such a move.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 18,1954 - Cab. Doc. 224-54).

4. In the course of discussion, the following points emerged:

(a) The French attached a good deal of importance to having all the N.A.T.O. countries associated with the Three-Power declaration on Germany. Such action would be helpful in re-assuring French public opinion. The declaration contained nothing new on Berlin, as an attack on that city had been regarded heretofore as an attack on N.A.T.O. and the action proposed now was really a reaffirmation of that position.

(b) The recommendation to give additional authority to SACEUR meant that there would be a minimum of freedom for the Federal Republic to deploy its forces as it might desire. This step, in addition to the proposed integration, would help considerably in removing the fears of the French about a resurgence of German power.

(c) All the proposals recommended were still subject to change or delay at the forthcoming meetings. For example, the French and the Germans were now trying to reach agreement on the future of the Saar, and this might lead to delay. The question of arms limitation might be reopened. It was to be hoped that these contingencies would not occur. In any event, Canada did not want

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to be in the position of being responsible for holding up the completion of what appeared to be the most desirable and acceptable arrangements that could be made in the circumstances.

(d) A revision of the N.A.T.O. Annual Review procedure along the lines mentioned would present difficulties for Canada. Heretofore, Canada had not been asked formally to take any steps to increase its forces or provide additional equipment without Canadian agreement in advance. Now it appeared that recommendations to member countries about their force goals might become the subject of general discussion at the Annual Review Committee. It was argued that this was not required as a means of restraining West Germany and would only be an embarrassment in the future. In the circumstances, it would be desirable to discourage the adoption of such a proposal if it was ever made. On the other hand, the view was expressed that there would be a change in the present procedure even though there might be a remote possibility of the N.A.T.O. Council presenting recommendations which Canada could not accept. This would not be as embarrassing a situation as that which would be created if Canada did not agree to a plan designed to restrain Germany from undue expansion. One of the main purposes of all the plans under discussion was to move closer towards European integration. Adjustments of sovereignty in Europe would be required but recommendations for such adjustments would no doubt be put forward in a manner which would further the interests of the whole of Western Europe as a political unit, and overt attempts at dictation would not likely be made.

(e) The French were anxious to have allocations of mutual aid for the Brussels Treaty Powers decided upon by the Brussels Council. The U.S. would not consider this proposal and the recommendation made on this point was an effort to meet France's views. There was really no practical change in the present procedure.

(f) There might be a request to train German air crew in Canada as part of the Mutual Aid Programme. This would not seem to be desirable at this stage in view of the state of opinion about Germany. It would also involve the creation of another language group in the training programme. Such a proposal should be discouraged.

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(g) While Canada was not an occupying power, the nature of the sequel to the occupation status of the U.K., the U.S. and French troops would have an effect on our troops stationed in Western Germany. It would be necessary to negotiate directly with the Federal Republic on the position of the Canadian forces. A period of some months would elapse before Germany became an actual member of the N.A.T.O. Organization bearing a full share of the costs of defence.. Until that time, it could be supposed that the U.K., the U.S. and France would arrange for Germany to bear part of the financial burden of their forces in the Federal Republic. It would be desirable to ensure that some of the benefits of such financial arrangements would accrue to Canada.

5. The Cabinet agreed:

(a) that approval be given to the association of Canada with the Joint Declaration of the governments of the U.S., the U.K. and France as contained in the Final Act of the Nine-Power London Conference which acknowledged the pledges of the Federal Republic of Germany never to use force to reunify Germany or modify the present boundaries of the Federal Republic; it being understood that Canadian association with the declaration would neither involve an alteration in existing obligations under N.A.T.O. nor entail modification of the rights and obligations of the Three-Powers under the Potsdam Agreement;

(b) that authority be granted for the signing, by the Secretary of State for External Affairs or the permanent representatives of Canada to the North Atlantic Council, or both, of the protocol on the accession of the German Federal Republic to the North Atlantic Treaty; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-1609, Oct. 19).

(c) that authority be granted to approve, on behalf of Canada, the draft resolution of the North Atlantic Council, substantially in the form submitted, on the reinforcement of the N.A.T.O. Military Machinery;

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(d) that the Secretary of State for External Affairs be authorized to accept at the forthcoming meeting of the North Atlantic Council minor amendments to the above protocol and resolutions provided they were generally acceptable to other N.A.T.O. members, were in consonance with the spirit of the Final Act of the London Conference and did not adversely affect the interests of Canada; and,

(e) that, in general, Canada's representatives should protect Canadian interests as far as that was possible without interfering unduly in the settlement of European issues.

Sale of Guns to Israel

6. The Secretary of State for External Affairs said Israel had recently placed an order with the Canadian Commercial Corporation for forty-eight 25 Pdr. guns, together with spares, fire control equipment and trailers. This order would be sufficient to equip fully one artillery field division. The U.K. and the U.S. had been consulted informally and both had indicated they would be unlikely to approve a similar export at the present time. It was the view of Joint Intelligence Bureau that the sale should not be approved on the grounds that Israel's artillery strength would be materially increased, and exceed her legitimate peacetime needs, and that the acquisition of the guns would widen the gap in this type of equipment between the Arab States and the Israeli Army. Presumably, the Bureau's estimate of Israel's holdings included many obsolete and unserviceable guns.

The Minister had discussed the request with the Israeli Ambassador and explained that Canada was anxious not to disturb the balance of military power in the Near East nor to contribute to any deterioration in the present situation there. The Ambassador had assured him that these Canadian guns would not bring about a net increase in Israeli holdings or disturb the equilibrium of military power between Israel and her Arab neighbours because the Israelis would retire one gun from active service for each one obtained from Canada. Subsequently, Mr. Comay confirmed formally by letter on behalf of his government this oral assurance. The Minister felt that this assurance must be accepted as sincere and he recommended that the order be approved provided that supply considerations made it possible.

An explanatory memorandum was circulated.

(Minister's memorandum, Oct. 1954-Cab. Doc. 214-54).

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7. In the course of discussion, it was pointed that the political situation in the Near East had improved slightly in recent months. Present information indicated that the U.K. and the U.S. were sending supplies to the Arab nations and, if that were the case, it would be easier to justify this export of guns to Israel. The guns were available and could be released. In general it was desirable to support a nation setting such a good example in improving the productivity of an impoverished section of the world.

8. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed that the Canadian Commercial Corporation might accept the order placed by the Government of Israel for forty-eight 25 pdr. guns, with spares, trailers and fire control equipment, and that the granting of an export permit for these items be approved.

Accommodation for Canadian government agencies in London, England

9. The Minister of Finance reported that there were, at present, 20 Canadian departments and agencies operating in London in premises spread over the city under leases of varying terms. Some units had insufficient space for efficient operation, and at least four would soon be faced with the problem of acquiring new accommodation. It was difficult to rent suitable space in London, and rental rates were exorbitant. As a result of this widespread dispersal, there was duplication in administrative services, inconvenience and added costs, much of which could be eliminated if the units could be consolidated in one building. The question of constructing a building in London for this purpose had been under consideration for some time. A committee of officials in London had considered various alternatives, and the Department of Public Works had investigated the possibility of purchasing or leasing a building in the course of construction and had also considered purchasing other sites and erecting buildings thereon. One proposal related to a building known as Haymarket House, but after investigating, the Chief Architect of the Department of Public Works had advised against its purchase or rental as being far too expensive.

The Chief Architect now believed that a suitable building to house all Canadian government departments, other than the staff in Canada House and the Exhibition Warehouse, could be constructed at a cost of $2,070,000 on one of two possible sites. This would provide 100,000 square feet of space for offices and a cafeteria, and a limited amount for future expansion. In addition there would be the cost of the site. Two outstanding sites were available

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for leasehold occupation. One, at the corner of Pall Mall and Whitcomb Streets, was almost opposite to Canada House. It was controlled by Hampton and Sons, Limited and could be purchased for $1,145,400, with a 99 year lease at an annual ground rental of $49,956 per annum. The other, on Grosvenor Crescent, was approximately 1½ miles from Canada House and would cost about $414,000. The leasehold could be obtained for 89 years at an annual ground rental of $5,520; the value of this leasehold interest would be approximately $100,000. A comparison of costs per sq. foot per annum, for 100,000 sq. ft. space, showed the present arrangements, plus new leased needed accommodation, at $3.34, a building on the Pall Mall site at $2.31 and one on the Grosvenor Crescent site at $1.68.

10. The Secretary of State for External Affairs considered that there were three alternatives. The first would be to leave the situation as it was with the offices spread all over London in rented accommodation. The second was to house all the offices in London in one building. This could not be done on the property controlled by Hampton and Sons because of the size and the limitation on the height of the building that could be erected there. It could be done on the Grosvenor Crescent site. It would mean the abandonment of the present desirable location on Trafalgar Square, which was adjacent to Canadian commercial interests and close to Whitehall. Officials in London who had considered this alternative had recommended against it. He agreed with their judgment. The third proposal would be to buy the Hampton site and erect a building to house all the offices except those now in Canada House and the Exhibition Warehouse. In effect, the proposal would concentrate all Canadian offices in one very desirable location and lead to considerable administrative economies. He favoured this solution.

11. The Minister of Public Works agreed that considerable savings could be effected and efficiency improved by the concentration of as many offices as possible in one building and by owning buildings as against renting. However, he felt these could best be achieved by retaining Canada House for External Affairs and erecting a building on the Grosvenor Crescent site. This had the added advantage of dividing the risk against the danger of air attack in war.

Explanatory memoranda had been circulated.

(Memoranda, Minister of Finance, Aug.3,1954- Cab. Doc. 177-54; Minister of Public Works; Cab. Doc. 216-54).

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12. In the course of discussion, the following points emerged:

(a) It would be desirable for External Affairs to remain on Trafalgar Square. The question was whether additional office space should be provided immediately adjacent to Canada House or at a distance of 1½ miles. The latter alternative would mean a saving of some $5,000 a month in costs. There were also advantages in having some of the services, such as those provided by the Immigration Branch, in not too close proximity to diplomatic offices. On the other hand, centralization around Trafalgar Square would mean a saving in administrative costs of almost the equivalent of the annual recurring charges which would result if the Grosvenor Crescent alternative was adopted. Furthermore, the offices of the Department of Trade and Commerce must be close to those of External Affairs.

(b) It did not appear likely there would be any serious criticism in Canada against the acquisition of a further site near Canada House and the concentration of all offices in the area. A decision would have to be taken now on the Hampton site as the option to purchase was expiring.

(c) An added reason for continuing to occupy Canada House was that the leasehold would expire in 8 years and it would not be possible to secure a good price if the leasehold were to be sold now.

(d) Present accommodation occupied by National Defence was adequate. The leasehold had some time to run and the annual costs were relatively low. In the circumstances, that department might continue to occupy its present quarters, in which case the extra space in the lower floors of the new building could be leased to some Canadian companies for offices in London.

13. The Cabinet noted the reports on proposed consolidation of accommodation for Canadian government offices in London and agreed that the site at the corner of Pall Mall and Whitcomb Streets, presently controlled by Hampton and Sons, Limited, be purchased at a cost of approximately $1,145,400, for a leasehold period of 99 years at a continuing ground rental of $49,956 per annum, and that a building be erected thereon to house

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all Canadian government offices in London except those now occupying Canada House and the Exhibition Warehouse; it being understood that the Department of National Defence might continue to occupy its present accommodation unless satisfactory financial arrangements for its sale could be made.

Hurricane damage in Toronto area; suggested establishment of United Kingdom relief organization

14. The Secretary of State for External Affairs said the Canadian High Commissioner in London, England, had had several enquiries concerning the damage in the Toronto area caused by the rains accompanying hurricane "Hazel". Suggestions apparently had been made that a special British relief organization be established to receive donations, including possibly help from the U.K. government, which would be used for rehabilitation of the affected area.

He felt these proposals should be discouraged. There would seem to be no objection if individuals in the U.K. arranged to make earmarked donations to recognized organizations such as, for example, the British Red Cross, which in turn could transfer the gifts to whatever relief organization might be established in the Toronto area.

15. The Minister of Public Works said he had received a report from Central Mortgage and Housing Corporation that a preliminary investigation indicated the damage by the hurricane to private dwellings in the Toronto Metropolitan area and in the Holland Marsh area amounted to approximately $5 million. 450 houses had been badly damaged in the Holland Marsh area alone. In the Toronto Metropolitan area, the Corporation reported 94 houses and 15 trailers destroyed and 516 houses and 65 trailers damaged.

16. The Cabinet agreed that the Secretary of State for External Affairs instruct the Canadian High Commissioner at London, England, to discourage any proposal to establish a British relief fund in connection with the hurricane disaster in the Toronto area; it being understood, of course, that there could be no objection to individual donations being made to recognized organizations, such as the British Red Cross, for relief purposes in the affected area.

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Armed Forces; participation in religious services

17. The Minister of National Defence said an article recently published in a Toronto newspaper had given rise to some criticism of the practices followed in allowing or refusing to allow units of the Canadian Armed Forces to participate in religious services organized by the Canadian Legion or others on Remembrance Day and similar occasions.

Although much, if not all of the criticism was ill founded, he felt there might be some advantage in reverting to the practice followed prior to World War II. Under this arrangement, each active force unit would hold its own religious services, either Protestant or Catholic, or both on the mornings of such occasions as Remembrance Day. In addition, if requests were received to have units officially paraded to religious services organized by municipalities, the Canadian Legion or similar organizations, the Commanding Officer of the unit concerned would consult both his Roman Catholic and Protestant chaplains. If both chaplains agreed that there would be no objection to official participation, the Commanding Officer could arrange to have the unit paraded, otherwise, such requests would be refused. In this latter case, however, members of the unit could be given sufficient time off to attend such services individually if they wished.

If this proposal were approved, he intended to issue a public statement in order to remove any doubt on the question.

18. The Cabinet noted the report of the Minister of National Defence on official participation of units of the Canadian Armed Forces in religious services on such occasions as Remembrance Day, and agreed that the Minister make a statement outlining the procedure to be followed in the future, namely:-

(a) that, on Remembrance Day and other similar occasions, each unit would hold its own religious services, either Protestant or Roman Catholic, or both, as the case might be, at which attendance would be compulsory;

(b) that the Commanding Officers of Active Force units would be instructed to decline invitations to parade their units to services organized by municipalities, the Canadian Legion or other similar organizations, unless the Protestant and Roman Catholic chaplain services of the Forces agreed that there would be no objection to such a parade taking place; and,

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(c) that, if the unit as a whole did not parade to such services, members might be allowed sufficient time to attend them as individuals if they wished.

Lobster trap indemnity regulations; proposed amendments

19. The Minister of Public Works as Acting Minister of Fisheries, referring to discussion at the meeting of October 14th, 1953, submitted a recommendation to amend further the Lobster Trap Indemnity Regulations. Premium rates appeared to have been set at too low a level when these regulations were made and substantial losses had resulted. Under the proposed amendments, the premium rates would be increased to a point where it was hoped the scheme would be self-supporting.

20. The Minister of Finance pointed out that one of the reasons the scheme had been operating at a loss was that too few lobster fishermen had joined and a high proportion of those insured had drawn benefits. He felt the scheme should eventually be discontinued unless 25 percent or more of insurable lobster fishermen joined and unless there was some increase in the premium rates.

21. The Cabinet noted the report of the Acting Minister of Fisheries on proposed amendments to the Lobster Trap Indemnity Regulations and agreed that the matter be considered further by the Minister of Finance and the Acting Minister of Fisheries in consultation.

Northern Health Services; new hospital, bridge and townsite at Whitehorse, Yukon Territory

22. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of October 13th, reported that officials of the Departments of Finance and of National Health and Welfare were now working out jointly staff problems in connection with the establishment of the proposed new Northern Health Services.

The Deputy Ministers of the departments concerned had considered and reported on certain matters raised at the previous meeting, particularly the location of the new hospital at Whitehorse. In the light of this report, he recommended that definite approval be given to placing the hospital on the east bank of the Yukon river and that the Department of Public Works be authorized to construct a bridge across the river at a cost of approximately $750,000. The whole expenditure would be borne, initially, by the Department of Northern Affairs and National Resources. However, to recover, in due course the cost of the bridge, he

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recommended that the Federal government turn over to the city of Whitehorse only 50 percent of the development area (excluding the hospital site) on the east side of the river rather than the 100 percent as previously suggested. The half turned over would be the area to be occupied first. This would enable the city to amortize the cost of putting in sewer, water and other improvements needed at once for the new hospital. The remainder would be held by the Federal government for subsequent sale to defray the cost of the bridge.

Insofar as the capital cost of the Whitehorse hospital was concerned, the Territorial council had agreed that the Territory would finance 25 percent. It was recommended that the Department of National Health and Welfare and the Department of National Defence share the remaining 75 percent falling on the Federal government. It was suggested that the total cost of the hospital - $3 million - be allocated in the following manner:- $750,000 (25%) to the territorial government, $1 million to National Defence and $1.25 million to National Health and Welfare. It was further recommended that 60 percent of these amounts be included in the estimates of National Defence and National Health and Welfare for 1955-56 and the remainder in the estimates for 1956-57.

With regard to the operating costs of the hospital, it was proposed that charges be made to recover the full operating costs and that National Health and Welfare should assume responsibility for Indians, National Defence for defence personnel, the Territorial government for non-Indian indigents, and other patients for themselves.

It had been suggested at the previous meeting that consideration be given to the possibility of having the Territorial government rather than the Department of National Health and Welfare provide the additional accounting, clerical and other staff required for the new Northern Health Services Division. He felt this was impractical since the Territorial government did not have the administrative machinery required to handle such an operation.

(Memorandum, Northern Affairs and National Resources, Oct.18,1954 and enclosures).

23. The Cabinet noted the report by the Minister of Northern Affairs and National Resources on the establishment of a new Northern Health Services Division in the Department of National Health and Welfare, and agreed,-

(a) that the new Whitehorse hospital be located on the east bank of the Yukon River as previously recommended;

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(b) that the Department of Public Works proceed with the construction of a bridge across the Yukon River at Whitehorse, the cost of the bridge, approximately $750,000, to be borne initially by the Department of Northern Affairs and National Resources and eventually recovered by the sale of land in the manner recommended by the Minister;

(c) that the cost of the new Whitehorse hospital, estimated at $3 million, be shared by the Yukon Territorial government, the Department of National Defence and the Department of National Health and Welfare on the following basis:

Federal share - 75% -	
National Defence	1,000,000
National Health & Welfare	1,250,000
Territorial share - 25%	750,000
	$3,000,000

(d) that the operating charges of the Whitehorse hospital be borne on a pro-rated basis by National Health and Welfare, in respect of Indians, National Defence, in respect of defence personnel, the Territorial government, in respect of non-Indian indigents and by other patients for themselves; and,

(e) that the Department of National Health and Welfare provide the additional accounting, clerical and other staff required in connection with the establishment of the new Northern Health Services Division.

Television Station at St. John's, Newfoundland

24. The Minister of Transport referring to discussion at the meeting of October 13th, submitted a recommendation for the grant of a licence to the Newfoundland Broadcasting Company Limited for the erection of a private television broadcasting station at St. John's, Newfoundland.

25. Dr. McCann, said that, although the Canadian Broadcasting Corporation would prefer to erect a public television station at St. John's he would have no objection to the grant of a private licence if it were agreed that this course of action was preferable.

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26. The Cabinet agreed that a licence be granted to the Newfoundland Broadcasting Company Limited for the erection of a private television broadcasting station at St. John's, Newfoundland; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1608, Oct. 19).

Agricultural Prices Support Act; floor prices for hogs and pork

27. The Minister of Agriculture reported that, since January 1st,1953, Order in Council P.C. 4141 of September 24th,1952, had authorized a floor price for hogs and pork of $23.00 per 100 pounds, basis Toronto and Montreal, and this Order had no termination date.

Recently, the hog market had been softening. The current Toronto price was $24.75 per hundredweight. He thought it not unlikely that there might be a surplus of hogs and pork during the next six months. Eventually, the market price might fall to the level of the floor price under P.C. 4141. Consideration should now be given to the steps the government might wish to take in such an eventuality.

The Minister also referred to the fairly substantial margin which existed between Toronto and Winnipeg hog prices. He had been informed that one of the important factors contributing to the higher Winnipeg prices was that, because of strong trucking competition, the most recent freight rate increases authorized by the Board of Transport Commissioners had not been applied by the Canadian National and Canadian Pacific Railways in the more populated regions of Ontario and Quebec, but had been applied in their entirety on the lines to and from the West, north of Lakes Huron and Superior, which were not subject to the same degree of competition, notwithstanding the policy of the government in subsidizing freight rates over this stretch.

28. The Cabinet noted the report by the Minister of Agriculture on the softening of the hog and pork markets in Canada, but deferred decision on any steps that might be taken in regard to Order in Council P.C. 4141 of September 24th,1952.

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Civil Service; weekly hours of work

29. The Minister of Finance noted that, according to recent press reports, representations would likely be made soon by civil service associations requesting a reduction in the total hours worked weekly by civil servants. It was understood that the argument in support would be that the 36½ hour week generally worked prior to World War II, had been increased to 38.2 hours per week and that conditions were now such that the government should agree to revert to a shorter work week.

30. The Cabinet noted the report by the Minister of Finance on representations likely to be made by certain civil service organizations in favour of a reduction of the office hours in the civil service below the present level of 38.2 hours per week.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

October 28th, 1954.

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Legislation; Electricity and Fluid Exportation Act amendment	4.
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TOP SECRET

CABINET CONCLUSIONS

Meetings of the Cabinet were held in the Privy Council Chamber on Thursday, October 28th, 1954, at 10:30 a.m. and 2:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),(for morning meeting only)
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler) (for morning meeting only)
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Statutory Orders and Regulations; 1954 consolidation

1. The Prime Minister said all government departments were notified in the fall of 1952, and again in 1953, that following the 1952 revision of the statutes, a new consolidation of Statutory Orders and Regulations would be published containing all regulations in force on December 31st, 1954. Departments had been asked to have their regulations re-enacted in consolidated form for inclusion in the new consolidation.

A number of departments had not yet submitted substantially all their regulations. If the 1954 consolidation was to appear as proposed, all should be submitted to the Secretary to the Cabinet not later than December 1st,1954. All departments should make a special effort, even if this involved overtime, to complete the preparation of their regulations before this date. A special parliamentary appropriation had been obtained to cover the expenses of the consolidation and it would be embarrassing to the government if the consolidation had to be postponed because various departments had failed to submit their regulations in consolidated form in sufficient time.

2. The Cabinet noted the report by the Prime Minister on the preparation of the 1954 consolidation of Statutory Orders and Regulations and directed the Secretary to write to all government departments that every effort be made, including overtime work if required, to have their regulations submitted to the Privy Council Office in consolidated form by December 1st, 1954.

National Film Board; appointments

3. The Minister of Citizenship and Immigration submitted a recommendation for certain appointments to the National Film Board.

4. The Cabinet agreed that Bruce Hutchison, Esq., of Victoria, B.C., and Mitchell W. Sharp, Esq., of Ottawa, Ontario, be appointed, and Charles S. Band,Esq., of Toronto, Ontario, be re-appointed members of the National Film Board for the statutory period of three years; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1614, Oct. 28).

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Reception at Soviet Embassy; attendance by Ministers

5. The Secretary of State for External Affairs said members of the government would doubtless receive invitations to a reception at the Soviet Embassy in Ottawa on November 8th to commemorate the anniversary of the October Revolution. He suggested that all ministers need not, and perhaps should not, attend but that it would be advisable for a few members of the government, say four or five, to be present.

6. The Cabinet agreed that four or five ministers should attend the reception at the Soviet Embassy at Ottawa on November 8th to commemorate the anniversary of the October Revolution and that the Department of External Affairs ascertain which ministers would be prepared to accept the invitations.

Legislation; Quarantine Act revision

7. The Prime Minister submitted a recommendation by the Minister of National Health and Welfare that a bill be introduced during the coming session of Parliament to revise the Quarantine Act.

This legislation first enacted in 1872, had been amended only infrequently and was in need of revision. However, it was not something that urgently required action during the next session. In the circumstances, the Cabinet Committee on Legislation had suggested that the Department of Justice might be instructed to draft the revision, as time permitted, on the understanding that the measure would be introduced if drafting were completed in time, otherwise introduction would be deferred until the following session.

An explanatory memorandum had been circulated.

(Memorandum, Minister of National Health and Welfare, Oct. 7, 1954 - Cab. Doc. 225-54)

8. In the course of discussion it was pointed out that the revision might place unduly heavy administrative burdens on air carriers. For example, commercial airlines might presumably be required to return diseased persons to their country of origin. This provision could be carried out readily enough by ocean-going liners but might prove to be a hardship in the case of aircraft carriers where space was at a premium.

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9. The Cabinet approved in principle the proposed legislation to revise the Quarantine Act as recommended by the Minister of National Health and Welfare and agreed,-

(a) that the Department of Justice be instructed to undertake the drafting of the proposed legislation as time permitted; it being understood that the bill would not be introduced during the coming session of Parliament if the drafting could not be completed in time; and,

(b) that, when drafting had been completed, the Minister of Transport would discuss the terms of the new legislation informally with airline operators.

Legislation; Territorial Lands Act amendment

10. The Minister of Northern Affairs and National Resources said he proposed to introduce an amendment to the Territorial Lands Act during the coming session of Parliament. The main purpose of the amendment would be to enable the Minister to enter into agreements of sale of land prior to the completion of a survey by the Surveyor General of Canada.

An explanatory memorandum had been circulated.

(Secretary's memorandum, Oct. 25,1954- Cab. Doc. 228-54).

11. The Cabinet approved in principle a proposed amendment to the Territorial Lands Act as recommended by the Minister of Northern Affairs and National Resources and agreed that a draft measure be prepared accordingly.

Legislation; Electricity and Fluid Exportation Act amendment

12. The Minister of Trade and Commerce said he proposed to introduce a measure during the coming session of Parliament to amend the Electricity and Fluid Exportation Act.

The main purposes of the bill would be,-

(a) to enable control to be exercised over the importation of natural gas;

(b) to remove the authority to impose export taxes on petroleum, natural gas and other fluids, and to restrict such authority to power exports only; and,

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(c) to restrict the authority to the Governor in Council to revoke export licences to cases where a licencee had refused or neglected to comply with any of the terms or conditions imposed in the licence.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 26,1954-Cab. Doc. 234-54).

13. The Cabinet approved in principle proposed amendments to the Electricity and Fluid Exportation Act as recommended by the Minister of Trade and Commerce and agreed that a draft measure be prepared accordingly.

Legislation; bill to control works interfering with flow of water across international or interprovincial boundaries

14. The Minister of Trade and Commerce referring to the discussion at the meeting of October 6th,1954, concerning an agreement for construction of regulatory works at the foot of the Arrow Lakes,recently entered into between the government of British Columbia and the Kaiser Aluminum Company of the United States, said it had been thought, at first, that an amendment to the Electricity and Fluid Exportation Act might give the Federal government power to exercise some degree of control over works and agreements of this sort.

After more careful examination, however, it had been concluded that an entirely new statute should be enacted, under which a licence would first have to be obtained from the Governor in Council by anyone who wished to construct works in a river or other watercourse that crossed an interprovincial or international boundary, or in any tributary of such watercourse, where such works would interfere with the natural flow of water across an international or interprovincial boundary.

The Minister felt this broader concept of control of rivers crossing international or interprovincial boundaries from the standpoint of their most efficient and advantageous use was preferable to the narrower concept of control of water to be used in the United States as a particular form of energy,and recommended that a measure along these lines be prepared for introduction during the next session of Parliament.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 26,1954-Cab. Doc. 231-54).

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15. In the course of discussion it was pointed out that legislation of this kind might be particularly useful in the future with regard to certain rivers which flowed through the three prairie provinces.

16. The Cabinet approved in principle the proposal of the Minister of Trade and Commerce for the preparation of legislation to prohibit the construction, without the permission of the Governor in Council, of works interfering with the flow of water across international or interprovincial boundaries, and agreed that a draft measure be prepared accordingly.

Legislation; possible amendment to the Railway Act re C.P.R. branch lines

17. The Minister of Transport referring to discussion at the meeting of September 8th, 1954, explained that, under Chapter I of the Statutes of 1881 which ratified an agreement between the Canadian Pacific Railway Company and the government of Canada, the Company had power, without reference to Parliament or to the Board of Transport Commissioners, to construct branch lines of any length from the Company's main line between Callander, Ontario, and the Pacific Coast. The power so given had been upheld by the Supreme Court of Canada. Furthermore, by section 3 of the Railway Act, this power given by the Act of 1881 over-rode the provisions of the Railway Act. Thus, while the C.N.R. could not, at present, construct any railway line or branch line without parliamentary authority, the C.P.R. could do so without such authority.

It was for consideration whether any steps should now be taken to put both companies on an equal footing with regard to the construction of branch lines, although it should not be overlooked that the power was given to the C.P.R. by agreement, and ratified by Parliament.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 12,1954- Cab. Doc. 222-54).

18. In the course of discussion it was recognized that the C.P.R. had a special position in this matter because of its old contract. Even apart from the moral obligation under this solemn contract it would seem inadvisable for the government to attempt to change that part relating to branch lines at the present time, not only because it would focus attention on the competition that had recently developed between the C.N.R. and C.P.R. in the Manitouwadge Lake region, but also because abrogation of that part might encourage the C.P.R. to seek modification of other contracts which were not entirely to the Company's liking.

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At some time in the future, when railway legislation generally was under review, there might be an opportunity to make some appropriate change in the Company's powers in this respect.

19. The Cabinet noted the report by the Minister of Transport regarding the powers enjoyed by the Canadian Pacific Railway, under Chapter I of the Statutes of 1881, to construct, without authority of Parliament or of the Board of Transport Commissioners, branch lines from its main line between Callander, Ontario, and the Pacific Coast, and agreed that no attempt be made at this time to modify the powers enjoyed by the Company in this respect.

Legislation; Library of Parliament Act amendment

20. The Minister of Citizenship and Immigration submitted a draft bill to amend the Library of Parliament Act. The purpose of the bill was to carry out the recommendation of the Joint Committee of both houses that there should be one Librarian of Parliament rather than two as now provided.

21. The Cabinet approved for introduction the bill to amend the Library of Parliament Act as submitted by the Minister of Citizenship and Immigration.

Trans-Pacific air agreement with Japan;negotiations

22. The Minister of Transport mentioned that, for some time, the Japanese government had been urged to negotiate with Canada an air transport agreement on trans-Pacific air routes. Japan had declined to send a delegation to Ottawa on the ground of budgetary limitations but was prepared to receive a Canadian delegation in Tokyo sometime between November 1st and 20th. He urged that authority for such negotiations be given, not only because the current agreement with Japan would expire in approximately eighteen months, but also, because the negotiation of such an agreement would be of value to Canadian Pacific Air Lines. It was considered that the minimum Canadian requirements would be a Vancouver-Tokyo-Hong Kong route for which Canada should be prepared to make reasonable concessions.

23. In the course of discussion it was suggested,-

(a) There would be every advantage in negotiating such a trans-Pacific air agreement before Japan actively entered the commercial airlines field.

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(b) Canadian negotiators should be instructed not to agree to concede any air routes east of Vancouver to Japan.

24. The Cabinet agreed that Mr. A.D. McLean, Member of the Air Transport Board, Mr. G. Morisset, Chief of International Relations of the Air Transport Board, and such other persons as the Secretary of State for External Affairs might designate (possibly including Mr. J.F. Clark of Vancouver), be authorized to proceed to Tokyo for the purpose of negotiating a new trans-Pacific air agreement with Japan; it being understood that Japan should not be conceded any rights east of Vancouver and that any agreement that might be concluded as a result of the Tokyo discussions would be referred to Cabinet for approval.

Wood Islands, P.E.I. - Caribou, N.S. ferry service; construction of new vessel

25. The Minister of Transport, referring to discussion at the meeting of March 25th, 1954, said studies made by the Canadian National Railways, the Bureau of Transportation Economics, and the Canadian Maritime Commission on the ferry service between Wood Islands, P.E.I. and Caribou, N.S. indicated that with present vehicular traffic, one of the two vessels now in service, the "Prince Nova", with a capacity of 13 cars and 200 passengers, should be replaced by a 60-car ferry rather than a 40-car ferry as originally planned. Furthermore, it was estimated that, within two years of the inauguration of the new ferry, the annual automobile traffic would be about 25,000 vehicle movements and, within eight years, between 37,000 and 40,000 vehicle movements.

The service was at present operated by the Northumberland Ferries Limited at an annual subsidy of $158,000. If that Company were to operate the proposed new ferry and the S.S. "Charles A. Dunning", the annual subsidy requirement was estimated at $230,000. If, however, operation of the service were to be entrusted to the Canadian National Railways, the annual subsidy requirement was estimated at $330,000, and certain capital expenditures would have to be made to acquire the ships and assets of Northumberland Ferries Limited. The Commission, therefore, satisfied with the previous operation of this service had recommended, in the interest of economy, its continued operation by Northumberland Ferries Limited.

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The Minister recommended that authority be granted for the construction of a new vessel of 60-car capacity at an estimated cost of $2 million, and that the new vessel be operated on the Wood Islands-Caribou route by Northumberland Ferries Limited, upon suitable charter-hire or management-fee arrangements to be negotiated by the Canadian Maritime Commission.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 27,1954-Cab. Doc. 232-54).

26. In the course of discussion it was suggested that, although there seemed to be a good case for the construction of a new 60-car ferry to replace one of the two smaller vessels now on the Wood Islands - Caribou route, consideration should be given to the desirability of increasing freight and passenger rates to a somewhat more realistic level.

27. The Cabinet noted the report of the Minister of Transport and agreed,-

(a) that provision be made in the 1955-56 estimates of $1 million for the construction of a 60-car ferry estimated to cost approximately $2 million, in all, rather than the 40-car ferry previously authorized, to replace the motor vessel "Prince Nova" on the Wood Islands, P.E.I.-Caribou, N.S. ferry service;

(b) that the new vessel be operated by Northumberland Ferries Limited upon suitable charter-hire or management-fee arrangements to be negotiated by the Canadian Maritime Commission; and,

(c) that the Minister review the rates payable for vehicles, passengers and freight on the two ferry services to Prince Edward Island, having regard to rates payable for comparable services elsewhere with the object of revising these when the new ferry went into service.

Ripple Rock removal; report by National Research Council

28. The Minister of Trade and Commerce referring to discussion at the meeting of February 16th,1953, said the National Research Council had submitted an excellent report dated August 31st,1954, on methods of removal of Ripple Rock in Seymour Narrows, B.C.

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He preferred the tunnelling approach, which was one of the methods suggested in the report, and recommended that tenders be called for this work and that an item of $2 million be included in the main 1955-56 estimates. Detailed plans for the tunnelling could be prepared pending availability of the required appropriation.

29. The Cabinet agreed that the Department of Public Works be authorized to proceed with the removal of Ripple Rock in Seymour Narrows, B.C., in accordance with the tunnelling method suggested in the report of the National Research Council of August 1954, and that an item for this purpose be included in the main 1955-56 estimates.

Brussels World Fair 1958; Canadian participation

30. The Minister of Trade and Commerce said the Belgian government had invited Canada to take part in a universal and international exhibition to be held at Brussels during 1958. The General Commissioner appointed for the Fair, Baron Moens de Fernig, was coming to Ottawa in the next few days to discuss with members of the government and officials of the departments concerned, arrangements for Canadian participation. If Canada was to participate it would be desirable to make the decision now so that arrangements could be made with Baron Fernig to secure a good site for the Canadian pavilion and a start could be made with the necessary planning.

The Brussels Fair was the first exhibition of its kind since the New York World's Fair of 1939. By international agreement, such exhibitions could not take place more frequently than once every three years. Hence, there would not be another during the '50's. Because of our national status and extensive trade interests, Canadian participation seemed desirable.

The cost of participating was estimated at not less than $1.5 million and might possibly be as high as $2.75 million. Such expenditure would be roughly comparable, as a percentage of national income, to the amount spent on exhibitions of a similar type before the Second World War. The total cost of Canadian participation in the Brussels Fair would be spread over at least four fiscal years. Expenditures in the fiscal year 1955-56 was not likely to exceed $50,000.

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The Minister recommended that Canada participate, that the planning organization and administration of the Canadian pavilion and exhibits be carried out by the Canadian Government Exhibition Commission of his Department, and that an interdepartmental advisory committee be established to advise the Director of the Commission on arrangements for Canadian participation.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 27,1954- Cab. Doc. 235-54).

31. In the course of discussion the following points emerged:

(a) If the area to be used for the Brussels Fair of 1958 was located near the centre of the city,the Canadian pavilion might be kept for permanent use by Canada after the Fair.

(b) It was suggested that the Director of the National Gallery be added to the interdepartmental advisory committee suggested by the Minister of Trade and Commerce.

32. The Cabinet agreed,-

(a) that Canada participate in the Brussels World Fair to be held in 1958;

(b) that the planning, organization and administration of the Canadian pavilion and exhibits be carried out by the Canadian Government Exhibition Commission of the Department of Trade and Commerce; and,

(c) that an advisory committee be established to advise the Director of the Commission on arrangements for Canadian participation, with the following membership:-

Associate Deputy Minister of Trade and Commerce (Chairman)
Secretary to the Cabinet
Undersecretary of State for External Affairs
Chairman of the National Film Board
Director of the National Gallery
Secretary of the Treasury Board
Director of the Canadian Government Exhibition Commission
Comptroller-Secretary of the Department of Trade and Commerce (Secretary).

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Canadian Wheat Board; final payment on 1953-54 oats pool; interim payment, 1953-54 wheat pool

33. The Minister of Trade and Commerce reported that the oats pool for the crop year 1953-54 had closed on October 15th, and had resulted in a surplus for distribution to producers of $5,631,130.40. During the year, 89,725,291.1 bushels had been delivered to the Board and the average final payment would therefore be 6.275 cents per bushel, after deducting payment expenses and the Prairie Farm Assistance Act levy. The Wheat Pool for the same crop year had not yet closed, but it would be desirable to make an interim payment of 10 cents per bushel as well. There was a shortage of cash in the Prairie Provinces and these payments, amounting in total to approximately $45 million would alleviate the situation considerably. He recommended, therefore, that authority be granted for the making of these payments. It was expected that the first cheques for oats would be mailed to producers on November 9th, 1954.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 28, 1954 - Cab. Doc. 233-54).

34. The Cabinet approved the recommendations of the Minister of Trade and Commerce and agreed that a final payment of 6.275 cents per bushel be made in respect of the 1953-54 oats pool, and an interim payment of 10 cents per bushel be made on the 1953-54 wheat pool; Orders in Council to be passed accordingly.

Contractual arrangements for project "Mongoose"

35. The Minister of Defence Production, referring to discussion at the meeting of June 30th, 1954, reported that the R.C.A.F. would be the Design Authority for the entire Mid-Canada Early Warning Line and would produce a complete systems specification. The first phase of the project included a study of the requirements, with a technical report on the project as a whole, and would be completed by December 31st. The second phase, to be completed by January 1st, 1957, covered the engineering, procurement, transportation, construction and installation of the entire system. Past experience had shown that the most efficient way to carry out a project of this magnitude and complexity, was to have one company manage the contract. The project would consist of a trans-continental communications network to be built over exceedingly difficult terrain. Its construction, planning and engineering would have to be of the highest

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order, and the only organization in Canada with suitable experience and which appeared capable of meeting the necessary requirements was the Trans-Canada Telephone System. This Company was composed of the major provincial and commercial telephone operating companies in Canada and had been set up to ensure a smooth and reliable transcontinental telephone system. Included in it, as the dominant partner, was the Bell Telephone Company which had had much experience in this field of work and access to valuable technical advice and information in the United States.

The R.C.A.F., as Design Authority, in addition to producing overall specifications, would monitor the project to ensure that the work was properly carried out on schedule. To assist it, the R.C.A.F. had engaged engineers from private industry and would draw on the management contractor for information and advice. The Department of Defence Production, so far as possible, would carry out normal procurement functions, including the calling of tenders, the negotiating and awarding of contracts, supervising production and the special expediting of production for this project. It would be responsible for placing engineering contracts, including the main management contract, and would procure all equipment incidental to the operation of the project. Defence Construction (1951) Limited would arrange for the construction of buildings, roads, runways etc. incidental to the line. Finally, the Trans-Canada Telephone System would be primarily responsible for the supervision and co-ordination of the entire project. The Company would work closely with the Design Authority on organization and planning and would provide engineering advice, reports, costing information, a plan for carrying out the project and detailed drawings and specifications to meet the system's requirements. It would also furnish a master time-schedule and carry out siting and other surveys on the request of the Design Authority or as indicated by the requirements of the work. The Company would also coordinate reports and be responsible for expediting and supervising contracts. It would, in fact, be responsible for turning over to the government a complete and practicable early warning line.

The Minister said he intended to recommend that approval be given to the award of the management contract to the Trans-Canada Telephone System on the basis outlined, but would like to discuss the matter with officers of the System following preliminary consideration by Cabinet.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 26,1954-Cab. Doc. 230-54).

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36. In the course of discussion, the following points emerged:

(a) A management fee of 2½ percent had been discussed but no conclusion on this point had been reached.

(b) While the letting of a management type contract appeared to be the desirable way to approach this difficult problem, and while the Trans-Canada Telephone System, with its technical experience and knowledge, would probably be the best company available, it would be preferable to retain as much financial control as possible as against allowing the System to have full responsibility for spending the allotted money.

(c) There was some apprehension, particularly in the Air Force, that there would be delays if, as now proposed, the usual government procedures in letting contracts and supervising work were followed. Furthermore, the proposal, covering as it did the R.C.A.F., the Department of Defence Production, Defence Construction Limited and the Trans-Canada Telephone System, appeared to involve an unsatisfactory division of responsibilities and might result in serious delays. Similar projects of great complexity in the U.S. had been turned over completely to private companies, though the results had not been fully satisfactory.

(d) Discussions with regard to financial arrangements and other matters were still proceeding and some new information had come to light. In the circumstances, it would probably be desirable to examine the proposal further and postpone taking a decision for the present. In any event, it was the general view that, on this project, the money provided should be spent in accordance with the usual government procedures insofar as this was practicable.

37. The Cabinet noted the report of the Minister of Defence Production and deferred consideration of the contractual arrangements for the construction of the Mid-Canada Early Warning Line to a later meeting.

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National Housing Act; possible proclamation of Home Improvement Section

38. The Minister of Public Works reported that, since 1937, there had been provisions in the housing legislation for the guarantee of loans made to improve homes. Prior to the war, approximately $50 million had been lent under this plan. Since then, the appropriate part of the National Housing Act had been revised from time to time but had been proclaimed only in one or two centres for limited periods. Recently, representations, particularly from the Canadian Legion, had been made to bring the section into general effect. The Veterans Land Act had been amended in the last year but no home improvement provisions had been recommended for inclusion because it had been understood that the powers already contained in the National Housing Act would soon be put into force. In its present form the Part was not likely to be very effective and it was doubtful if many loans would be made under it. Nevertheless, because of the pressure to proclaim it and commitments which had been made, he recommended that Part IV of this Act come into effect on December 15th, 1954.

39. In the course of discussion it was pointed out that there was probably a greater need in some centres for lending money for home improvements than for building new premises. Improvements in dwellings could be carried out in the winter much more easily than construction of new houses and, from the point of view of employment conditions, this was a pertinent factor. On the other hand, because of the probable lack of mortgage money and the apparent ineffectiveness of the relevant Part, it was questionable whether there would be any advantage in proclaiming it. While a commitment had been made to bring it into force prior to the end of March, 1955, it might be preferable to delay a decision on the matter until further consideration had been given to the general question of financing the repair of houses and improved legislation for the purpose.

40. The Cabinet deferred decision on the recommendation of the Minister of Public Works to proclaim the Home Improvement Part of the National Housing Act pending an examation of its provisions and a further report by the Minister.

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Public Service Rearrangement and Transfer of Duties Act; Customs and Excise Chemical Laboratory; Canadian Red Cross Society

41. The Prime Minister submitted recommendations for transfer of the Customs and Excise Chemical Laboratory from the National Research Council to the Department of National Revenue, and for transfer of the functions of the Minister and Department of National Defence under the Canadian Red Cross Society Act to the Minister and Department of National Health and Welfare.

42. The Cabinet agreed that, under the provisions of the Public Service Rearrangement and Transfer of Duties Act:

(a) the control and supervision of the Customs and Excise Chemical Laboratory be transferred from the National Research Council to the Department of National Revenue; and,

(b) the functions vested in the Minister and Department of National Defence by the Canadian Red Cross Society Act be transferred to the Minister and Department of National Health and Welfare;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1657,-1658,Oct. 28).

Appointment; Historic Sites and Monuments Board

43. The Minister of Northern Affairs and National Resources submitted a recommendation for an appointment to the Historic Sites and Monuments Board of Canada.

44. The Cabinet approved the recommendation of the Minister of Northern Affairs and National Resources and agreed that, pursuant to the Historic Sites and Monuments Act, Thomas Head Raddall, Esquire, be a member of the Historic Sites and Monuments Board of Canada from the Province of Nova Scotia, for a period of five years, vice Professor D.C. Harvey; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1656, Oct. 28).

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Canadian Overseas Telecommunication Corporation; salary of President and appointment of Vice-President

45. The Minister of Transport submitted a recommendation to increase the salary of the President and General Manager of the Canadian Overseas Telecommunications Corporation and for the appointment of a Vice-President of the Corporation.

46. The Cabinet approved the recommendation of the Minister of Transport made pursuant to section 4 of the Canadian Overseas Telecommunications Corporation Act, and agreed:

(a) that the salary of D.F. Bowie, Esquire, President and General Manager, be fixed at $13,500 per annum, effective July 1st,1954; and,

(b) that Richard J. Cassidy, Esquire, be appointed vice-President at a slary of $11,000 per annum, effective November 1st,1954;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1659,Oct. 28).

Canadian Pacific Air Lines; application for northerly "Great Circle" route, Vancouver-Amsterdam

47. The Minister of Transport reported that, under the 1948 Air Agreement between Canada and the Netherlands, provision was made for a service between any point in Canada and Amsterdam. No steps had been taken to implement the Agreement until recently, when the Canadian Pacific Air Lines had applied for permission to operate from Vancouver, via a northerly "Great Circle" route, to Amsterdam. Under international air agreements the government must first designate the carrier; the Air Transport Board is then obliged, by law, to grant the license required. Development of this northern route appeared to be inevitable and the C.P.A. proposal was an attractive one from the point of view of Canadian aviation generally. Preliminary examination indicated that it was technically feasible and would offer a substantial saving in distance as well as the advantage of a single plane service from the Pacific to Europe. It would provide direct transportation from Australia, New Zealand, Japan and Hong Kong through North America to points in Europe. If it were established, much of the traffic travelling in the other direction to Europe from these points might be diverted to the new service. A considerable volume of traffic originating in the Canadian west and the U.S. northwest might also use the service as against travelling on presently established routes. A further consideration affecting the application

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was the elimination or reduction of the Air Lines' military contract airlift to Japan, thus making available a substantial surplus of equipment and air crew. The Company also claimed that the granting of a license would mean the achievement of a fairer revenue position for itself from traffic it originated in the east.

Approval of the proposal it was stated, would have helpful possibilities for bilateral negotiations on air traffic routes. Such a service would drain off some, but not a great deal of traffic from T.C.A. If C.P.A. were designated the carrier, it would not be possible for T.C.A. to establish a like service, since under the bilateral agreement only one airline was allowed to operate on this particular route. If the application were approved, C.P.A. would become one of the major world operators in the international field and would not be in a position to rely on domestic operations to support its international service if economic difficulties arose.

The proposal would involve a change in government policy. T.C.A. was not in favour of the application but also was not anxious to offer opposition to it in public hearings. Such hearings might not be desirable in any event as they would provide an opportunity for private and public agencies and witnesses to criticise government policy on the "no competition" issue. If it were decided that there was no objection to the designation of C.P.A., this might be done immediately, with the Air Transport Board then proceeding to issue a licence, or the Board might be informed that the government was prepared to designate the company if the Board, after investigation, were satisfied that there was justification for the route. Alternatively, C.P.A. could be informed that there would be no change in present policy.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 30,1954- Cab. Doc. 226-54).

48. In the course of discussion the following points emerged:

(a) There had been a constant and apparently deliberate effort to reduce T.C.A.'s role by the expension of C.P.A.'s operations. T.C.A. had been established on the assumption that it would have all transcontinental and international traffic. Notwithstanding this, C.P.A. was now operating on Pacific and South American routes. It was also

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very heavily subsidized, in particular on the Korean airlift. It would be difficult for T.C.A. to continue to show a profit if more and more routes competing with it were granted to C.P.A. If the application were granted on the terms outlined, it would not have any great effect on T.C.A., but, once the route had been established, there would undoubtedly be requests for further extensions and landing rights in cities other than Vancouver, such as Edmonton and Winnipeg, with much more serious results. C.P.A. should be required to establish public convenience and necessity in order to secure this new service.

(b) It was argued, on the other hand, that the Scandinavian Airlines would soon be operating over Canada to the U.S. and the Vancouver-Amsterdam proposal would compete with this service rather than with T.C.A. No proposal had been made by C.P.A. to pick up traffic at any other points but Vancouver, - presumably the Company counted on drawing its passengers from the Vancouver area, from the northwestern United States and from points in the Pacific.

(c) Before making a decision on the proposal, it would be helpful to have a report on the details of the application, the route, the amount of traffic, the areas from which traffic might originate and the effect which the granting of a licence might have on T.C.A.

49. The Cabinet deferred consideration of the application of Canadian Pacific Air Lines for permission to operate from Vancouver, via a northerly "Great Circle" route, to Amsterdam, and requested the Minister of Transport to secure an economic report showing whether the proposed service could be operated successfully; with the explicit understanding that the Air Line would have traffic rights in Vancouver only and not at any points in Canada east of Vancouver.

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Unemployment insurance policy proposed revision of Act

50. The Minister of Labour, referring to discussion at the meeting of April 8th, 1954, reported that the Unemployment Insurance Commission had now prepared a revision of the Unemployment Insurance Act, which had been reviewed in detail by the Inter-departmental Committee on Unemployment Questions. The Committee had made an interim report on its studies and would submit a further report when the actuaries had analysed the proposals.

The Commission proposed that the Act be thoroughly revised so that the kind of unemployment problems which now appeared likely could be met more effectively. It was suggested that coverage be extended to all groups which it was practical to insure against unemployment, including employees of government hospitals and institutions at all levels, as well as all salaried employees previously excluded by an upper wage limit. A simplified contribution system, and, most important of all, a revised benefit formula, were also proposed. Present supplementary benefits would be incorporated into the regular plan at regular rates. There would be no general change in rates of benefit, but provision would be made for two additional wage brackets. These changes in the contribution and benefit plan would make possible a great simplification and some economy in administration, mainly by relying on employers' records. An added important feature of the proposal was that unemployment arising from illness, with certain limitations, would qualify a person for benefits.

The Interdepartmental Committee, felt that, with the exception of the illness benefit feature, on which there was a division of opinion, and subject to certain other qualifications, the revision would be a marked improvement over the present programme. The changes, however, were substantial and the new system would not yield the records necessary to revert to the present plan.

It was the Committee's view that the present was a favourable time to extend the coverage as far as was feasible, on the general ground that as many persons as possible should be covered by insurance against unemployment and that those in relatively secure employment should be ready to contribute to the support of those who lacked such security. At the same time, it was felt that, if the relatively secure groups were brought in, a serious effort should be made to include others where insurance was badly needed. The Committee pointed out, however, that the inclusion

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of provincial civil servants would require agreements with the provinces. It was suggested that police forces should be included except where their terms of service were similar to those of the military forces. It was also suggested that the recommendations as to coverage should be considered as a whole as well as in detail; (for example, it would not seem right to include teachers or salaried employees receiving more than the present limit of $400 per month unless permanent federal civil servants were brought in). While it was not essential to extend the coverage in order to revise the basic structure of benefits and contributions, the proposed extension would assist in making possible benefits over a longer period or avoiding increases in contributions.

Arguments for and against extending insurance to cover unemployment caused by illness were set forth, but the Committee did not think it advisable to deal with the details of this proposal until it knew whether the government wished to proceed with it. The Committee felt that the Commission's proposals on married women, pregancy and stoppages of work due to labour disputes should not be proceeded with because, although they had a good deal of merit, considerable difficulties would likely be met in implementing them. No change was recommended in the nature or amount of the government's contribution to the plan. A re-arrangement and clarification of the provisions of the present Act was whole-heartedly endorsed.

It was not possible for the Committee to make precise recommendations about contributions and benefits because the actuaries had not yet reported on these matters. The risks of unemployment were not sufficiently regular to permit accurate actuarial evaluation of them and the present large fund would enable some risk to be taken in the revision of the insurance plan. The Committee believed that contributions on the new percentage basis should be at such rate as would yield the same total amount as at present. Generally, it suggested that all the resources should be concentrated on improving benefits, especially in duration, rather than reducing contributions. The Committee agreed in principle that individuals in the higher earning brackets should receive higher benefits, but that there should be no increase in the general scale, which was limited by the need to leave a sufficient margin between benefits plus casual earnings on the one hand, and wages on the other, to act as an incentive to accepting work.

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The Committee agreed that the Commission's proposal for a standard 20-week period of benefit would be an improvement over the present minimum period of six weeks and maximum period of 51 weeks, particularly because this would be of advantage to those with a relatively short attachment to the labour force, and where unemployment tended to be concentrated. However, a modified plan to the one originally proposed was preferred. It was suggested that the actuaries be asked to report on a proposal which would increase the present minimum benefit period from 6 to 15 weeks plus another 10 weeks seasonal benefit, and reduce the maximum period to 30 weeks plus 10 weeks seasonal benefit, with improved seasonal features. Such a modification would still make possible the simpler plan of operations and record keeping originally proposed by the Commission. It was thought that a reduction of the minimum period of potential benefit might encounter serious opposition and, if it were felt necessary, a transitional guarantee of benefits already earned on the present basis might be included.

The proposed revision of the Act could not come into effect during the next winter, and for that reason the government might wish to recommend that Parliament deal quickly with a short bill increasing the rate and duration of supplementary benefits under the present Act in partial anticipation of the main measures. Finally, it was the Committee's view that a revised plan, even with broader coverage, would not render unemployment assistance unnecessary. Insurance could not cover persistent unemployment arising from chronic difficulties in certain areas and industries or from a major recession.

An explanatory memorandum had been circulated.

(Report of the Interdepartmental Committee on Unemployment Questions, Oct. 27,1954-Cab. Doc. 235-54).

51. In the course of discussion the following points emerged:

(a) The proposal to pay benefits for unemployment brought about by illness would be regarded as partial health insurance for a group of the population. If it were desirable to have health insurance, this should be brought about openly in one comprehensive measure covering the whole population. Such a feature in an unemployment insurance measure would only arouse criticism from other groups, and it would therefore be desirable not to proceed with this aspect of the Commission's proposals.

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(b) The extension of coverage to public servants at all levels would arouse controversy. It would also mean additional charges on the Consolidated Revenue Fund and on municipal and school budgets, and it would be difficult to arrange agreements with provinces. Similarly, there would be criticism if all hospitals and charitable institutions were brought into the plan. It could be argued that the payment of contributions by good risks such as those suggested, equalized the burden of protecting the unfortunates and that a broad scheme of unemployment insurance assisted in stabilizing the economy and providing permanent jobs. On the other hand, the proposal to cover these good risks meant the enforcement of contributions for insuring against a contingency which would almost never occur. On the whole, it seemed preferable not to extend the coverage as proposed.

(c) The payment of benefits on a weekly basis, with the provisions for casual earnings, would make it more difficult for companies to operate on less than a full work week, where this was necessary. Under the present scheme, the daily rate of payment of benefits could be filled in with the operation of industrial plants on short time.

(d) The general proposal on contributions and simplification of administration appeared to be desirable and it was hoped that a practical plan with regard to these features and the benefit proposal could be worked out depending upon the analysis to be received from the actuaries.

(e) To meet possible eventualities which might occur early in the new year, it would be worth preparing for consideration a short measure to increase the rate and duration of supplementary benefits in the present Act as the Committee had proposed.

52. The Cabinet agreed:

(a) that the study of the proposed revision of the Unemployment Insurance Act be continued and a draft measure prepared on the understanding that there would not be

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included in the bill any provision that the insurance plan should cover unemployment caused by illness nor any broad extension of coverage as proposed;

(b) that a draft measure be prepared to amend the present Unemployment Insurance Act to increase the rate and duration of supplementary benefits during the winter of 1955 in anticipation of features to be included in the revision of the Act; and,

(c) that a plan be developed and put forward for consideration which would provide unemployment insurance coverage or its social equivalent for fishermen.

North Atlantic Treaty Organization and Germany

53. The Secretary of State for External Affairs, referring to discussion at the meeting of October 19th, reported on the meetings of the nine foreign ministers and of the North Atlantic Council, which he had attended in Paris the previous week. Prior to these two meetings, there had been a meeting of the three Occupying Powers and the Federal Republic of Germany, at which final agreement had been reached on ending the occupation of the Republic, the restoration of its sovereignty and the status and interim financing of the troops remaining in Germany. An agreement supplementing the N.A.T.O. Status of Forces Agreement was also being worked out to deal with the privileges and immunities of foreign forces. The Nine-Power Conference had concluded successfully with the approval of protocols to the Brussels Treaty providing for the accession of the Federal Republic of Germany and Italy to the Treaty, the setting of maximum levels of the forces in Europe of the Treaty powers, and the establishment of an agency for the control of arms produced by the continental members of the Brussels Treaty. The Conference had also adopted, at the insistence of the French, a resolution to convene a working party of the Treaty powers to study the question of the production and standardization of armaments. From now on, the Brussels Treaty Organization would be known as the Western European Union.

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The N.A.T.O. Council had met and noted with approval the reports of the two previous meetings and itself approved the protocol providing for the accession of Germany to N.A.T.O., a resolution associating other N.A.T.O. countries with the Three-Power Declaration on Germany and Berlin, a resolution on the reinforcement of N.A.T.O.'s military machinery, and a resolution to ensure the closest co-operation between the Western European Union and N.A.T.O. A convention on the presence of foreign troops in Germany had been agreed to and provision had been made whereby non-occupying powers having troops in the Federal Republic could accede to it. Appropriate financial arrangements had been made whereby the Federal Republic would contribute to the cost of the foreign forces in Germany for the interim period between the termination of this occupation and the entry of Germany into N.A.T.O. and for a 12 month period thereafter. Towards the end of the meeting considerable apprehension had been created by the decision of the French Cabinet that Mr. Mendes-France was not to sign any document unless arrangements suitable to France with respect to the Saar had been made. After a good deal of difficulty and much hard work, such arrangements were concluded, largely due to the good offices of Sir Anthony Eden and the concessions made by Chancellor Adenauer. France was able to adhere to all the agreements which had been reached previously. The Western European Union headquarters would be established in London, the Armaments Control Organization, within the Union, in Paris, and the machinery for the inspection of forces would be provided by SACEUR under N.A.T.O.

It seemed likely that all the appropriate agreements and protocols would be ratified by the legislature of the N.A.T.O. countries, but no steps would be taken by others until the French Parliament had placed its stamp of approval on the new agreements. There was no danger of Canada holding up Germany's accession to N.A.T.O. by failure to ratify the protocol before January 15th. There would, in all probability, be no great difficulty about the Annual Review procedures, as it was no longer planned to make any substantial changes in them. On the other hand, the possibility still existed that there might, in the future, be minor changes of emphasis within the present procedures arising out of the arrangements accompanying the admission of Germany to N.A.T.O. In any case, none of the decisions being taken at this stage would prejudge what attitude Canada might adopt towards such changes when and if they did arise.

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54. In the course of discussion, the following points emerged:

(a) The reaction of the Soviet Union to the events which had occurred in the last few weeks had been quite mild. The only card which the Russians could play in the circumstances was that of reunification of Germany, but this would have to be subject to free elections which it was quite clear that the Soviets would not concede. The Canadian Ambassador to Moscow had expressed the firm belief that the new Russian regime was anxious to avoid war. Its domestic propaganda dwelt largely on the possibility of improving the standard of living of the Russian people and did not appear to be indoctrinating them further with fears of the West nor preparing them for war.

(b) The new arrangements involved considerable risks, but there was no alternative than to accept those risks. Germany was growing stronger at a rapid rate and it was far better to have such a development take place within the framework of the Western European Union and the North Atlantic Treaty Organization than free from any foreign control. Already it was clear that the Germans would play an active part in the Union and in N.A.T.O.

(c) It seemed unfortunate that the C.B.C. broadcast from Paris on this general subject the previous evening had been so critical and pessimistic, and apparently at variance not only with Canadian views but with most shades of French opinion as well.

55. The Cabinet noted with approval the report of the Secretary of State for External Affairs on the meetings of the nine foreign ministers and of the North Atlantic Council concerning the integration of the Federal Republic of Germany with the Western European Community.

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Leave of absence for a Civil Service Commissioner to assist in the reorganization of government services in Cambodia

56. The Prime Minister said he had received an urgent request from Dr. Keenleyside, the Director General of the United Nations Expanded Programme of Technical Assistance to Underdeveloped Countries, that Mr. Boudreau, one of the Civil Service Commissioners, be granted leave of absence to go to Cambodia to assist in the reorganization there of the government services. If the request was refused, there would be disappointment in U.N. circles and amongst those who thought the country might have a reasonable future. Mr. Boudreau could be most helpful in Cambodia, particularly as he spoke both French and English. The question was whether it was worth making his services available if it was not likely that Cambodia would become a viable democratic nation.

57. In the course of discussion, it was pointed out that, of the three Indo-Chinese states, there was a better chance for the future of Cambodia than there was for Vietnam and Laos. If suitable alternative arrangements could be made in respect of the duties which Mr. Boudreau performed in Ottawa, it would appear desirable to meet the request.

58. The Cabinet agreed that Mr. A.J. Boudreau, a Civil Service Commissioner, be granted leave of absence for six months to assist in the reorganization of the government services in Cambodia; it being understood that if a request were made for an extension of this period it would be considered in the light of the conditions at the time and of any information which might be received from the Canadian member of the International Supervisory Commission in Cambodia.

United Nations relief and assistance programmes; Canadian participation

59. The Secretary of State for External Affairs submitted recommendations for Canadian participation in four United Nations relief and assistance programmes. The agencies concerned were the Korean Reconstruction Agency (U.N.K.R.A.), the Children's Fund (U.N.I.C.E.F.), the Relief and Works Agency for Palestine Refugees (U.N.R.W.A.) and the Expanded Programme of Technical Assistance to Underdeveloped Countries (E.T.A.P.).

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In 1950, the government had agreed to make a total contribution not to exceed $8 million for U.N.K.R.A. Subsequently, when it became apparent that the agency's total budget would not be met, Canada made available $7.25 million rather than the full amount of $8 million. At the 8th Session of the General Assembly of the United Nations, an overall target for U.N.K.R.A's programmes of $266 million had been approved but there were indications that the total amount of contributions received would not be as great as hoped for and, in fact, the results therefore had been disappointing. Efforts had been made to secure payments from contributing countries for the full amount of this programme, but several countries thought the plan unrealistic and the United States had proposed a less ambitious alternative amounting to a total of $44.9 million. It would be unwise not to continue in the civil fields a substantial measure of aid to complete the effort which has been made in the military fields in Korea. Accordingly, the U.S. proposal was welcome as a means of avoiding the possibility that U.N.K.R.A. might be obliged to terminate its activities without having completed its original programme. It was the present intention to proceed on the assumption that no further contributions would be made after the fiscal year 1955-56. The $44.9 million total suggested included contributions from the United Kingdom, Australia and Canada of $9.9 million with most of the balance being made up by the U.S. Approximately $7 million would comprise the unpaid portion of previous United Kingdom and Australian pledges, leaving a gap of about $3 million to be filled by increased contributions from those countries and a further contribution from Canada. The balance of the original $8 million authorized, or $750,000, would appear to be a reasonable share of the gap of $3 million, and the Minister recommended that such a contribution be made at this time.

U.N.I.C.E.F. commanded a large measure of support in Canada and under efficient administration, had made a positive contribution towards meeting the problem it was set up to overcome. The Fund's target was $20 million but, despite steady increases in contributions of various participating governments, it had not been possible to reach that amount and a number of useful projects had been denied assistance. The U.S. contributions were based on a matching formula of 60-40 and it would appear that unless contributions from the other member countries were increased, the fund would not be able to avail itself of the $8 million the U.S. Congress seemed prepared to provide. In the circumstance, he recommended that Canada increase its contribution this year to $600,000 from the $500,000 granted in past years.

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For the current year, the government had agreed to a contribution of $500,000 for U.N.R.W.A. In doing so, the view was expressed that continued Canadian participation in assisting in the financing of this Agency would depend upon the progress made towards the final solution of the refugee problem. The ultimate responsibility rested,however, with Israel and the Arab States, the Conciliation Commission of Palestine and U.N.R.W.A. Though Israel had acknowledged its obligations to compensate refugees for properties the Israelis had taken over, the government had, as yet, not begun any payments. Little progress had been made in the re-settlement of refugees in the Sinai Peninsula, but agreement had been reached in principle by the Arab nations concerned and Israel to the development of the Jordan-Yarmuk Basin so that a large quantity of land could be irrigated and made fit for habitation by a considerable number of refugees. There were hopes that the new Director of U.N.R.W.A. would operate it more effectively. The Truce Supervision Organization was now led by a Canadian and, although this body had no responsibility for trying to achieve a settlement of the refugee problem, its work was important in preventing a possible breakdown of security. On the whole, there appeared to be some indications of progress in solving this difficult problem. For this reason and the fact that Canadian diplomatic missions would be opened in the Middle East in the near future, he recommended that a further contribution of $500,000 be made to the programme.

Canada had made several contributions to the programme of technical assistance to under-developed countries (E.T.A.P.) and last year had almost doubled the amount made available for the previous period. Of all the United Nations programmes it was thought that this one had the widest public appeal and offered one of the best opportunities for assisting effectively the economically less well-developed countries to overcome their problems and to raise the low standard of living of their peoples. The increase in Canada's contributions was of direct benefit last year in helping to avoid a serious curtailment in the programme's activities. In the past year, a number of administrative and financial improvements had been made and at the same time requests for assistance had grown. There was broad agreement that a real and pressing need existed for an upward revision of contributions if the pace of the existing programme was to be maintained. A further

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increase in Canada's contribution would help to meet the increasing volume of requests for assistance, satisfy a number of representations made in Canada for increased support of this sort of thing, reinforce Colombo Plan operations and set an example to other countries to increase their contributions. He recommended that the Canadian contribution be set at $2.5 million for the next year.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 4,1954-Cab. Doc. 218-54).

60. Mr. Pearson added that there were two general points he thought should be kept in mind in considering these recommendations. The first was that mutual aid for military purposes would probably decrease in the forthcoming fiscal year and there might, therefore, be more funds available for more peaceful uses. Secondly, those responsible for the spending of Canadian funds contributed to U.N. programmes had seen to it that a good proportion of those funds and of the money made available by other nations had been spent in Canada.

Following discussions with the Minister of Finance, he now proposed that the contribution to U.N.I.C.E.F. remain the same as for the previous year, that is at $500,000, and that the suggested contribution for E.T.A.P. be set at $2 million rather than $2.5 million.

61. In the course of discussion, the following points emerged:

(a) The Korean situation remained dangerous, particularly because of the intransigent attitude of President Rhee on the question of reunification. This fact, together with Mr. Rhee's views as to how the money allotted for rehabilitation purposes should be spent, might lead to a complete breakdown of the programme, with the result that no contributions would be necessary.

(b) The Middle East was now the most explosive area in the world and, if assistance for the refugees was not continued, serious incidents on a large scale might occur. While little progress had been made in dealing with the problem, the political atmosphere had, nevertheless, improved slightly. The money was needed to keep people alive. Israel had recently agreed,

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in principle, to the release for relief purposes of $6 million belonging to some of the refugees. On the other hand, the governments in the area, and particularly Israel, had not taken all the steps they should to alleviate the conditions of the refugees. Their number was growing by natural increase, and if the present situation were allowed to continue, contributions might be required for ever. In the circumstances, it might be desirable to cut the proposed grant to a token amount as a gesture of protest, because so little had been done.

(c) There had been some feeling that the U.N. technical assistance programmes had been badly administered. This was not the case now. The Agency was doing good work and, as far as it was possible to ascertain the money provided was being well spent. Of all the international programmes this one had the most promise in helping to meet the problems of the underdeveloped countries. On the other hand, the increase recommended, even though it had been revised downward, was a substantial one, having in mind the increase in contribution made last year and the efforts of other nations associated with E.T.A.P. There had been suggestions that Canada's contribution to the Colombo Plan might also be increased. These suggestions and the proposal for E.T.A.P. under consideration might be studied in relation to each other before any decisions with respect to either of them were reached.

(d) The government was now faced with a probable budget deficit of $100 million this year. If business conditions remained as they were now throughout the next year, the deficit for 1955-56 might be of the order of $200 million. In the circumstances, it would be desirable to make as few commitments for increases in expenditures as was possible.

62. The Cabinet noted the report of the Secretary of State for External Affairs regarding contributions to United Nations relief and assistance programmes and agreed:

(a) that, subject to assurances from the governments of the United Kingdom and Australia that they would be prepared to contribute proportionate amounts to meet the gap of the additional $3 million required

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to implement the United States proposal for the 1954-55 programme, the Canadian Representative to the United Nations be authorized to announce the intention of the Canadian government to seek parliamentary approval for a further contribution to the United Nations Korean Reconstruction Agency of $750,000;

(b) that authorization be given to announce the government's intention to seek Parliamentary approval for a contribution to the United Nations Children's Fund for the year 1955-56 of $500,000; and that the fund be encouraged to continue its favourable record of purchases in Canada;

(c) that authorization be given to announce the government's intention to seek parliamentary approval for a contribution of $500,000 to the United Nations Relief and Works Agency for Palestine for its financial year 1954-55, on the understanding that payment of the Canadian contribution be made subject to informal assurances by the Agency that this contribution would be used, as far as practicable, for the procurement in Canada of the commodities required; and,

(d) a decision be deferred on the size of the contribution to be made to the United Nations Expanded Programme of Technical Assistance to Underdeveloped Countries pending further consideration of the matter by the Secretary of State for External Affairs and the Minister of Finance.

Extension of Maritime coal subvention area to additional areas in Newfoundland

63. The Minister of Mines and Technical Surveys said that, at the time of the entry of Newfoundland into Confederation, it was decided to extend to ports in the province on the Gulf of St. Lawrence the subsidy provisions on coal moved from mines in the other Maritime provinces. No subventions had been paid because the Canadian coal had been competitive with American coal except at Cornerbrook, and the principle user there had converted to oil. On the east coast, the long established markets at St. Johns and Lewisporte for 75,000 tons of coal mined by the Dominion Coal

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Company were now threatened by U.S. competition because of low U.S. prices and increased costs and freight rates for Canadian coal. He therefore recommended that the regulations be amended to provide for the payment of a subsidy of $2.40 per ton for the transportation of this quantity of coal to the two centres mentioned

64. In the course of discussion, it was pointed out that the coal, if not sold in Newfoundland, would probably have to be moved to a port on the St. Lawrence River at a cost of $3.00 per ton or more. There could, therefore, be no objections to this particular proposal, although this subsidy problem should be re-examined in respect of future fiscal years.

65. The Cabinet approved the recommendation of the Minister of Mines and Technical Surveys and agreed that, pursuant to the Dominion Coal Board Act, the regulations on financial assistance for the movement of coal mined in Nova Scotia, established by Order in Council P.C. 1954-685 of May 7th be amended to provide for the payment of a subsidy of $2.40 per ton for the transportation of 75,000 tons of Nova Scotian coal to St. John's and Lewisporte in Newfoundland; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1655, Oct. 28).

Amalgamation of the Bank of Toronto and the Dominion Bank

66. The Minister of Finance said that, pursuant to the Bank Act, he was required to give his approval to the submission to shareholders of an agreement for the amalgamation of two or more chartered banks. He had been approached to ascertain the views of the government on a proposed amalgamation of the Bank of Toronto and the Dominion Bank. If the requisite shareholder approval was obtained, the agreement would then be submitted for the approval of the Governor in Council on a recommendation from Treasury Board.

67. The Cabinet noted the report of the Minister of Finance and agreed that there would be no objection to the merger of the Bank of Toronto and the Dominion Bank.

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Forces in Korea; income tax exemptions; withdrawal of troops

68. The Minister of Finance thought it would be desirable to abandon, at the end of the present fiscal year, the exemption of payment of income taxes granted to troops stationed in Korea. He felt the exemption had now become an anomaly, as most of the troops were now being withdrawn and there was no similar treatment for Canadian forces in Germany.

69. In the course of discussion, the following points emerged:

(a) Most of the Canadian troops would be out of Korea by the end of the year, and the removal of the exemption for those who would remain for the following months might only create bad feeling. It would be preferable to let the concession run on until the last soldiers had been withdrawn.

(b) It would be most desirable to have all Canadians removed from Korea as soon as possible. Canada was apparently committeed to keep a small hospital in the country for the use of the Commonwealth forces remaining there. If other Commonwealth countries wished to keep forces in Korea for a longer period than was presently envisaged for Canadian troops, other arrangements would have to be made. The matter might be discussed at the proposed meeting of Prime Ministers in London early in the new year.

70. The Cabinet:

(a) agreed that exemption from the payment of income taxes by Canadian troops stationed in Korea be continued for the present; and,

(b) that discussions be continued with a view to the withdrawal of all Canadian forces in Korea as soon as possible.

R.B. Bryce,
Secretary to the Cabinet.

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TOP SECRET

CANADA
CABINET CONCLUSIONS

VOL. XLII

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CABINET CONCLUSIONS

Meeting

November 3rd, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, November 3rd, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Postmaster General
(Mr. Cote),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier),
(Mr. Martin).

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Commonwealth Prime Ministers; January 1955 meeting

1. The Prime Minister said he had received a communique from the Prime Minister of the United Kingdom in which the latter stated he proposed to announce to Parliament the following day that a meeting of Commonwealth Prime Ministers would be held in London beginning January 31st, 1955. The decision to hold this meeting at that time had been taken after consultation with all Commonwealth Prime Ministers.

He proposed, concurrently with Prime Minister Churchill's announcement in London, to issue a statement to the press here, in which it would be pointed out that the date suggested for the opening of the meeting had been selected after giving careful consideration to what might suit the convenience of a majority of those attending the Conference.

2. The Cabinet noted with approval the proposal of the Prime Minister to announce, at the same time as the Prime Minister of the United Kingdom, that a meeting of Commonwealth Prime Ministers would be held in London beginning on January 31st, 1955.

Flood damage in Ontario; report by Special Commissioners

3. The Prime Minister said a report on the extent of damage caused by floods, following hurricane "Hazel", in the Toronto district on the night of October 15th had now been submitted to the Federal government and the Ontario government by Messrs. J.B. Carswell and D. Bruce Shaw who had been appointed Special Commissioners for this purpose by Order in Council P.C. 1954-1610 of October 20th, 1954.

Because of numerous enquiries by the press, and for other reasons, the Premier of Ontario was anxious to release the report at the earliest opportunity. Consequently, arrangements were now under way to make the report public in both Ottawa and Toronto that day.

The report indicated, amongst other things, that press reports had considerably exaggerated, in many cases, the extent of the damage done. It was understood that Premier Frost had issued a communique which outlined the basis on which the Provincial government would pay compensation. The formula adopted by Ontario would involve payments only to those individuals who had suffered structural damage to their privately owned buildings in excess of $100. Ontario would pay 80 percent of the damage in excess of $100, but the payment would not exceed $5,000 to any one applicant. On that basis,

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it was understood that the total amount payable by way of compensation would probably be less than $2 million. Mr. Frost had suggested that the Federal government might reimburse the Province for half the amount of these assistance payments for structural damage to privately owned buildings. The Provincial government, the municipal authorities, and the relief fund that had been set up for the purpose, would apparently be prepared and able to assume responsibility for all other expenditures, including rehabilitation of public facilities, assistance to children orphaned by deaths caused by the floods, etc. There had been no suggestion from Ontario that the Federal government share in these other costs.

It seemed clear that, had there not been the precedents of the Red River floods, the Rimouski and Cabano fires, etc., the Federal government might not have been asked to contribute anything, not only because the extent of the damage, other than loss of lives, had been relatively modest, but also because the provincial and municipal governments concerned were able to meet the costs involved. In the present circumstances, however, he felt Mr. Frost's suggestion, involving a federal expenditure probably below $1 million, seemed reasonable.

4. The Cabinet,

(a) approved the proposal that the Federal government assume financial responsibility for half of the compensation to be awarded by the government of Ontario to individuals who suffered structural damage to their buildings caused by flood water from main rivers and tributaries in the Toronto area, on October 15th and 16th; and,

(b) agreed that the report by Commissioners Carswell and Shaw on the extent of the damage be made public immediately.

Legislation; Canada Grain Act amendment

5. The Minister of Trade and Commerce said he proposed to introduce a measure to amend the Canada Grain Act during the coming session of Parliament. The purpose would be to increase the salaries of the Grain Commissioners and to provide for the appointment of four Assistant Grain Commissioners rather than three as at present.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 28,1954-
Cab. Doc. 238-54).

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6. The Cabinet approved in principle proposed amendments to the Canada Grain Act as recommended by the Minister of Trade and Commerce and agreed that a draft measure be prepared accordingly.

Legislation; Precious Metals Marking Act; amendment

7. The Minister of Trade and Commerce said he proposed to introduce certain minor amendments to the Precious Metals Marking Act during the coming session of Parliament.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 29,1954- Cab. Doc. 237-54).

8. The Cabinet approved in principle proposed amendments to the Precious Metals Marking Act as recommended by the Minister of Trade and Commerce and agreed that a draft measure be prepared accordingly.

Crown Liability Act; coming into force of certain provisions

9. The Minister of Justice submitted a recommendation on the coming into force of certain provisions of the Crown Liability Act and regulations thereunder.

A proclamation would be required to bring into force paragraph (b) of subsection (1) of section 3 of the Act relating to liability of the Crown with respect to breach of duty attaching to ownership, occupancy, possession or control of property, and also to bring into force part II of the Act relating to proceedings against the Crown in provincial courts.

He further recommended that regulations be made under the Act prescribing rules of practice and procedure for proceedings taken in provincial courts under part II of the Act, and that an Order in Council be passed under section 5 exempting the Crown from liability in respect of certain specified properties.

10. The Cabinet agreed,

(a) that paragraph (b) of subsection (1) of section 3 of the Crown Liability Act and part II of that Act be brought into force on November 15th,1954;

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(b) that regulations be made prescribing rules of practice and procedure in respect of proceedings taken in provincial courts under part II of the Act; and,

(c) that pursuant to section 5 of the Act the Crown be exempt from liability with respect to certain specified properties;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1686,-1687,-1688, Nov. 3).

Contractual arrangements for project Mongoose

11. The Minister of Defence Production, referring to discussion at the meeting of October 28th,1954, said satisfactory arrangements had now been reached for the construction of the Mid-Canada Early Warning Line by the Trans-Canada Telephone System on a management contract basis. The Company would work with the R.C.A.F. in planning the line. It would list the equipment required, plan the organization of construction and be responsible for handing over to the government a complete and workable system. The fee proposed was 2 percent on a pre-determined cost of $100 million. Detailed financial arrangements would be submitted for approval to the Treasury Board. He was not aware of any organization in Canada, other than the Trans-Canada Telephone System, which was able to undertake a project of this size and character and he recommended that the contract be now awarded.

12. The Cabinet approved the recommendation of the Minister of Defence Production and agreed that the Trans-Canada Telephone System be awarded a management contract for the construction of the Mid-Canada Early Warning Line at a fee of 2 percent on a pre-determined cost of $100 million; detailed financial arrangements to be approved by the Treasury Board.

Federal-provincial fiscal problems; proposals of Premier of Quebec

13. The Prime Minister, referring to discussion at the meeting of October 6th,1954, said he had now received a letter from the Premier of Quebec on the provincial income tax and a possible agreement between the Federal government and Quebec. Mr. Duplessis had advised that, in order to reach an agreement on deduction of the Quebec tax, his government was ready to delete from

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the provincial Income Tax Act the declaration in the preamble to the effect that the province had a prior right in direct taxation. He had also said that his government would, by Order in Council, make the tax payable to Quebec on undistributed income and dividends consistent with federal legislation, so that the province would only get 15 percent of the rates authorized by the federal statute in such cases. The Quebec Tax Act expired on December 31st,1956, and Mr. Duplessis had suggested that any agreement reached should be for the same period.

(Letter, Premier of Quebec to Prime Minister, Nov. 1,1954).

14. Mr. St-Laurent added that it was not clear what Mr. Duplessis' proposal really meant. In some instances, if Quebec allowed a credit of 20 percent of the dividends on Canadian corporations against its tax, as the Premier had said it would, the province would actually owe residents money rather than collect from them. He had discussed the matter further on the telephone with Mr. Duplessis and he understood it was the province's intention to have their income tax law conform with the federal law, except for exemptions. The proposal was being examined by the Department of Finance, and a factual report would be made on it in due course. Any agreement that might be reached would have to continue the general policy of equalizing the distribution of revenue derived from taxing the national income, and also be open to all provinces. It would have to be drawn in such a way as to ensure that no province would get more out of it than it would from the alternatives available in the present tax rental agreement legislation. There would have to be an arrangement enabling the federal authorities to keep an accurate account of what was allowed as an offset to federal taxes in respect of tax paid to the provincial government, so that, if more was received by the province and deducted from federal taxes in any year than the province would be entitled to receive under the agreement, the province would make an appropriate reimbursement.

15. In the course of discussion the following points emerged:

(a) It would be easier for a province to levy income and corporation taxes if the Federal government would collect them for the province. It would be very difficult for the Federal government to collect a tax based on a different definition of taxable income, and the amount of which could not be easily calculated from the federal tax. There would also be a problem in allocating corporation profits to particular provinces.

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(b) No arrangement should be made with Quebec without prior discussions with the other provinces.

(c) If amounts of money now available under the tax rental agreements were used as a basis for negotiation, this would be an invitation to the Quebec government to raise its rates to bring in that amount of money to the province directly as tax. It seemed that if any undertaking was reached, it would have to be made on the basis of a defined provincial tax.

(d) It ought not to be possible for a province to get as much money by staying out of the present tax rental agreements and levying its own taxes as it would get if it entered them. The rental of the tax fields afforded the government some freedom in its own tax policy, in return for which more should be paid to agreeing provinces than would be allowed to those which stayed in the tax field.

(e) The higher levels of exemptions in Quebec, which were very popular, would make it impossible to define the provincial tax as a percentage of federal taxes.

(f) Mr. Duplessis had stated that, if he followed the federal practice on dividend credits and the taxation of payments from undistributed corporate profits, as he had decided he should do, it would mean a loss of approximately $4 or $5 million out of what the provincial tax was supposed to yield. Any accurate appraisal of this effect was difficult to make, however, and Mr. Marler observed that the estimate of $22 million as the annual yield of the provincial tax appeared to be a very conservative one.

16. The Cabinet deferred consideration of a proposal of the Premier of Quebec on deduction of provincial income tax and the possibility of a tax agreement, pending receipt of a report from the Department of Finance as to the meaning of the proposal and on its implications under the present arrangements for Tax Rental Agreements.

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Appointments; Vice-Chairman and Special Assistant to Chairman of Defence Research Board

17. The Minister of National Defence said the present Vice-Chairman of the Defence Research Board, Mr. Emlyn Llewellyn Davies, had expressed the wish to be relieved of his duties in the near future so that he could do other work in the Board. Tentative arrangements had been made for the assignment of Mr. Davies as Special Assistant to the Chairman, pending a posting to London as Defence Research Member on the early retirement of the present incumbent of that position. The Board had been fortunate in finding that Mr. Adam Hartley Zimmerman was prepared to accept an appointment as Vice-Chairman. The Treasury Board had approved the proposal that Mr. Zimmerman might be appointed Vice-Chairman at a salary of $15,000 per annum and that Mr. Davies might temporarily be Special Assistant to the Chairman at a salary of $13,500.

18. The Cabinet approved the recommendation of the Minister of National Defence and agreed that, effective January 1st, 1955:

(a) Adam Hartley Zimmerman, Esq., be appointed Vice-Chairman of the Defence Research Board at a salary of $15,000 per annum; and,

(b) Emlyn Llewellyn Davies, Esq., be appointed Special Assistant to the Chairman of the Defence Research Board, at a salary of $13,500 per annum;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1660, Nov. 3).

Anaconda American Brass Limited; Supreme Court decision on excess profits tax for 1947

19. The Minister of National Revenue reported that the Anaconda American Brass Limited, in preparing its income and excess profits tax returns in 1946 and in 1947 had changed its accounting methods and computed the value of its inventory of metals under the "last in first out" (l.i.f.o.) system of accounting. His department had refused to accept this computation and insisted that the value be computed as formerly under the "first in first out" (f.i.f.o.) system. The former method assumes that the last items received in inventory are the first used, the latter, that the first items acquired are the first used. The amount of income of the Company in a particular year would depend upon the method of inventory accounting used. Under the f.i.f.o. system, which it had been ordered to use, the Company had paid in excess profits taxes considerably

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more than it would have done under the l.i.f.o. method, which it endeavoured to use. The case had been taken to the courts and the Supreme Court had ruled that the Company was justified in using the latter system and taxes to the extent of approximately $250,000 should be remitted. The case had begun prior to 1949 when appeals from decisions of the Supreme Court could be taken to the Judicial Committee of the Privy Council. It was for consideration, therefore, whether an appeal in this case should be taken to the Judicial Committee.

20. In the course of discussion, it was pointed out that most countries now used the l.i.f.o. system for assessment purposes. While there were perhaps some disturbing features in the judgment, the adoption of this system in the future, particularly as markets appeared to have stopped rising, might be of greater advantage from the revenue point of view. In any event, it would be desirable to examine the judgment and decide whether an appeal should be taken to the Judicial Committee.

21. The Cabinet noted the report of the Minister of National Revenue on the judgment of the Supreme Court in the case of the Crown against Anaconda American Brass Limited, on inventory accounting methods, and deferred decision as to whether or not an appeal should be made to the Judicial Committee of the Privy Council pending consideration of the matter by the Departments of National Revenue, Justice and Finance.

Rate of duty on fruit cocktail; Supreme Court decision

22. The Minister of National Revenue, reported that, pursuant to the Customs Tariff, fruit cocktail had been reclassified early in 1953, with the result that the rate of duty was increased from 1 cent to 2½ cents a pound. The case went before the Tariff Board, which ruled that the department had classified this item incorrectly and ordered that the duty be reduced to 1 cent. The ruling had been appealed, but had now been sustained by the Supreme Court. The judgment did not require that refunds be made to those importers who had paid without protest the wrong rate of duty, but, if this were done, approximately $1 million would be involved. He proposed to ask the Department of Justice if it would be sufficient to comply with the judgment by reducing the duty to the old rate henceforth, but without making any refunds to those who had paid it in the past. This course of action seemed desirable, as importers who had paid the tariff had passed it on to consumers in higher prices, so that any refund would be just a gratuitous gain to those importers, and would not benefit those who had suffered as a result of wrong classification of the item.

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23. In the course of discussion, it was pointed out that, even though the refund would be a windfall for the importers, it would be difficult not to act in accordance with the judgment of the court. Some of the money, in any event, would be collected in corporation and individual income taxes.

24. The Cabinet noted the report of the Minister of National Revenue on a judgment of the Supreme Court sustaining a ruling of the Tariff Board that the rate of duty applicable on fruit cocktail should properly be 1 cent per pound, not the 2½ cents applied by the department, and agreed that refunds to the extent of 1½ cents per pound be made in accordance with the provisions of the Customs Act.

Postal service to Seven Islands

25. The Postmaster General said that first and second class mail was delivered to Seven Islands by air. Parcels and magazines were carried by the Clark Steamship Lines at a cost of $29,000 per annum with deliveries four times a week in the summer and twice a month in the winter. Seven Islands postal revenue was increasing and the inhabitants wanted a better service for these latter classes of mail. Quebec Airlines Limited had made an offer, at what his department considered an exceptional rate, to carry parcels and magazines during the winter for approximately $36,000 per annum. The total cost for all classes of mail throughout the whole year would amount, in the circumstances, to $73,000, or an increase of about $7,000 in costs to the Post Office. Such a change would mean, however, that the Department of Transport might have to assume the payment of a subsidy to the Steamship Company because boat service to the district would still be required. Furthermore, the proposal, if adopted, involved a change in policy, as magazines and parcels were not normally carried by air when any surface transport was available.

26. In the course of discussion the following points emerged:

(a) Clark Steamship Lines provided other services than the carriage of mails. If the mail contract was not continued, those using such other services might well be deprived of them, as the mail contract appeared to make the steamship service possible, in an economic sense.

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(b) The contract with Clark Steamships had a year to run. The present suggestion involved cancelling the contract.

(c) The suggested change would mean the subsidizing of mail order business to the disadvantage of the merchants on the North Shore.

(d) Over the long run as the community at Seven Islands and north of it at the iron mines grew, there would undoubtedly be an improvement in the winter service anyway.

(e) It appeared desirable not to take this step before further consideration had been given to the economic consequences for the whole area of what was proposed.

27. The Cabinet noted the report of the Postmaster General on the transport of parcel post and magazine mail to Seven Islands, and agreed that he and the Minister of Transport should study further the implications of the change proposed, and that it should not be introduced this year.

U.N.E.S.C.O. meeting at Montevideo, November, 1954; Canadian Delegation

28. The Secretary of State for External Affairs, referring to discussion at the meeting of September 17th, 1954, said that Senator Hodges would be unable to act as a member of the delegation and he recommended that Dr. A. Vibert Douglas, Dean of Women at Queen's University, be appointed in her place.

29. The Cabinet noted with approval the proposal of the Secretary of State for External Affairs that Dr. A. Vibert Douglas, Dean of Women at Queen's University be appointed a member of the delegation to the U.N.E.S.C.O. Conference being held at Montevideo, vice Senator Nancy Hodges of Victoria, B.C.

Status of diplomatic missions of Russian satellites; Czechoslovakia and Poland

30. The Secretary of State for External Affairs said the Czechoslovakian charge d'affaires had informed him that Czechoslovakia proposed to raise the status of her mission in Ottawa by the appointment of a minister in place of the charge d'affaires. The reason given was the satisfactory outcome of the recent discussions on trade. It also appeared to be part of the new conciliatory line being followed by the communists. He understood that

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approval would soon be sought to accredit a Polish minister as well. He proposed to say in reply that Canada would have no objection to these appointments, but that they could not be reciprocated.

31. The Cabinet noted with approval the report of the Secretary of State for External Affairs on the appointments of ministers to head the Czechoslovakian and Polish diplomatic missions in Ottawa.

Imposition of municipal taxes on U.S. naval officers; violation of Visiting Forces (N.A.T.O.) Act

32. The Secretary of State for External Affairs reported that the community of Dartmouth had levied poll taxes of $20 each on two U.S. naval officers attached to a N.A.T.O. naval sub-area headquarters at Halifax. Under the N.A.T.O. Visiting Forces Act, these officers were not required to pay such taxes. The City of Dartmouth had refused to waive them and the U.S. government had now made a protest. It could be suggested that the officers refuse to pay the taxes or pay them under protest and the government might take the matter to the courts. This, however, would be an undesirable way of dealing with the problem and it would be preferable to attempt to get Dartmouth to agree not to tax the individuals concerned.

33. The Cabinet noted the report of the Secretary of State for External Affairs on the imposition of taxes by the Municipality of Dartmouth on U.S. naval officers assigned to N.A.T.O., and agreed that the Minister of Public Works discuss the matter with the provincial authorities with a view to their persuading the municipal authority to waive the tax.

Stream pollution in the prairie provinces; proposed establishment of interprovincial committee

34. The Minister of Justice, referring to discussion at the meeting of October 6th, 1954, explained that, although Alberta had not been represented by a minister at the conference on stream pollution in Regina on October 1st, it had been expected, that the Alberta government would agree to the establishment of a Joint Pollution Control Board as recommended by the conference. Since then, however, the Minister of Health of Alberta had informed the Minister of Health of Saskatchewan that the Alberta government did not approve the conclusions reached at Regina, but it was prepared to cooperate with the other two prairie provinces in establishment of a committee through which information concerning stream pollution could be exchanged. The governments of Manitoba and Saskatchewan

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had,in the main, accepted the proposals worked out at Regina. Mr. Garson had now received a letter, dated October 27th, from the Minister of Health of Saskatchewan asking for comments on the counter-proposals put forward by the province of Alberta.

He proposed to reply that federal representatives had participated in the Regina conference at the invitation of Premier Douglas and that Canada would be prepared to become a member of the suggested Joint Pollution Control Board, on behalf of the Northwest Territories, if all three prairie provinces agreed to the establishment of such a Board. As the government of Alberta had now indicated that it did not agree and as the issues involved were chiefly the concern of the governments of Manitoba and Saskatchewan, these governments would doubtless wish to decide for themselves whether they thought the alternative proposals made by Alberta constituted a satisfactory method of dealing with the water pollution problem in the prairie provinces.

35. The Cabinet,

(a) noted the report of the Minister of Justice that the government of Alberta was not prepared to become a member of the Joint Pollution Control Board which had been suggested following the Federal-Prairie Provinces Conference at Regina, on October 1st, as a means of controlling water pollution in the prairie provinces and had, as a counter-proposal, suggested the establishment, in cooperation with the other two prairie provinces, of a committee through which information could be exchanged; and,

(b) agreed that the Minister of Justice advise the Minister of Health of Saskatchewan, that, since the issues involved were chiefly the concern of the provincial governments of Manitoba and Saskatchewan, these governments would doubtless wish to decide for themselves whether they felt the proposals made by Alberta would constitute a satisfactory method of dealing with the problem.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 9th, 1954.

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Census of Canada, 1956 2.

Government buildings in Ottawa; site for Post Office administrative building; general policy of decentralization in Ottawa 4.

Imports of New Zealand cheese 6.

Public Service; reduction in work week 8.

Sault Ste Marie, Ontario; proposed construction of international bridge 9.

Sault Ste Marie, Ontario; representations on unemployment; suggested construction of airport 11.

Ripple Rock, Seymour Narrows, B.C.; report on removal 11.

Civil Service Recreational Association; construction of recreational centre 12.

Flood damage in Ontario; removal of debris and restoration of Humber River channels 12.

South Saskatchewan River project; recent developments 13.

Public Service; election of officials to municipal office 15.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, November 9th, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Secretary of State
(Mr. Pinard),

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier),
(Mr. Martin).

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Visit of Prime Minister of France and Prime Minister of Ceylon; transportation arrangements

1. The Prime Minister said that Mr. Mendes-France, the Prime Minister of France, would visit Canada next week, arriving in Montreal on November 14th. From there he would go to Quebec, come to Ottawa on the 16th and leave for Washington on the 17th. It had been suggested that air transportation be provided while Mr. Mendes-France was in Canada since it appeared likely that his own plane could not land at Quebec City. Sir John Kotelawala, the Prime Minister of Ceylon was coming to Canada in December and would arrive in New York on December 2nd. Air transportation would be required from New York to Ottawa and from Ottawa to Toronto, Niagara Falls and Montreal.

2. The Cabinet agreed that air transportation be provided as proposed for the Prime Minister of France and the Prime Minister of Ceylon during their forthcoming visits to Canada.

Census of Canada, 1956

3. The Minister of Trade and Commerce said that both Ontario and British Columbia had urged that the Quinquennial Census of Population and Agriculture, due to be taken in the Prairie Provinces in 1956, be extended to cover all Canada. The Dominion Statistician had recommended that this be done but on a greatly simplified basis.

The censuses of agriculture provided the base on which annual estimates of crops and livestock were calculated. A new base was required more frequently than every ten years to avoid substantial errors in these annual estimates. Several countries take a census of agriculture annually, and the United States takes one only every five years. A simplified census of population for Canada as a whole in 1956 was needed to assist the provinces in calculating the payments of their per capita grants to municipalities, to help deal with administrative and business problems caused by the rapid growth of population and shifts within and between provinces,and to provide an essential background for a census of agriculture.

The proposed simplified population census would include only five questions; age, sex, marital status, relationship to head of household and whether living on a farm. The census of agriculture would be reduced from 200 questions to about 70.

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A census of the Prairie Provinces taken on the same basis and using the same methods as in 1946 would cost approximately $3.5 million. The proposed simplified census for all Canada would cost not more than $5 million. The necessary legislative authorities were contained in sections 17 and 32 of the Statistics Act.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 2, 1954- Cab. Doc. 239-54).

4. In the course of discussion, the following points emerged:

(a) An extension of the census would be of no great direct benefit to the Federal government. Perhaps the provinces urging it might be asked to make a contribution towards the added cost. As an alternative, they might conduct a count themselves, but this would involve greater expenditure than if done by the Bureau of Statistics, where organization and machinery were available. If the quinquennial census were extended, there was little doubt it would become a regular part of the Bureau's program in the future.

(b) Grants under the Tax Rental Agreements were paid on the basis of estimates taken from previous censuses and adjustments were made when population and income figures were brought up to date. An additional census of population for all Canada would provide a surer base for these estimates and would be of some value. It would also be useful for agriculture in the country as a whole.

(c) It might be preferable to ask questions regarding fishing rather than farming in the provinces where this was the chief occupation.

5. The Cabinet noted the report of the Minister of Trade and Commerce and agreed that a Quinquennial Census of Population and Agriculture be taken in all provinces in 1956, rather than in the Prairie Provinces only, and be done on the simplified basis proposed.

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Government buildings in Ottawa; site for Post Office administrative building; general policy of decentralization in Ottawa

6. The Minister of Public Works said it had been represented that present accommodation for the administrative staff of the Post Office in Crown-owned and leased buildings throughout Ottawa, was unsatisfactory, and that a new building was required urgently for efficient administration. The representations appeared justified and the request had been referred to the Interdepartmental Committee on New Buildings for Ottawa.

Two sites had been considered namely:

(a) the city block bounded by Queen, Elgin, Albert and Metcalfe Streets, which had been requested by the Post Office; and,

(b) a portion of the property recently expropriated just south of the Rideau River and between the Bowesville Road and the Metcalfe Highway.

Site (a) would require acquisition of additional expensive property and construction of a multi-storey monumental type building. Site (b) would permit construction of a three-storey building of a simpler design. The estimated cost, including sites, of the two proposals was $11,762,000 and $6,536,000 respectively. The Committee, after careful consideration of all factors and after interviewing officers of the Post Office Department, was of the opinion that, in keeping with the Master Plan for the development of Ottawa and in consideration of costs involved, the building should be situated in the Bowesville Road area. He concurred in this view and recommended that the necessary steps be taken to provide the Post Office with a new building at that site.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 2, 1954-Cab. Doc. 240-54).

7. Mr. Winters added that he had examined with care the general programme for the re-arrangement of space and the acquisition of new sites in Ottawa and, while at first he had misgivings about some aspects of the Greber Plan, he had come to the conclusion that, on the whole, it was sound. He felt that the developments in Tunney's Pasture, on Booth Street, and the proposed development on the Bowesville Road were in keeping with the Plan. However, difficulties arose every time a suggestion was made that a

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department move into one of the new areas some distance from the centre of Ottawa. The Post Office Department had made a strong request to have a new building completed by 1957, when an International Postal Conference would be held in the Capital. Officials in the Department, however, objected to moving away from the centre of town. One attractive feature of the Bowesville Road site was that it would be unnecessary to construct the monumental type of building required in the centre of Ottawa equipped with elevators, and this would mean a considerable saving in money.

8. In the course of discussion, the following points emerged:

(a) It would be most desirable to concentrate all the Post Office officials and administrative services in one building. This should be done reasonably near the Parliament Buildings so that it would be convenient for Members and Senators, who had as many contacts with the Post Office as with any other department. On the other hand it was suggested that, if the Post Office were located on the Bowesville Road, a good deal of this business could properly be conducted on the telephone, to the advantage of the Department.

(b) As a principle, it was desirable to decentralize the operations and administration of government business as much as possible. Some departments would have to remain in the centre of Ottawa, but the traffic congestion, particularly at rush hours, was such that it was most important for many to be spread around the outer areas of the city or even outside its boundaries. There was, however, a problem for Ministers if they moved with their departments some distance away from Parliament Hill. A solution might be found in more use of the offices in the Centre Block or perhaps in the construction of an office building to house Ministers and their staffs near the centre of the city.

(c) As government offices were decentralized, more commercial building might come to occupy the central area of the city. If this occurred, it would be desirable for the government to apply such restrictions as it could in order that such developments conformed with the general lines of the National Capital Plan. For example, the Metropolitan Life Insurance Company wished to expand and, if it could not do so near its present site, it would probably move from Ottawa. The Crown owned land next to the

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Company's present quarters, which might be sold to it on the understanding that the building to be erected thereon should be suited to the location on Wellington Street.

(d) The Post Office Department felt that insufficient opportunity had been given for full consideration of the Bowesville Road proposal. Rather than agree to it at this stage, it would be helpful if the suggestion could be examined further by the Interdepartmental Committee and the Post Office officials concerned.

9. The Cabinet noted the report of the Minister of Public Works regarding a new building for the Post Office Department and,-

(a) deferred decision on the site to be selected pending further discussion of the matter by the Minister of Public Works, the Postmaster General, Post Office officials and the Interdepartmental Committee on New Buildings; and,

(b) agreed that, in principle, government operations and buildings be decentralized within the Capital area to avoid further congestion and to make it unnecessary to construct many of the expensive type of buildings required to conform with the Capital Plan in the centre of the City.

Imports of New Zealand cheese

10. The Minister of Trade and Commerce said that New Zealand had been a traditional exporter of cheese to Canada. The product for the most part had been processed on arrival and not sold directly to consumers. In 1952, the Canadian cheese industry experienced marketing difficulties. The major reasons were the decision of the United Kingdom not to purchase Canadian cheese, and restrictions imposed on the import of cheese into the United States. These difficulties came at a time when the dairy industry was suffering from the effects of the import embargo imposed by the U.S. on dairy cattle following the outbreak of foot and mouth disease in Canada. As a result, New Zealand was asked to restrict its exports of cheese to Canada and since then, had maintained what amounted to an embargo on exports to Canada.

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It was not envisaged at the time, that this undertaking by New Zealand would continue indefinitely. The reasons for it no longer existed. Canadian dairy cattle could now move freely to the U.S., and the outlook for Canadian cheese sales in the U.K. was much brighter. An added reason for releasing New Zealand from its undertaking was that we had no arrangements with any other country to limit exports of cheese to Canada. Furthermore, the N.Z. government had gone a long way in removing controls on imports from Canada,and these relaxations had made it possible to sell more than twice as much to New Zealand in the first eight months of 1954 as in the corresponding period of the previous year. On the other hand, Canadian imports from New Zealand had been declining over the past three years. Stocks of cheese in Canada on September 1st were 44,132,000 lbs as compared with 45,267,000 lbs on the same date last year. The Agricultural Prices Support Board did not hold any stocks at the present time. The market price was about 30 cents per lb or 6 cents above the support level. The Ontario Cheese Board, however, held about 12 million lbs purchased at 28 cents.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 21,1954-
Cab. Doc. 229-54).

11. In the course of discussion, the following points emerged:

(a) The New Zealand government was making stronger and stronger representations to have the undertaking waived and it appeared necessary to take some action in the near future. Canada had protested vigorously against the restrictions imposed on imports of agricultural products by the U.S. New Zealand could use the same arguments if Canada insisted that the 1952 undertaking be maintained. New Zealand had very little to sell except dairy products and the balance of trade in favour of Canada was large and increasing.

(b) The type of undertaking made with New Zealand was not desirable in principle. However, entry of cheese from that country at this time would force the price of domestic cheese down,and the Agricultural Prices Support Board might have to purchase large quantities. A solution could be found in increasing the tariff from 1 cent a lb. to 3 or 4 cents a lb and letting the New Zealanders trade as well as they could.

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(c) If the restrictions were removed, New Zealand might sell as much as 11 million lbs. to Canada, which was about what came in before N.Z. exports to Canada were embargoed. On the other hand, the U.K. standard of living was increasing, dollars would be available to purchase cheese in Canada,and the prospects of Canada selling increased quantities abroad seemed to be better.

(d) It would be particularly undesirable to raise tariffs at this stage, as it had been indicated that no consideration would be given to tariff adjustments until the current negotiations in the G.A.T.T. had concluded or the present tariff bindings expired at the end of June 1955. Moreover,there were apt to be requests for a tariff on vegetable oils for margarine, which would create much controversy.

(e) It might be possible to make an arrangement whereby the full restrictions would not be relaxed but that one or two million pounds, or an amount equal to that which Canada sold to the U.K., could be imported.

12. The Cabinet noted the report of the Minister of Trade and Commerce on the present arrangements withholding exports of New Zealand cheese to Canada, and agreed that discussions be held with New Zealand representatives with a view to having New Zealand restrict their exports of cheese to Canada to a quota that would not exceed Canadian exports to the United Kingdom.

Public Service; reduction in work week

13. The Minister of Finance, referring to discussion at the meeting of October 19th,1954, said there had been representations from various Civil Service Associations requesting a reduction in the present Civil service work week of 38.2 hours to the pre-Korea work week of 36.5 hours. A survey recently made by the Civil Service Commission and the Department of Labour indicated that the most common work week for office workers in Canadian industry was 37.5 hours.

Consideration would have to be given to the representations of the Civil Service Associations but he did not feel that this should be done until the following summer. Since the end of World War II the rising general level of wages and salaries had resulted in salary increases in the Civil Service nearly each year. It might seem anomalous to the general public if the government reduced

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the Civil Service work week in 1954, which would be the first year for some time that no general salary increases were granted.

14. The Cabinet deferred, until May 1955, further consideration of requests submitted by various Civil Service Associations for a reduction in the work week of office staffs.

Sault Ste Marie, Ontario; proposed construction of international bridge

15. The Minister of Finance referred to plans that were being made for the construction of a high-level bridge at Sault Ste Marie between Ontario and the State of Michigan. In this case, as indeed in the case of most other international bridges between Canada and the United States, it was proposed that construction be undertaken by a private body incorporated in both countries. The bridge was to be constructed by the International Bridge Authority of Michigan, which would include Canadian representation on its board of directors. It was understood that the necessary legislation had already been passed by the State of Michigan and that legislation would also soon be sought from the legislature of the Province of Ontario. In addition, the sponsors of the project were planning to have a private bill introduced in Parliament during the coming session.

The project gave rise to a taxation problem. The usual practice in such cases was to exempt income derived from the operation of these bridges from taxation, although it was difficult to find the legal basis on which such exemptions had been granted. Presumably the basis for the exemptions was that, although the bridges were privately operated and financed by privately issued bonds, the normal practice was to have ownership of these bridges revert jointly to the state and the province in which they were located after the bonds had been retired.

He expressed concern over the procedures followed in the financing and operation of international bridges between Canada and the United States, and had asked that this whole question be reviewed by officials of his department and of the Department of External Affairs.

16. In the course of discussion the following points emerged:

(a) Although, in theory, ownership of these international bridges was supposed to revert to the state and province in which they were located as soon as the bonds had been retired, there had been cases where the private bodies operating the bridges had tended to perpetuate themselves, even

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though they might have accumulated enough funds to retire their bonds, by the simple expedient of spending their revenues on further improvements to bridge facilities instead of applying them to the retirement of bonds.

(b) In the case of the proposed new bridge at Sault Ste Marie, and in view of the uncertainty as to whether there now existed any legal basis on which exemption from taxation could be granted, it was suggested that the best course of action might be to include a specific taxation exemption provision in the private bill to be introduced in Parliament. If this were done, steps should presumably also be taken to ensure that ownership of the bridge reverted to Ontario and Michigan as soon as revenues were sufficient to retire the bonds.

17. The Cabinet noted the report by the Minister of Finance regarding the proposed construction of an international bridge at Sault Ste Marie, Ontario, and agreed,-

(a) that present procedures governing the financing and operation of international bridges between Canada and the United States be reviewed by the Department of Finance and the Department of External Affairs in the light of the suggestions made during the course of discussion; and,

(b) that the government would be prepared to support a private bill, to be introduced during the coming session of Parliament, on the proposed construction of a high-level bridge between the Canadian and American cities at Sault Ste Marie, which bill might, amongst other things, specifically exempt from taxation the income derived from the operation of such bridges; it being understood that steps would be taken to ensure that ownership of the bridge would, in fact, revert jointly to the Province of Ontario and the State of Michigan as soon as sufficient revenues had been derived from its operation to retire the bonds issued to finance the construction.

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Sault Ste Marie;Ontario; representations on unemployment; suggested construction of airport

18. The Minister of Labour said a delegation from Sault Ste Marie, Ontario, had recently made representations to him about the unemployment situation in that city.

It was clear that there were too many construction workers in the city and the Department of Labour was now making an effort to transfer as many as possible to other centres where construction workers were in demand. As a means of opening up employment opportunities, the delegation had suggested that the Department of Transport investigate the possibility of constructing an airport. At the present time, the city was served by the airport across the river in the State of Michigan.

19. In the course of discussion it was suggested that it might be difficult to find a suitable site for the construction of an airport at Sault Ste Marie. It now appeared, however, that T.C.A. might not be permitted to continue, much longer, to use the military airport in Michigan it had been using,and a new airport would then be necessary. The Department of Transport might examine the possibility of undertaking such a project.

20. The Cabinet noted the report by the Minister of Labour on representations he had received with regard to unemployment conditions at Sault Ste Marie, Ontario and agreed,-

(a) that the Department of Labour continue its efforts to transfer surplus construction workers from Sault Ste Marie to other centres in Canada where such workers were in demand; and,

(b) that the Department of Transport enquire into the possibility and desirability of constructing an airport at Sault Ste Marie.

Ripple Rock, Seymour Narrows, B.C.; report on removal

21. The Minister of Public Works, referring to the decision of the meeting of October 28th, 1954, said requests had been received for the publication of the report prepared by the National Research Council and the University of British Columbia on methods of removing Ripple Rock from Seymour Narrows, B.C.

In accordance with the decision that arrangements be made to proceed with the removal of Ripple Rock by means of the tunnelling method as suggested in the report, he was now having detailed engineering studies made in his department as to how the work could best be undertaken.

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22. In the course of discussion it was suggested that it would be preferable not to make the report public until such time as the Department of Public Works was prepared to announce that it was proceeding with actual removal of the rock, and the matter had been considered again at Cabinet with Mr. Campney and Mr. Sinclair present.

23. The Cabinet agreed that the report of the National Research Council and the University of British Columbia on the removal of Ripple Rock in Seymour Narrows, B.C., be not made public until after further consideration of the matter at a later meeting following studies of certain engineering details by the Department of Public Works.

Civil Service Recreational Association; construction of recreational centre

24. The Minister of Finance referred to a decision of August 27th,1952, that the Civil Service Recreational Association be informed that the government would undertake to lend the association $500,000 to complete the financing of a recreation centre if the association succeeded in raising the remaining funds that would be required. The subscription campaign launched by the association now stood at approximately $225,000. The remaining obstacle to actual construction was the acquisition of a suitable site. The association had three or four sites in mind, all of which were Crown property.

He suggested that a small committee of Ministers might be appointed to look into the matter and submit recommendations as to what the government would be prepared to do in the matter.

25. The Cabinet agreed that the Minister of Agriculture, the Minister of National Revenue, the Minister of Public Works, the Minister of Finance and the Postmaster General consider and report on the possibility of the government making a suitable site available to the Civil Service Recreational Association for the erection of a recreation centre.

Flood damage in Ontario; removal of debris and restoration of Humber River channels

26. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of November 3rd, said that approximately $400,000 would be required to remove the debris and restore the channels of the Humber River following the floods in the Toronto district on the night of October 15th. He had received

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a request that engineers of his department participate in the discussions taking place in Toronto on this matter. The request had probably been made because it had been assumed that the Federal government might participate in the restoration of the Humber River channels under the terms of the Water Conservation Act.

27. In the course of discussion it was pointed out that the Premier of Ontario had indicated that the Federal government was not expected to contribute more than 50 percent of the assistance to be given by the provincial authorities to individuals having suffered structural damage to their private dwellings. The Federal government had not decided to make any contribution towards removal of debris or restoration of channels. There would be no objections, however, to the engineering staff of the Engineering and Water Resources Branch of the Department of Northern Affairs and National Resources giving technical assistance, if such assistance were requested by the Ontario government.

28. The Cabinet agreed that there would be no objection to technical assistance being given by the engineering staff of the Engineering and Water Resources Branch of the Department of Northern Affairs and National Resources, in connection with the removal of debris and the restoration of the Humber River channels following the floods in the Toronto area on the night of October 15th, 1954, provided such assistance were requested by the government of the province of Ontario and provided further, that it be clearly understood that such action did not imply that the Federal government was prepared to accept responsibility for expenditures on such work.

South Saskatchewan River project; recent developments

29. The Minister of Agriculture, referring to discussion at the meeting of October 6th, 1954, said that, on November 4th, he had discussed with the Premier of Saskatchewan a draft agreement on the South Saskatchewan River project which had been prepared by the Director of the Prairie Farm Rehabilitation Administration. The draft had also been discussed between P.F.R.A. officials and members of the Saskatchewan Planning Board.

The Saskatchewan government was apparently prepared to undertake to pay 25 percent of the cost, whatever it might be, of constructing the dams, as representing the value of the dams to the power plant to be constructed by the province in connection with the project. Premier Douglas had indicated, however, that Saskatchewan might find it difficult to pay the full 25 percent at the end of each year in which the

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expenditures were made, and the draft agreement had, consequently, been altered to provide that the province would pay Canada at least one-half of its 25-percent share of the construction costs incurred by Canada at the end of each calendar year in which the expenditures were made, and that any amount not paid at that time would be covered in full by Treasury bills or other securities payable in equal annual instalments over a period of twenty years from the date of issue.

In view of the fact that the province would be required to pay 25 percent of the cost of the dams, the draft agreement also provided for the appointment of a board representing the two governments. The chairman of the board would be appointed by Canada and the board would include five other persons nominated by Canada and three by the province. The main functions of the board would be to maintain continuous liaison with the two governments and their agencies, to correlate engineering planning and to review the final designs and plans as recommended by P.F.R.A.

30. In the course of discussion the following points emerged:-

(a) In reply to a comment that it seemed undesirable that Saskatchewan should be permitted to pay a portion of its 25-percent share of the cost of the dams in the form of twenty-years Treasury bills, it was pointed out that, according to recent estimates, the government of Saskatchewan might be required to meet total payments of $7 million each year on its share of the dams and on construction of the irrigation works and the power plant. Premier Douglas had some doubt that the province could, in fact, meet such large charges as they came due. On the other hand, it had been suggested to Mr. Douglas that the irrigation reservoirs and the distribution system need not be constructed concurrently with the main reservoir. The financial burden on the province during the ten-year construction period would be eased if some of these irrigation works could be deferred.

(b) There seemed little doubt now that mutually satisfactory terms could be worked out with Saskatchewan. The main problem was to reach a decision on the fundamental issue as to whether or not it was truly in the national interest to expend such relatively large sums of public funds on the South Saskatchewan project.

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(c) It was suggested that the Minister of Agriculture might distribute copies of the draft agreement to all ministers and have preliminary discussions with his colleagues, individually, before the matter was further discussed in Cabinet.

31. The Cabinet,-

(a) noted the report by the Minister of Agriculture on his recent discussions with the Premier of Saskatchewan regarding a draft agreement on the construction of the South Saskatchewan River project; and,

(b) agreed that copies of the draft agreement be made available to all ministers and that the matter be discussed by the Minister of Agriculture with his colleagues, individually, before it was further considered in Cabinet.

Public Service; election of officials to municipal office

32. The Minister of Finance reported that a problem had arisen from the request of Mr. D.L. Burgess, of the Department of Agriculture, for leave of absence without pay for the purpose of seeking election as Mayor in the forthcoming Ottawa municipal elections.

Under existing regulations (Order in Council P.C. 95 of Jan. 16,1932 as amended) a Minister could, at his discretion,grant permission to any public servant to accept a municipal or civic office which did not carry with it a salary, honorarium or other emolument exceeding $900 per annum if, in the opinion of the Minister, the acceptance of such office did not interfere with the proper and regular performance of that person's duties as a civil servant.

The same regulations provided that a civil servant was precluded from becoming a candidate at a municipal election for an office which could not be filled outside his normal hours and which carried a remuneration in excess of $900, without first having obtained leave of absence without pay from his duties as a civil servant for the term of the municipal or civic office which he proposed to accept.

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After considering all the circumstances applicable in this case, Treasury Board was rather inclined to grant Mr. Burgess the requested leave of absence. The Civil Service Commission, on the other hand, although it did not see any serious objection to granting leave of absence in this particular case, thought that it might conceivably, in future, lead to embarrassment in certain municipalities where municipal politics were closely allied to federal or provincial politics.

33. In the course of discussion it was suggested that there did not seem to be any objection to allowing a civil servant to return to his post in the Public Service in the event he was unsuccessful in his bid for election to municipal office. However, if he were successful, then he should be made to resign his post in the Civil Service if he wished to accept the municipal office.

34. The Cabinet noted the report by the Minister of Finance on a request by Mr. D.L. Burgess, of the Department of Agriculture, for leave of absence without pay for the purpose of seeking election as Mayor in the forthcoming Ottawa municipal elections and agreed,-

(a) that, for this year, civil servants may be granted leave without pay to serve in a municipal office, provided the Civil Service Commission and the Department concerned agreed that such leave be granted; it being understood that all campaigning must be done on the civil servant's own time; and,

(b) that, in future years, civil servants who were elected to municipal offices in which they could not serve while working in the Public Service, be required to resign their Civil Service posts upon election to such office.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 18th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Thursday, November 18th, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Revenue
and Acting Minister of National Health and Welfare
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Bank of Canada; appointment of Governor and Deputy Governor

1. The Minister of Finance said that, by a resolution of the Board of Directors of the Bank of Canada, dated November 15th, Mr. James E. Coyne had been appointed Governor of the Bank of Canada at a salary of $50,000 per annum and Mr. J. R. Beattie, Deputy Governor at a salary of $30,000 per annum. Both appointments were to be effective January 1st, 1955, and would be for terms of seven years. Under the provisions of the Bank of Canada Act these appointments would not become effective until approved by the Governor in Council.

The Board of Directors had also appointed Mr. Louis Rasminski and Mr. Ralph B. McKibbin as Deputy Governors, as well as Mr. L.P. St-Amour, who had been appointed last July after legislation had been passed permitting the Board to appoint additional deputy governors who were not members of the Board.

2. The Cabinet,-

(a) approved the appointment of James E. Coyne, Esq., as Governor of the Bank of Canada at a salary of $50,000 per annum and of J.R. Beattie, Esq., as Deputy Governor at a salary of $30,000 per annum, for periods of seven years effective from January 1st, 1955; an Order in Council to be passed accordingly;

(Order in Council P.C. 1954-1789, Nov. 18)

and,

(b) noted with approval that the Directors of the Bank had designated Mr. Louis Rasminski a Deputy Governor under subsection 1 of section 7 of the Bank of Canada Act.

Legislation; Financial Administration Act

3. The Minister of Finance submitted a resolution and bill to amend the Financial Administration Act. The only purpose of the measure was to provide an increase in the salary of the Auditor General to conform with the general scales of remuneration for Deputy Ministers as previously approved.

4. The Cabinet approved for introduction a resolution and bill to amend the Financial Administration Act as submitted by the Minister of Finance.

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St. Lawrence Seaway; expropriation of provincial lands required for new Lachine canal

5. The Prime Minister, referring to discussion at the meeting of October 6th, 1954, reported that the President of the St. Lawrence Seaway Authority had discussed with the Premier of Quebec the possibility that the latter might agree to cede to the Authority, for a nominal charge, water lots in the bed of the St. Lawrence River near Montreal required for the construction of the new 27-foot Lachine canal. Mr. Duplessis had indicated that he would prefer the Federal government to acquire these lands by expropriation. Since the Quebec government had not yet reached a decision as to whether or not it would proceed at the present time, with power development at the Lachine Rapids, Mr. Duplessis possibly did not wish to appear to give advance approval to the project in the Laprairie basin area.

A recommendation had now been submitted by the Minister of Transport seeking authority for the expropriation of the required water lots under section 18 of the St. Lawrence Seaway Authority Act.

6. The Cabinet agreed that the required expropriation proceedings be instituted in order that the St. Lawrence Seaway Authority might acquire those provincially-owned water lots in the bed of the St. Lawrence River, near the city of Montreal, required for the construction of the new 27-foot Lachine canal; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1788, Nov. 18)

Legislation; Municipal Grants Act amendment

7. The Minister of Finance referring to discussion at the meeting of September 22nd, 1954, said he proposed to include additional amendments in the bill to amend the Municipal Grants Act during the coming session. These additional amendments would allow certain taxable property to be included in the base for a grant to a municipality in the Minister's discretion, would advance the date after which applications under section 5 of the Act would not be entertained, and finally would define "rural" municipality for the purposes of the Act. The taxable property that might be included would be residences occupied by civil servants and possibly members of the armed forces following upon the recent court decision confirming that such property was taxable. It was planned to negotiate with municipalities as to whether this would be covered by the grants or by direct payment of the tax levied on the occupant.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 9, 1954- Cab. Doc. 243-54).

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8. In the course of discussion it was suggested that the proposed bill to amend the Municipal Grants Act, and any bill that might be introduced to amend the Federal District Commission Act, might be referred for consideration to a specially appointed joint committee of both Houses of Parliament.

9. The Cabinet,-

(a) approved in principle additional amendments to the Municipal Grants Act, as recommended by the Minister of Finance, and agreed that they be included in the bill to amend this legislation during the coming session; and,

(b) noted the suggestion that the bill to amend the Municipal Grants Act, and any bill that might be introduced to amend the Federal District Commission Act, be referred for consideration and report to a specially appointed joint committee of both Houses of Parliament.

International Civil Aviation Organization; diplomatic privileges and immunities

10. The Secretary of State for External Affairs, referring to discussion at the meeting of September 17th, 1954, said he felt this matter should now be reconsidered.

11. The Cabinet agreed,-

(a) that the privileges and immunities set out in Article II and III of the Convention on the Privileges and Immunities of the United Nations of February 13th, 1946, be granted to the International Civil Aviation Organization to the extent that these privileges and immunities were provided for in the Headquarters Agreement between the government of Canada and I.C.A.O.;

(b) that the privileges and immunities set out in Articles IV and V of the aforementioned convention be granted to the Representatives of Members of the I.C.A.O. and to certain members of its personnel to the extent that these privileges and immunities were provided for in the Headquarters Agreement; and,

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(c) that these privileges and immunities be deemed to have been provided by Order in Council P.C. 1774 of April 11th, 1951 and to have become effective on May 1st, 1951, in accordance with the provisions of the Notes exchanged by the President of I.C.A.O. and the Secretary of State for External Affairs as representative of Canada;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1791, Nov. 18)

Check-off of trade union dues; report on situation in Crown companies and industries under federal jurisdiction

12. The Minister of Labour, referring to discussion at the meeting of September 17th, 1954, submitted a report showing the number of employees in Crown companies or industries coming under federal jurisdiction who were covered by collective agreements providing for a voluntary revocable check-off or some other form of check-off of trade union dues.

A survey of some 392,500 employees had indicated that, of this total, 277,800 were covered by collective agreements and that these agreements provided some form of check-off for 223,400 employees. Of this latter total, 35,488 came under collective agreements which provided for the voluntary revocable check-off.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 8, 1954- Cab. Doc. 241-54).

13. In the course of discussion it was noted that the report submitted by the Minister of Labour indicated that a large majority of employees in Crown companies or industries coming under federal jurisdiction, who were covered by collective agreements, had some form of check-off which in most cases was more beneficial to the union than the voluntary revocable check-off. There seemed little point in including the voluntary revocable check-off feature in the Industrial Relations and Disputes Investigation Act since the labour unions seemed to be able to obtain what, from their point of view, was considerably better by normal collective bargaining procedures. Another argument against inclusion of such a provision was that, by so doing, Parliament would seem, for the first time, to be legislating in favour of one side in laws relating to the conduct of industrial relations between management and labour.

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14. The Cabinet,-

(a) noted the report by the Minister of Labour on the number of employees in Crown companies or industries coming within federal jurisdiction who were covered by collective agreements providing for some form of check-off of union dues; and,

(b) agreed that no provision be made for the inclusion of a voluntary revocable check-off clause in the Industrial Relations and Disputes Investigation Act during the coming session of Parliament.

Colombo Plan; aid for Ceylon

15. The Secretary of State for External Affairs reported that the Treasury Board, on May 28th, 1954, had approved, out of funds available for technical assistance projects, the supply of laboratory and other equipment for the Faculty of Agriculture at the University of Ceylon, at a cost of approximately $17,000. At the time this equipment was requested by the Ceylon government, a request was also made that Canada assist in the construction of a building at the University to house the equipment. It was suggested, however, to the Ceylon authorities that such a building might be made available by the University or by the Ceylon government itself. Ceylon had now stated that, because the University was in a very difficult financial position, it was impossible for it to finance the cost of the building. There was also no existing appropriation from which the Ceylon government could finance it and the only way in which the money could be found would be to request a special vote from the Ceylon Parliament, which was not considered practicable at this stage. In these circumstances, Ceylon had renewed its request that Canada should assist by financing the construction of the building. Canadian officials had informed the Ceylon authorities that it was considered regrettable that Ceylon was unable to provide this building from its own means. In the circumstances, however, it appeared desirable that consideration be given by the Canadian authorities to this request, especially since the equipment itself was almost ready for installation.

It was estimated that cost of construction of this building would be less than $50,000. This could be financed through the provision of flour from Canada, which would in turn be sold by the Ceylon government and the counterpart funds so established would then be used to meet the cost of construction. The provision of this flour would not involve the allocation of any new funds to Ceylon, since the amount required could be found in the

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unused balance remaining from an allocation under the 1953-54 programme to provide diesel locomotives to Ceylon.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 12, 1954- Cab. Doc. 242-54).

16. The Cabinet approved the recommendation of the Secretary of State for External Affairs that, out of allocations previously made to Ceylon under the Colombo Plan, Canada finance the construction of a building at the Agricultural Faculty of the University of Ceylon in which laboratory and other equipment being provided by Canada would be housed; such assistance to be transferred to Ceylon in the form of flour which would be sold in Ceylon for counterpart funds in an amount up to $50,000 and applied for this purpose.

United Nations; Canadian contribution to Expanded Programme of Technical Assistance to Underdeveloped Countries

17. The Secretary of State for External Affairs said that, in accordance with the decision at the meeting of October 28th, 1954, he and the Minister of Finance had discussed further the question of the Canadian contribution to the United Nations Expanded Technical Assistance Programme to Underdeveloped Countries for 1955. It was now suggested that the Canadian representatives be authorized to announce the intention of Canada to contribute $1.5 million, provided contributions by other countries were substantial enough to ensure successful continuance of the programme. It was not intended, however, to provide immediately in the estimates for more than $850,000; it being understood that, if contributions of other countries were as high as expected, the balance required to bring the Canadian contribution to $1.5 million would be sought in the supplementary estimates. It was also proposed that, if contributions by other countries were very substantial, the government might reconsider its decision with a view possibly to increasing its contribution beyond $1.5 million.

18. The Cabinet agreed,-

(a) that the Canadian representatives at the Fifth Pledging Conference of the United Nations Expanded Technical Assistance Programme for Underdeveloped Countries be authorized to indicate that the Canadian government was prepared to contribute $1.5 million to the programme for 1955, provided contributions were made by other countries in sufficient volume to ensure the continued success of the programme;

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(b) that, for the time being, the sum of $850,000 be provided in the main estimates for this purpose; it being understood that, if circumstances warranted it, the balance of the moneys required to bring the Canadian contribution to $1.5 million would be sought in supplementary estimates; and,

(c) that, should other countries make total contributions substantially in excess of what was now anticipated, the desirability of increasing the Canadian contribution to the programme beyond $1.5 million would be reconsidered.

United Nations; proposed International Finance Corporation

19. The Secretary of State for External Affairs said that, following the decision at the meeting of September 8th, 1954, the Canadian delegation now attending the Ninth Session of the General Assembly of the United Nations had been instructed to indicate that Canada had been willing to support an International Finance Corporation under the management of the International Bank for Reconstruction and Development. Since neither the United States nor the United Kingdom had been prepared to support the proposal at that time, Canada had not gone beyond indicating positive interest in it.

The U.S. had recently reconsidered its rather negative attitude and the U.S. Secretary of the Treasury had, on November 11th, announced that the Administration would seek Congressional approval for U.S. participation in the establishment of this Corporation. Although it had originally been suggested that the total capitalization of I.F.C. be the equivalent of $400 million, Mr. Humphrey had now suggested that the Corporation's authorized capital be $100 million and that the subscription of each member country should be in proportion to that member's stock in the International Bank.

The U.S. view was that the Corporation should not directly provide equity financing. It should, however, be empowered to hold securities bearing interest payable only if earned, as well as debentures convertible into stock when purchased from the Corporation by private investors. In that way, it would operate in the area of venture capital without holding equity right of control. It would not compete with either the International Bank itself or the Export-Import Bank.

Mr. Humphrey had emphasized that the operation, of such a corporation would, of necessity, have to be

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experimental and subject to review from time to time. Its success would depend upon its effectiveness in stimulating an increased international movement of private funds.

The U.K. government had not yet commented on the new proposal and the U.K. delegation in New York had been asked to try to get further discussion postponed so that there might be time to give further thought to the matter. The Canadian High Commissioner in London had indicated, however, that the U.K. Treasury conceded that, if the idea of equity financing through the proposed corporation had been abandoned, the scheme might be " a little less unsound" than it was before. The U.K.'s lack of enthusiasm for the proposal stemmed, at least in part, from reluctance to draw further on the limited funds available for spending abroad. However, if enough countries were now in favour of the I.F.C. to ensure its creation, it might be difficult for the U.K. to stay out -- both for political reasons and in order to protect or increase markets for U.K. capital goods abroad.

It was probable that the U.S. decision to support early establishment of the Corporation stemmed partly from the expectation that the U.S. would be under increased pressure for economic assistance to Latin American countries at the forthcoming conference of the Organization of American States in Rio de Janeiro. While this consideration did not affect Canada as directly as it affected the U.S., it would seem desirable to acquaint the Canadian observer at Rio with present Canadian views on the proposed Corporation before the Conference opened so that he might mention, informally, that Canada favoured the proposal. This would offset the negative attitude Canada would probably adopt toward many of the topics to be discussed at Rio.

The proposed Corporation was a more modest and immediately manageable project than the proposed Special United Nations Fund for Economic Development (S.U.N.F.E.D.). It would no doubt be expected to serve underdeveloped countries in many parts of the world, but some benefit would likely accrue to Asian countries which Canada was assisting under the Colombo Plan. India had established an Industrial Finance Corporation and Pakistan and Ceylon might follow suit. The activities of I.F.C. would usefully supplement the work of such corporations in stimulating and assisting private investment. There might be political, as well as economic advantages in supporting the proposal. While pressure for S.U.N.F.E.D. would no doubt continue even if the Corporation was established, Canadian opposition would be more readily understood by the underdeveloped countries than it would if Canada did not support I.F.C.

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On the basis of a Corporation capitalized at $100 million and a Canadian contribution in the same ratio as the Canadian contribution to the International Bank, the cost to Canada would probably be between $3 million and $4 million. This money might not have to be found before the fiscal year 1956-57, but it might at least have to be pledged during the coming fiscal year.

In view of the recent change of heart on the part of the U.S. Administration and because of Canada's long standing support of this proposal, he now recommended that Canada participate in the proposed International Finance Corporation on the understanding that the Canadian commitment to subscribe to the capital of the corporation would not be significantly different, in proportion, from that applicable to the International Bank and would not, in any event, involve a subscription in excess of $5 million during 1955-56.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 17, 1954- Cab. Doc. 246-54).

20. The Cabinet,-

(a) approved in principle Canadian participation in a proposed International Finance Corporation to be established, under the management of the International Bank for Reconstruction and Development, for the purpose of helping to finance productive private enterprise in underdeveloped areas through loans without government guarantees; and,

(b) approved Canada undertaking to subscribe to the capital of the Corporation, in a proportion not substantially different from Canada's share in the subscriptions to the International Bank, and in an amount not larger than $5 million.

Legislation; programme for 1955 session

21. The Minister of Justice, as Chairman of the Cabinet Committee on Legislation, reported that according to notices received from the various departments, the government's legislative programme for 1955 would consist of 46 items, of which 27 had already been approved in principle by Cabinet. The drafting of 13 of these 27 items had now been completed by his Department and 6 were actually in printed bill form.

There remained, however, 19 items for which explanatory memoranda had not yet been submitted to Cabinet. He urged that a special effort be made to submit memoranda on these items as soon as possible so that the Department of Justice might be in a position to complete the drafting of these various measures before Parliament convened early in January.

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22. The Cabinet noted the report by the Minister of Justice on the preparation of the government's legislative programme for the 1955 session of Parliament.

Canadian government relief for Haiti

23. The Secretary of State for External Affairs reported that the recent hurricane "Hazel" had caused severe and extensive damage in Haiti where 100,000 persons, including some Canadian missionaries, had been left homeless. The Canadian Red Cross had provided $10,000 worth of urgently needed drugs and medical supplies. The U.S. government had assisted in rescue and relief operations and in addition had provided $2 million worth of rehabilitation supplies.

There was an urgent need in Haiti for relief assistance of a type which could be supplied from Canada. He felt it was desirable to make a contribution in the form of flour and dry salt cod. Haiti was a commercial market for these products but, owing to the disaster, purchases would have to be reduced. A contribution at this time would be a useful gesture of friendship to the country. A Canadian diplomatic mission was to be established there in the near future.

The Minister recommended, with the concurrence of the Minister of Trade and Commerce, that the government provide $25,000 in the form of flour and salt cod for hurricane relief in Haiti, to be made available at Canadian seaboard, and that, pending approval of a supplementary appropriation, funds be obtained from the vote for Unforeseen Expenses.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 12, 1954- Cab. Doc. 244-54).

24. In the course of discussion, it was pointed out that the hurricane damage had been proportionately much greater in Haiti than in Canada and it was expected to result in a significant reduction in purchases of cod this year by Haiti. There appeared to be no objection to the proposal but, in the light of the contribution made by the U.K. to Canada for hurricane relief, it would be desirable to avoid undue publicity in this case.

25. The Cabinet approved the recommendation of the Secretary of State for External Affairs, and agreed that assistance to the extent of $25,000, half of which would take the form of flour and half the form of dry salt cod, be provided for hurricane relief in Haiti and made available at Canadian seaboard; the funds to be obtained from Vote 114 for Unforeseen Expenses pending approval of a supplementary appropriation.

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Northwest Territories; relocation of Aklavik Settlement; report by Minister of Northern Affairs and National Resources

26. The Minister of Northern Affairs and National Resources, referring to discussion at the meeting of December 3rd, 1953, said that, as a result of a survey undertaken in the summer, a desirable alternative site for Aklavik had been found adjoining the edge of the Mackenzie Delta 35 miles due east of the present settlement. This site was far superior to the present one and to any other alternatives. It was in a well-wooded area on a navigable channel of the river. Soil conditions were good and sand and gravel was available in sufficient quantity. Ample room existed for expansion of the settlement and there was a site which appeared suitable for the development of an airfield nearby. The Advisory Committee on Northern Development had recommended that Aklavik be moved to this new site and he concurred in the recommendation.

27. Mr. Lesage added that, when he had visited Aklavik in the summer he had discussed the question of relocation with Eskimo leaders, Indian chiefs and the heads of the religious communities in the area. All had agreed that it would be desirable to move as soon as possible and that the site surveyed appeared to be the most suitable one.

28. The Cabinet approved the recommendation of the Minister of Northern Affairs and National Resources and agreed that the settlement of Aklavik, Northwest Territories, be moved to the proposed new site adjoining the edge of the Mackenzie Delta and 35 miles due east of the present settlement; an announcement to be made accordingly.

Cabinet Defence Committee; Distant Early Warning Line; report by Secretary of State for External Affairs

29. The Secretary of State for External Affairs, referring to discussion at the meeting of August 18th, 1954, reported that the Cabinet Defence Committee, at its last meeting, had considered a proposal for construction by the United States of a Distant Early Warning Line across the most northerly practicable part of North America. The U.S. government now considered that feasibility of constructing an effective Line had been established and that necessary data to start work on the sites during the 1955 construction season was available. The U.S. was anxious to proceed with construction and was giving it a high priority in its defence planning. Canadian officials had doubts about the effectiveness of the line but it was difficult to object to the U.S. proposal. The line would consist of a combination of scanning radars and modified McGill Fence equipment and would run from Cape Lisburne in Northwestern Alaska

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to the Davis Strait. It was estimated to cost about $200 million and its operation would involve from 700-1000 men. The U.S. was prepared to accept full responsibility for the project but would welcome Canadian participation on any basis which the Canadian government might propose. If approval were given to the proposal, the U.S. government would award a management contract to the Western Electric Company for the project but would wish to take full advantage of all available resources both in Canada and the U.S.

Studies were under way to determine where the seaward portions covering flanking approach routes would be located and to ensure that all segments of the whole system were developed in a timely and compatible manner. It was still not yet possible to determine where the Atlantic wing would be situated. Insofar as the Line itself was concerned, Canadian and U.S. location teams were satisfied on the stretch from Alaska to Cambridge Bay but agreement had not yet been reached on the route from Cambridge Bay to Davis Strait. If the latter portion of the line were to follow a more northerly route, ending at Cape Dyer on Baffin Island rather than on Resolution Island, the cost estimate of $200 million would probably be too low.

The Committee had recommended that the government agree to the construction of the Line as a joint project, that authority be granted to conclude an agreement with the U.S. enabling that government to proceed with construction, that the U.S. be informed of Canada's intentions to participate, in due course, and that a draft public announcement concerning the project be prepared and issued by both governments.

An explanatory memorandum had been circulated.

(Memorandum, Nov. 17, 1954 - Cab. Doc. 245-54).

30. The Prime Minister added that he had recently informed the Deputy Supreme Commander in Europe, Viscount Montgomery, that there was a close relationship between North American defence and the defence of Europe. The U.S. had to make a greater contribution to European defence than Canada, but for this large scale U.S. contribution to be made it would be necessary to have the support of American public opinion. To achieve this, the U.S. public must consider the defences of North America adequate. Canada was not willing to allow the U.S. government to establish defences here for the protection of the U.S. without any regard to Canadian sovereignty, and no impression could be allowed to be given to the Canadian public that the U.S. had vested rights in the northern half of the continent.

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Where joint defence installations were considered necessary, it had to be made clear that the U.S. was doing its share in accordance with general principles governing these matters and with the consent of the Canadian government. In order to meet U.S. requests for adequate continental defences and to protect Canadian interests in the north, Canada had to contribute to the development of these warning systems. To that extent, Canada was restricted in the distribution of her effort for the joint defence of Europe. The U.S. authorities appeared to be sufficiently satisfied with the plans as developed and were willing to proceed with the project. Canadian authorities on the other hand were not so convinced. Having regard to all these factors, it appeared desirable to allow the U.S. to go ahead with construction on the understanding that Canada would participate in a manner and degree to be decided, and that this line was a joint undertaking and part of a whole warning system.

31. In the course of discussion the following points emerged:

(a) There were some 40 posts in Canada at which U.S. service personnel were stationed. The total number of personnel involved was approximately 15,000 of which 13,400 were in Newfoundland. At Goose Bay, for instance, which was a jointly occupied station under Canadian control, there were 412 Canadians and 3,810 Americans.

(b) Once the radar lines were in operation, the next problem would probably have to do with the actual location of fighter defences. Because of the likely use of atomic warheads in air-to-air missiles and ground-to-air missiles, it would be necessary to move air bases further away from the more heavily inhabited areas.

(c) N.A.T.O. authorities should be informed that what was being done for continental defence was just as important to N.A.T.O. as a whole, as the establishment of proper defences in Europe. There was not much point in having several well equipped divisions in Europe if the vast industrial complex of North America were unprotected. Even more important was the defence of the main bases of the Strategic Air Command which must be protected in order that the retaliatory power would be available after a surprise attack. This was an important contribution by air defence to the deterrent force.

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(d) It would be helpful if more publicity could be given in the U.S. to the fact that Canada, of all the U.S. allies, was not in receipt of American aid and was making a significant contribution from its own resources for the defence of the free world.

32. The Cabinet noted the report of the Secretary of State for External Affairs on the recommendation of the Cabinet Defence Committee on a Distant Early Warning Line (D.E.W.) and agreed:

(a) that the Distant Early Warning Line, as proposed, be constructed as one element of an over-all continental defence warning system, the establishment of which was being undertaken as a joint Canada-United States project;

(b) that authority be granted for the conclusion of an agreement with the U.S. government which would enable that government to proceed with the construction and equipment of the distant early warning element of the joint system in accordance with terms and conditions along the lines submitted;

(c) that, at the same time, the U.S. government be informed of Canada's intention to participate in the project; the nature and extent of such participation to be more precisely determined in the near future; and,

(d) that a public announcement regarding the project, as agreed with the U.S., be issued.

Adulteration of evaporated milk; Laurentide Dairy Products Limited, Ste. Anne de la Perade, Quebec

33. The Minister of Agriculture reported that a product branded and sold as evaporated milk by the Laurentide Dairy Products Limited, of Ste. Anne de la Perade, Quebec, had been found on official analysis, to contain fat other than that of milk, and 15,000 cases, each containing 48 lbs. cans, had been seized. The Department of Justice was of the opinion that the product in question could be considered evaporated milk but did not meet the standard of composition

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for evaporated milk. It could not, therefore, be moved interprovincially but with the consent in writing of the Minister, might be exported from Canada if it was re-labelled for what it was, namely evaporated skim milk with added vegetable oils and shipped to a country where it would be legally acceptable. The Company had sought permission for such export. In addition to this adulterated milk, 167,650 lbs. of whole milk powder, 2,382 cases (42 lbs. per case) and 52 bbls (200 lbs. per bbl.) of condensed milk and 841 cases (12 lbs. per case) of cream had also been found to be adulterated and had been placed under seizure.

An explanatory memorandum was circulated.

(Memorandum, Department of Agriculture, Nov. 18, 1954- Cab. Doc. 247-54).

34. In the course of discussion the following points emerged:

(a) The powdered milk had been produced by separating the buttermilk fat from the fluid milk and then replacing it with vegetable oil and the resulting product had been sold as whole milk. There was no federal prohibition to its sale within the province and it might even be shipped to Newfoundland, but officials considered it best not to facilitate consumption in Canada. However, in many countries, it was regarded as a desirable food, and it was in fact quite healthful and nutritious;

(b) In addition to the 15,000 cases, there were said to be another 35,000 cases which had been adulterated and which were stored in the premises of the Company. If all of these could not be disposed of abroad, the Company would be bankrupt and might have to close, with unfortunate results for approximately 1,000 farmers in the area who depended on it as an outlet for their fluid milk. Even if export was permitted, the operation would be costly, as all the cans had to be unpacked and relabelled. Furthermore, the company was going to be prosecuted and would have to pay the required fine.

(c) Dairy farmers and the National Dairy Council were seriously concerned about the sale of margarine, but they were even more worried now about the use of oil in other traditionally dairy products, for example, ice cream. The dairy industry was very important to agriculture in many parts of the country and nothing should be done which would make the industry's position more difficult.

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(d) The only alternative to the export of the adulterated evaporated milk was its destruction. It appeared that the best course would be to permit the export of the product if it was honestly labelled. The company must, of course, be prosecuted for the offence which it had committed.

35. The Cabinet noted the report of the Minister of Agriculture concerning a quantity of adulterated evaporated milk produced by Laurentide Dairy Products Limited of Ste. Anne de la Perade, Quebec, and agreed that there would be no objection to the Minister of Agriculture exercising his powers to allow the export of the product, providing that it was properly labelled.

Provincial political party nomination convention; participation of Director of P.F.R.A.

36. The Minister of Agriculture, said that Mr. L.B. Thompson, the Director of the P.F.R.A., had submitted to him, as the appointing Minister, his resignation to take effect at the end of November so that he could assume leadership of the Liberal Party in Saskatchewan if he were nominated at the Convention being held towards the end of the month. It appeared that Mr. Thompson would take no part in direct convention activities and that, in allowing his name to go forward, he was not doing anything incompatible with his duties as an official of the government. If nominated, he would have to resign.

37. In the course of discussion it was pointed out that, if Mr. Thompson were chosen to lead the Liberal party and accepted the nomination before the end of November, his resignation would have to take effect at that time. Meanwhile, action on his letter of resignation might be deferred. On the other hand there was a question whether, technically, a civil servant who allowed his name to go before a convention such as this was not taking part in political activities.

38. The Cabinet noted the report of the Minister of Agriculture regarding a letter of resignation submitted by the Director of P.F.R.A. in connection with his possible nomination for the leadership of a political party in Saskatchewan.

Regulations Act; consolidation of regulations

39. The Prime Minister said it would be necessary to include in the Statutory Orders and Regulations Consolidation, 1954, the consolidation of the regulations under the Regulations Act. It was desirable to take advantage of this

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opportunity and introduce some amendments in the list of regulations which are exempted by the Governor in Council from the operation of that Act. He submitted and explained recommendations for amendment of these regulations.

40. The Cabinet approved the recommendation of the Prime Minister and agreed that the regulations under the Regulations Act be amended as proposed, for inclusion in the new consolidation of Statutory Orders and Regulations; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1787, Nov. 18)

Disabled Persons Act; regulations

41. The Minister of National Revenue, as Acting Minister of National Health and Welfare, submitted regulations to be made under the Disabled Persons Act. These had been prepared after a conference with the provinces, who would administer the scheme. It was proposed that they come into effect on January 1st, 1955. One matter appeared to be of particular concern, the very strict definition of those who would be deemed to be totally and permanently disabled.

42. In the course of discussion the following points emerged:

(a) The law provided for the payment of an allowance to one who was totally and permanently disabled. Any definition had to follow the terms of the Statute and a line had to be drawn somewhere. Nevertheless, that proposed in the regulations would be severely criticised.

(b) It was apparently contemplated that medical investigations be made by investigators in the employ of the provinces. This differed from investigations made under the Blind Persons Act, where the doctors were employed directly by the Department of National Health and Welfare.

(c) Provincial governments would get the credit for granting allowances and so the Federal government would receive the blame for the strict regulations that made it necessary to refuse many applications. On the other hand, in the Blind Persons Act, the Federal government contributed 75 percent of the allowance, whereas in the Disabled Persons Act it contributed only 50 percent and for this reason the provincial authorities had a greater incentive to economy in the administration of the latter Act.

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43. The Cabinet deferred decision on the Disabled Persons Regulations pending further consideration of them.

Private radio broadcasting stations; Bathurst, N.B. and Leamington, Ontario; application for licences

44. Mr. Gregg and Mr. Harris, in the absence of the Minister of Transport, recommended the issuance of private commercial broadcasting licences for radio broadcasting stations at Bathurst, N.B. and Leamington, Ontario, as previously proposed by the Minister.

45. The Cabinet agreed,-

(a) that a private commercial broadcasting licence be issued to the Bathurst Broadcasting Company, Limited, for the establishment and operation of a radio broadcasting station at or near Bathurst, N.B.; and,

(b) that a private commercial broadcasting licence be issued to Albert A. Bruner, Esq., respresenting a company to be incorporated, for the establishment and operation of a radio broadcasting station at or near Leamington, Ontario;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1786, Nov. 18).

Reference to the Supreme Court; validity of Industrial Relations and Disputes Investigation Act in respect of employees of the Eastern Canada Stevedoring Company Limited, Toronto

46. The Minister of Justice said a dispute had arisen between the Brotherhood of Railway Clerks, Freight-handlers, Express and Station Employees and District 50, United Mine Workers of America, as to which one of the unions would be certified as the bargaining agent for the employees of the Eastern Canada Stevedoring Company Limited in Toronto, It was a question as to whether the Labour Relations Act of Ontario or the Industrial Relations and Disputes Investigation Act of Canada applied to the Company and its employees and consequently whether the Ontario Labour Relations Board had jurisdiction to hear the application for certification by the unions concerned. The Ontario Labour Relations Board had issued an Order to the effect that it did have jurisdiction but it had been challenged. It appeared that the case would ultimately go to the Supreme Court, but this would take a long time. All concerned had agreed that it would be unwise for the litigation to drag on for a long period. He recommended,with the concurrence of the Minister of Labour, that the matter be referred to the Supreme Court immediately.

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47. The Cabinet approved the recommendation of the Minister of Justice and agreed that, pursuant to the provisions of section 55 of the Supreme Court Act, the following questions be submitted to the Supreme Court for hearing and consideration:

"(1) Does the Industrial Relations and Disputes Investigation Act, Revised Statutes of Canada, 1952, Chapter 152, apply in respect of the employees in Toronto of the Eastern Canada Stevedoring Co., Ltd., employed upon or in connection with the work or business of the company as heretofore described? (The business of the Company in Toronto is the loading and unloading of ships, the storage of cargo in its sheds for loading, and the handling of such cargo between ships and trucks or railway cars.)

(2) Is the Industrial Relations and Disputes Investigation Act, Revised Statutes of Canada, 1952, Chapter 152, ultra vires of the Parliament of Canada either in whole or in part, and, if so, in what particular or particulars and to what extent?"

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1785, Nov. 18).

R.C.M. Police Marine Division, Windsor; purchase of property

48. The Minister of Finance said the R.C.M.Police Marine Division in Windsor was in urgent need of adequate quarters on the waterfront and a most desirable property had now been offered for sale at $120,000. It would probably cost twice this figure to build suitable quarters with the necessary docks and other facilities. However, the property open for purchase was a luxurious private home and there might be considerable criticism if it were bought for the Mounted Police.

49. In the course of discussion, it was pointed out that the R.C.M. Police and the Ontario Provincial Police had already purchased several large private homes for living and office quarters and there had been no criticism of the transactions. The price for the property in question was such a good one from the purchaser's point of view that it seemed desirable to acquire the property.

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50. The Cabinet noted the report of the Minister of Finance and agreed that the option to purchase certain land and premises for $120,000 for the R.C.M.Police Marine Division at Windsor be exercised.

Appointment; Canadian Pension Commission

51. The Minister of Veterans Affairs submitted a recommendation for a re-appointment to the Canadian Pension Commission.

52. The Cabinet approved the recommendation of the Minister of Veterans Affairs and agreed that John Murray Forman, Esq., D.F.C., be appointed a member of the Canadian Pension Commission for a period of 10 years, effective February 1st, 1955; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1790, Nov. 18).

Sale of Crown property in Ontario and Quebec

53. The Prime Minister, for the Minister of Defence Production, submitted recommendations for the sale, through Crown Assets Disposal Corporation, of parcels of Crown property at Longueuil, Quebec and Leaside, Ontario. In each case the properties had been advertised and the sale was to be made on the basis of the highest tender.

54. The Cabinet approved the sale of the following parcels of Crown land:

(a) 16.468 arpents of land, being the site of a former transmitter station at Longueuil, Quebec, to J.J. Seguin Company Limited, for $36,000; and,

(b) approximately 14.774 acres of land and a number of buildings having a floor area of approximately 150,000 square feet with installations thereon, to the Canadian Radio Manufacturing Corporation Limited for $496,640.00, payable $55,000 down and the balance in 15 annual instalments, secured by mortgage, with interest at 5 percent per annum from January 31st, 1955;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1784, Nov. 18).

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 23rd, 1954.

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Items Discussed

Defence Research Board; appointment	2.
Canadian National Railways; proposed $250 million bond issue	2.
Canadian Broadcasting Corporation; appointment to Board of Governors	3.
Legislation; War Veterans Allowance Act amendment	3.
Legislation; Northwest Territories Act amendment	
Legislation; Yukon Act amendment	7.
Legislation; Members of Parliament Retiring Allowances Act amendment	8.
Legislation; Government Employees Compensation Act amendment	8.
National Defence Headquarters site, Ottawa, report of Minister of Public Works	9.
Disabled Persons Regulations	11.
South Saskatchewan Project	12.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Tuesday, November 23rd, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce)
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Defence Research Board; appointment

1. The Minister of National Defence submitted a recommendation for an appointment to the Defence Research Board.

2. The Cabinet approved the appointment of Reginald McLaren Brophy, Esq., as a member of the Defence Research Board, representing the Department of Defence Production, effective January 1st, 1955; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1828, Nov. 23).

Canadian National Railways; proposed $250 million bond issue

3. The Minister of Finance said the Canadian National Railway Company proposed to issue bonds in the amount of $250 million for the purpose of repaying government loans in the principal amount of $219,300,526.36. The bonds would be dated December 15th, 1954, to mature on February 1st, 1963, and would bear interest at the rate of 2-3/4 percent per annum.

4. The Cabinet,-

(a) noted with approval the report of the Minister of Finance that the Canadian National Railway Company proposed to issue bonds in the principal amount of $250 million dated December 15th, 1954, to mature on February 1st, 1963 and to bear interest at the rate of 2-3/4 percent per annum, for the purpose of repaying outstanding government loans in the principal amount of $219,300,526.36, and meeting,in part, capital expenditures of the Company authorized under the C.N.R. Financing and Guarantee Act of 1954; and,

(b) agreed that Her Majesty in the right of Canada should unconditionally guarantee the payment of the principal of and interest on these bonds;

an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1829, Nov. 23).

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Canadian Broadcasting Corporation; appointment to Board of Governors

5. Dr. McCann submitted a recommendation for the appointment of R.K. Gervin, Esq., of Vancouver, B.C., to the Board of Governors of the Canadian Broadcasting Corporation.

6. In the course of discussion it was pointed out that Mr. Gervin would fill the vacancy left through the expiry of the term of office of Mrs. E.S. Farr of Victoria, B.C. If Mr. Gervin was appointed there would no longer be any female representation on the Board of Governors. On the other hand, Mrs. Farr and her predecessor, Mrs. Sutherland, had been the only women on the Board for fourteen years. Both were from British Columbia. It would seem desirable that the next woman appointee to the Board should be from some other part of Canada.

It was further pointed out that Mr. Gervin was the Vice-President of the Trades and Labour Congress of Canada. With his appointment there would be two trade union officials on the Board. The other was Mr. W.H. Phillips whose term of office, however, would soon be up and, at that time, consideration could be given to replacement by a woman.

7. The Cabinet approved the appointment of R.K. Gervin, Esq., of Vancouver, B.C. to the Board of Governors of the Canadian Broadcasting Corporation for a term of three years from November 1st, 1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1807, Nov. 23).

Legislation; War Veterans Allowance Act amendment

8. The Minister of Veterans Affairs reported that considerable pressure had been exerted by the Canadian Legion and other veterans' organizations to have the War Veterans Allowance Act amended to provide an increase in the basic rates as well as a higher level of income ceilings. Their proposals had been that the rates be increased from $50 to $60 a month for a veteran without dependents and from $90 to $120 a month for a veteran with dependents. They had also urged that income ceilings be raised from $720 to $1200 a year for a veteran without dependents and from $1200 to $2000 a year for a veteran with dependents. It was estimated that these proposals would involve additional annual expenditures of approximately $21 million.

During recent months he had personally visited most of the Veterans Affairs districts throughout the country and had come to the conclusion that, although the demands of the Canadian Legion and other veterans

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organizations were perhaps excessive, there was no doubt that many W.V.A. recipients could not provide themselves with the necessities of life.

The Department had devised several schemes to improve the benefits under the War Veterans Allowance Act and these had been discussed with the Minister of Finance. As a result of these discussions, he now recommended that, without altering the basic rate of benefit, income ceilings be increased from $720 to $900 a year for a veteran or widow without dependents; from $1200 to $1560 a year for a veteran or widow with dependents; from $600 to $720 a year for one orphan; from $1000 to $1200 a year for two orphans of one veteran and from $1200 to $1440 for three or more orphans of one veteran.

The new ceilings would extend the limits within which recipients of War Veterans Allowances could continue to have small earnings or pensions, or Old Age Security pension, and still have this increased by War Veterans Allowance to a fair level. It was considered that the amounts suggested constituted a fair level, having regard to present cost of living.

For those recipients who had no other income and depended on the allowance for their subsistence, it was proposed to continue to use the Assistance Fund (W.V.A.) to supplement the basic rate to the level of the income ceiling, where the need was shown to exist. It had been found, however, that the formula used in determining need was based on rules that were so rigid that it had been possible, so far, to provide relief only to those cases where it could be said that the recipient was in distress. It was intended to amend this formula to make it more flexible and to extend it to cover items other than those to which it now applied, i.e. rent, food, fuel and continuing medical care. The Assistance Fund could thus be used, upon application, to enable recipients of War Veterans Allowance who could not earn, or had no other income, to meet their needs within the income ceiling.

This proposal would involve additional expenditures of $6.75 million for War Veterans Allowance and of between $1 million and $2 million under the Assistance Fund.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 22, 1954- Cab. Doc. 248-54).

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9. Mr. Lapointe added that this recommendation was a compromise. He personally felt that, to meet the essential needs of veterans, it would be necessary not only to increase the ceilings and to extend the use to be made of the Assistance Fund as recommended, but also to increase the basic rates from $50 to $60 for veterans without dependents and from $90 to $100 for veterans with dependents. If this were done, the additional expenditure would not be very great. While the additional cost of raising the income ceilings and of extending the use of the Assistance Fund would be approximately $8 million, the basic rates could be increased from $50 to $60 and from $90 to $100 respectively, for a further additional expenditure of only $3 million. If this more generous course of action were followed, he felt that the legitimate requests of veterans organizations would have been met and that the government would not likely be faced, thereafter, with demands for further increases in the scale of benefits.

10. In the course of discussion, the following points emerged:

(a) At the present time, approximately 45,000 veterans were in receipt of benefits under the War Veterans Allowance Act. Of this total 12,500 had no other income. It was estimated that about 7,500 W.V.A. recipients were seventy years of age or more. The current annual liability in respect of W.V.A. benefits was approximately $28.5 million with an additional $523,000 being paid out of the Assistance Fund this year.

(b) It was suggested that, even if nothing else were done, a more liberal use of the Assistance Fund would likely do a lot of good where the need was greatest. Up until the present time, veterans had to meet very rigid conditions before becoming eligible for assistance from the Fund. Some consideration might be given to the desirability of rescinding the Order in Council under which the Fund now operated and making suitable provision in the legislation itself.

(c) Some doubt was expressed as to the wisdom of spending approximately $8 million by setting higher income ceilings and by a more liberally administered Assistance Fund when the main demands of veterans' organizations were for an increase in the basic rates. The government would get better credit for its action, and demands for the higher allowance rates would continue. In the circumstances, consideration might usefully be given to a somewhat revised proposal under which the basic rates would be raised as suggested

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from $50 to $60 for veterans without dependents and from $90 to $100 for veterans with dependents, and the income ceilings would be increased somewhat less than had been proposed, to, say,$840 for veterans without dependents and to $1440 for veterans with dependents. Under this proposal the additional annual cost to the Treasury should be in the neighbourhood of $10 or $11 million.

(d) In the past, the position had frequently been taken that War Veterans Allowances were essentially a form of old age assistance made available to veterans at an earlier age because of pre-aging due to wartime experiences. This position might not be sound but it had been taken. In the circumstances, if basic W.V.A. rates were now raised it might be difficult for the government to resist demands for an increase in Old Age Assistance and Old Age Security Pension rates and particularly for increased benefits under the Blind Persons Act. It was argued, on the other hand, that no true parallel could be established between Old Age Pensions and War Veterans Allowance. Already the basic rate of War Veterans Allowance was $10 higher than the Old Age pension. It was pretty generally accepted that because of the sacrifices they had made in defending the nation, veterans were entitled to preferred treatment and there did not seem to be any good reason why Old Age Pensions and Blind Persons Allowances should be increased merely because W.V.A. rates were raised. In the one case the legislation applied to Canadians who were in need simply because of old age, while in the other case the legislation applied to veterans who had been pre-aged or incapacitated as a direct result of war.

(e) In the event there was a substantial recession in the national economy, the present W.V.A. benefits would likely appear in a much more favourable light than they did now. Such a recession seemed unlikely, however, and in the circumstances consideration should be given to this question on the assumption that the economy would remain fairly stable.

11. The Cabinet noted the recommendations of the Minister of Veterans Affairs for amendments to the War Veterans Allowance Act and agreed that he and the Minister of Finance consider further and report on the desirability of adopting a formula under which,-

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(a) basic rates would be increased from $50 to $60 a month for a veteran without dependents and from $90 to $100 for a veteran with dependents; and,

(b) income ceilings would be raised from $720 to $840 a year for a veteran or widow without dependents and from $1200 to $1440 a year for a veteran or widow with dependents, with proportionate increases in the allowable income ceilings of orphans.

Legislation; Northwest Territories Act amendment

12. The Minister of Northern Affairs and National Resources said he proposed to introduce a measure during the coming session of Parliament to amend the Northwest Territories Act.

The main purpose would be to raise from $50 to $100 a day the fees paid to members for attendance at sessions of the Northwest Territories Council. Another amendment would clarify the powers vested in the Commissioner in Council to appropriate moneys credited to the Northwest Territories Revenue Account by Vote of Parliament.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 18, 1954- Cab. Doc. 249-54).

13. The Cabinet approved in principle proposed amendments to the Northwest Territories Act as recommended by the Minister of Northern Affairs and National Resources and agreed that a draft measure be prepared accordingly.

Legislation; Yukon Act amendment

14. The Minister of Northern Affairs and National Resources said he proposed to introduce a measure during the coming session of Parliament to amend the Yukon Act.

As in the case of the proposed amendments to the Northwest Territories Act, the main purpose of this bill would be to increase, from $50 to $100 a day, fees paid to members for attendance at sessions of the Yukon Council. A number of other amendments were designed to bring this Act in conformity with existing provisions in the Northwest Territories Act.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 18, 1954- Cab. Doc. 250-54).

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15. The Cabinet approved in principle proposed amendments to the Yukon Act as recommended by the Minister of Northern Affairs and National Resources and agreed that a draft measure be prepared accordingly.

Legislation; Members of Parliament Retiring Allowances Act amendment

16. The Minister of Finance submitted a resolution and bill to amend the Members of Parliament Retiring Allowances Act. The main purpose was to provide that a withdrawal allowance payable under the Act would include any interest that had been paid by a member in respect of his contributions for prior service.

17. The Cabinet approved for introduction a resolution and bill to amend the Members of Parliament Retiring Allowance Act as submitted by the Minister of Finance.

Legislation; Government Employees Compensation Act amendment

18. The Minister of Labour submitted a resolution and bill to amend the Government Employees Compensation Act.

The main purpose of the amendment was to provide that compensation under the Act be determined in accordance with the law of the province where the employee was usually employed rather than, as at present, in accordance with the law of the province where the accident occurred.

19. The Cabinet approved for introduction a resolution and bill to amend the Government Employees Compensation Act as submitted by the Minister of Labour.

Legislation; Winnipeg and St. Boniface Harbour Commissioners Act amendment

20. The Secretary submitted a bill to amend the Winnipeg and St. Boniface Harbour Commissioners Act.

21. The Cabinet approved for introduction the bill to amend the Winnipeg and St. Boniface Harbour Commissioners Act as submitted.

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National Defence Headquarters site, Ottawa; report of Minister of Public Works

22. The Minister of Public Works, referring to discussion at the meeting of September 8th, 1954, reported that the special Cabinet Committee and the Interdepartmental Committee on New Buildings had examined further the question of a site for a new National Defence Headquarters. There were two areas considered suitable for the purpose; one near Bell's Corners and the other near Pinecrest Cemetery on the Baseline Road. The Ministers and officials had considered the advantages and disadvantages of each site and, after weighing up the various factors involved, thought the Pinecrest area was the most suitable. The Department of Public Works could develop either but the difficulties likely to be encountered at Bell's Corners would be substantial. Water, sewage and possibly even housing would have to be provided and an agreement would have to be entered into with the Province for the proper zoning of the area between the actual site of the building and the boundary of the city. It did have the advantage, however, of being near an escarpment where underground quarters could be constructed and used relatively easily. The Pinecrest site would be much easier to develop as all municipal facilities were available, but the provision of space underground would be more difficult and expensive. On balance, he favoured the Pinecrest area.

23. In the course of discussion, the following points emerged:

(a) Past experience for example at Ajax, Ont., indicated that, if the Bell's Corners site were to be developed, it would be necessary to provide housing and municipal services. On the other hand, at the present rate of development Bell's Corners would be on the edge of the city in a few years' time. Many people working in National Defence Headquarters now lived in the west of the city and others would no doubt move out that way. It would not appear necessary to provide housing for the headquarters staff. The site was near the Shirley Bay development, and water and sewage facilities could be tied into those facilities already provided. It was true that arrangements with the Province would probably be necessary to zone the area between the western boundaries of the city and the actual building site so that proper development would occur, but this did not appear to be impossible. Furthermore, the transport facilities to and from the area, even at the present time, were good, and would be improved by the new expressway.

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(b) The Pinecrest site had already been acquired for government buildings in the future,but this had not been done specifically for a new National Defence Headquarters.

(c) The Bell's Corners site was ten miles from the centre of Ottawa, and the Pinecrest site seven. In neither case would it appear to be necessary to provide houses.

(d) If necessary, the whole area between the western boundaries of the city and the Bell's Corners site could be acquired and land sold to private individuals for housing on a controlled basis.

(e) While there would be some value on going much further from Ottawa to get greater safety against air attack, any site beyond a distance of ten or twelve miles from Ottawa would require those working in the headquarters to leave the city and establish their homes near the new site. This would require the government providing a great deal of housing and related services.

(f) It might be advisable to expropriate, now, the land for the actual building and parking facilties at Bell's Corners. It would not be necessary, at this stage, unless it appeared that speculation would occur, to expropriate the wedge between that site and the western boundary of the city. The cost of the land would be about $500-$700 an acre and if a square mile were expropriated the total cost would be in the neighbourhood of $300,000. If it were decided to put National Defence Headquarters elsewhere, the expropriation order could be lifted. Meanwhile, the choice of sites could be deferred.

(g) It would be advisable not to make any firm decision in the next few months. By the spring, preparations for the entry of the Federal Republic of Germany into N.A.T.O. would be completed and the Soviet reaction would likely then be known. Either the Communist powers would have accepted the situation or there would be a much more critical period immediately ahead in world affairs. It would then be easier to determine the probable size required for a defence headquarters.

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24. The Cabinet noted the report of the Minister of Public Works on a site for National Defence Headquarters and agreed that plans be prepared for expropriation of land for the Headquarters and parking space, covering approximately one square mile in the area of Bell's Corners, in order that the land could be acquired rapidly if this were thought advisable in the next few months.

Disabled Persons Regulations

25. The Minister of National Health and Welfare, referring to discussion at the meeting of November 18th, said that, while it appeared from the draft regulations that the medical investigations would be made by provincial authorities, it was proposed to stipulate in the agreements to be made with the provinces that no medical assessment would be final without the agreement of representatives of the Federal government. It was true that the definition of total and permanent disability was restrictive, but it conformed with the present practice of Ontario under its legislation on this matter. It was also much the same as the practice in most U.S. states in granting allowances for disabled persons. If it appeared that the definition was too restrictive, it could be changed in the light of experience. All the provinces had agreed to the provisions which had been drafted.

Copies of the regulations had been circulated.

(Disabled Persons Regulations - Cab. Doc. 251-54).

26. The Cabinet noted the report of the Minister of National Health and Welfare on the regulations under the Disabled Persons Act and,

(a) agreed that a proclamation be issued bringing the Disabled Persons Act into force on January 1st, 1955; and,

(b) approved the Disabled Persons Regulations made pursuant to section 11 of the Act;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1830,-1831, Nov. 23).

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South Saskatchewan Project

27. The Minister of Agriculture, referred to the draft agreement between the Federal government and the government of Saskatchewan on development of the South Saskatchewan River project which had been discussed briefly at the meeting of November 9th. He outlined some of the more important features.

The Minister believed that all the conditions set out in his letter of April 24th, 1953, to the Premier of Saskatchewan had now been met by Mr. Douglas. The only question that remained for decision was whether an expenditure of $61,871,978 by Canada on this project would produce worthwhile results.

The South Saskatchewan River dams would cost $82,495,970. The share to be assumed by the Province, as appropriate to power, was $20,623,992. The cost of the dams related to matters other than power would therefore be $61,871,978. The Province's cost of irrigation works was estimated at $35 million.

If this development was considered on the same basis as the St. Mary's project in Alberta, the Federal government would put dollar for dollar into the development related to irrigation. Therefore, if the Province of Saskatchewan was spending $35 million on irrigation, $35 million was all we should be required to spend on that account. There could be no valid reason why Canada should treat Saskatchewan any less favourably than Alberta in this regard. This would leave $26,871,978 the Federal government would be spending which would be required to bring benefits other than those related to either power or irrigation and which, therefore, should be of national importance.

Prairie Farm Assistance had paid $368,000 annually since 1939 to persons who would be removed from the lists if the project were completed. The saving over twenty years would be $7,360,000 on this one item.

The estimated increase in national revenue was $1,328,000 annually. This would amount in twenty years to $26,560,000. These two amounts alone would mean $7 million more to the Federal Treasury than would be spent upon the dam for other than irrigation purposes.

However, this was only a small part of the national benefits which would result. There must be industrial development in Saskatchewan if the Province was to be saved from a repetition of the conditions which had developed in the thirties and which cost the Federal government $186 million in relief for the three Prairie Provinces. Industrial development could not take place

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unless there was a supply of water available twelve months in the year. This dam would store that water where it could be utilized to supply industry and provide water to urban population.

The greater population settled on the prairie would bring benefits to other parts of Canada comparable with those created by the settlement in Saskatchewan following immigration and the building of railways. Saskatchewan was at the peak of all things related to costs in transportation, trade and finance. The Province provided more of the food which entered into trade than any other province and required more to be shipped in. More people there would mean increased prosperity both east and west as well as in Saskatchewan and would give employment to young Canadians near their homes.

In the circumstances, he felt that the Federal government should announce that it was prepared to negotiate suitable terms for payment and suitable arrangements as to time of construction with the Province . The Federal - Provincial draft agreement, which had previously been circulated to all Ministers, had been approved in principle by the Saskatchewan government and he suggested that it now be submitted to the Department of Justice for final drafting.

The site of the project was so located in the midst of a large number of towns and villages that it was estimated there would be direct benefits to at least half the population of the Province. The project would provide irrigation for more than 400,000 acres of dry land. In addition some considerable power benefits would be derived from the water storage. Water would be brought to certain urban areas such as Saskatoon, Regina and Moose Jaw as well as many smaller centres. The Federal government would, of course, not be required to bear the expense of bringing the water from the main reservoir to these cities.

If the project were proceeded with, there would be an artificial lake just above the main dam 185 feet deep and 140 miles long, or approximately three-quarters of the length of Lake Erie. The mere existence of this large body of water would bring many direct and indirect benefits to the whole southern portion of the Province. The South Saskatchewan River flowed through the most arid portions of the Province and only by damming this flow could maximum benefit be derived from these waters. This was precisely the sort of project which was currently under construction on the Missouri River in the United States.

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An item of $500,000 had been placed in the 1953-54 estimates for the South Saskatchewan project. He now suggested that, without altering the total vote for projects of this kind, which was approximately $7 million, $1.6 million be transferred from the St. Mary's project to the South Saskatchewan, thus increasing the total vote for this latter project alone to $2.1 million. In this way the necessary funds would be provided for all the work that could be done during the next fiscal year. He suggested this arrangement in order not to cause any overall increase in Federal expenditures on water conservation projects, as he fully appreciated the desire of the government not to increase expenditures of this kind at the present time. In this connection, he drew attention to the fact that the Bow River project was nearing completion and that the St. Mary's project would likely be completed at about the half-way mark in the construction of the South Saskatchewan project. In this manner, it would probably be possible to complete construction of the South Saskatchewan project without increasing the overall Federal expenditures on matters of this kind.

He felt that the time was ripe to proceed with the matter. Last year's crops in the west had been poor and the area could not stand two or three successive crop failures without a serious effect on the spirit of the people.

28. In the course of discussion the following points emerged:

(a) Even if it were now agreed to proceed with construction of the project, there were several features of the draft agreement which should be reconsidered, particularly those relating to the supply of water for power purposes, the construction of conduits in the dam to bring the water to the power-house, and the financing provisions set out in clause 15 of the draft. These were matters of detail, however, which could likely be ironed out with the Province. The fundamental issue was whether or not the government was prepared to recommend to Parliament that this work be undertaken.

(b) Through the Prairie Farm Rehabilitation Administration and otherwise, the Federal government had, for several years, undertaken rehabilitation projects which had cost more per acre than the South Saskatchewan project would. However, by and large, these projects had been much smaller and attention had not been drawn to them. The mere size of the South Saskatchewan project would doubtless focus public attention on it and would

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certainly give rise to controversy, particularly in view of the report of the Royal Commission appointed to look into this project. On the other hand, the project would constitute a real addition to the capital plant of the country. It seemed reasonable to assume that, had this artificial lake existed in the thirties, the Prairie Provinces would not likely have suffered nearly as much from the drought.

(c) A number of relatively large projects such as the aluminum development at Kitimat, the iron ore development in Labrador, the St. Lawrence Seaway etc., had been undertaken in recent years. For all of these it was possible to forecast the direct economic return while it was rather difficult to do so in the case of the South Saskatchewan project. Account had also to be taken of the diverging views as to whether this proposal represented, in fact, the best use to which the waters of the South Saskatchewan could be put.

(d) Reference was made to the manner in which the construction of the Grand Coulee dam on the Columbia River in the United States had transformed what was once a complete desert into one of the most fertile regions in the northwest United States. The benefits of irrigation were also quite obvious in the Okanagan Valley in British Columbia. There seemed little reason to doubt that construction of the South Saskatchewan project would have very beneficial effects for the dry area of Saskatchewan.

(e) Another advantage of the project was that it would regulate the flow of the South Saskatchewan River and thus benefit power and other developments downstream in both Saskatchewan and Manitoba.

(f) While recognizing the benefits to be derived from the project, one must concede there were reasons to doubt whether it could be justified in economic terms. This in itself, however, did not seem to be sufficient reason not to proceed. It was frequently necessary for the government to enter into unprofitable undertakings in the national interest. For example, millions of dollars were spent yearly on subsidies for coal and gold mining. These were paid not because either the coal or the gold was needed, but simply because entire communities of citizens were completely dependent upon continuation of these industries for their existence.

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(g) According to estimates submitted by the Minister of Agriculture, it would cost the Federal government approximately $60 million to build a large artificial lake in the middle of Saskatchewan. Was this worth the cost? It was not yet certain that a substantial proportion of the water so stored would actually be used for irrigation purposes. Even if the water were so used, however, the Federal government would in effect, have spent approximately $20,000 for each farm that would benefit from irrigation. The wisdom of undertaking the project was questioned, unless this sort of development was accepted as government policy and became part of a nation wide rehabilitation scheme.

(h) It might be difficult to convince persons in other areas that 25 percent of the cost of the dam was all that should be attributed to power, and they might well demand federal assistance in financing the construction of power plants in other places.

29. The Cabinet noted the recommendations of the Minister of Agriculture regarding the South Saskatchewan River project and the arguments for and against undertaking it.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

November 24th, 1954.

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Items Discussed

Council for the Encouragement of the Arts, Letters, Humanities and Social Sciences; report of Cabinet Committee 2.

Parliament; date of opening of next session 7.

Flood damage in Toronto area, October 1954 8.

Legislation; bill to provide control over construction of works interfering with the flow of waters crossing the international boundary 9.

Canadian Broadcasting Corporation; staff reductions in International Service 10.

Canadian coal; subventions on purchases by railways 10.

Cabinet Defence Committee; report by Minister of National Defence 11.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, November 24th, 1954, at 3:30 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce
and Minister of Defence Production
(Mr. Howe),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Council for the Encouragement of the Arts, Letters, Humanities and Social Sciences; report of Cabinet Committee

1. The Secretary of State for External Affairs said the special Cabinet Committee which Cabinet, on October 6th, had asked to consider and report on the establishment of a Canada Council, had gone into the matter and prepared a recommendation, but felt that, before the Department of Justice was asked to draft legislation for the establishment of a Council, Cabinet might consider certain of the problems involved.

One of the main functions of a Council as suggested by the Massey Commission would be to devise and administer a system of awards and scholarships for students and scholars in the field of the arts, letters, humanities and social sciences. This gave rise to a constitutional problem because education was under exclusive provincial jurisdiction.

The Committee suggested that, notwithstanding the Commission's recommendations, the scholarship scheme to be administered by the Council be restricted to the post-graduate level, and that no provision be made in the legislation for the establishment of the University Training Advisory Council which had been suggested by the Commission. With regard to scholarships for foreign students, however, the Committee was of the view that these might be awarded at both the under-graduate and post-graduate levels.

The Committee had given considerable thought to the relative positions of the Chairman, the Vice-Chairman, the Secretary and Associate Secretary of the Council. The Massey Commission had recommended that the Chairman and Vice-Chairman be full-time appointees. There were certain advantages to this but, on balance, the Committee thought it might be preferable, at least during the first few years of the Council's existence, to appoint the Chairman and Vice-Chairman on a part-time basis either with or without remuneration depending upon the individuals selected. Under such an arrangement the relative position of the Secretary and Associate Secretary or Director and Associate Director, whatever they may be called, would be greatly increased, and the Committee suggested that all four appointments be made by the Governor in Council.

It was suggested that the term of office of the Chairman be as determined by the Governor in Council but not in excess of five years and that he be eligible for re-appointment for a second term. The Vice-Chairman and other members of the Council, other than the Secretary and Associate Secretary, might be appointed for three-year terms and be eligible for re-appointment for a second term. The Secretary

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and Associate Secretary should be appointed during pleasure. Members of the Council, other than the Chairman, Vice-Chairman, Secretary and Associate Secretary, would serve without remuneration except for living and travelling expenses and a per diem fee while engaged on the Council's business.

It was recommended that the Council be entitled the "Canadian Council for the Arts", to help make clear its limited scope in the field of education.

The main objectives of the proposed Council could be described under four headings. These were first, to encourage the letters, humanities and social sciences in Canada; secondly, to encourage the fine arts in Canada; thirdly, to foster Canada's relations abroad in the field of the arts and letters and, finally, to act as a national commission for U.N.E.S.C.O. The Committee was impressed by the magnitude and complexity of the Council's task and felt, therefore, that it would be inadvisable to attempt to delimit too precisely the scope of the Council's functions.

The Committee recommended that the Council's operations be financed by yearly parliamentary appropriations and by funds that might be received by the Council through the conduct of its operations, and from bequests, donations, etc. Insofar as operating expenses were concerned, there was no doubt in the Committee's mind that the appropriations should be allowed to lapse at the end of each fiscal year, as in the case of government departments. However, the experience of the National Research Council and the National Gallery suggested it would be advisable to provide that moneys allocated by the Council for scholarships or grants-in-aid should be held over in a special fund.

The Committee had not attempted to determine what the Council's budget should be. It seemed clear, however, that expenditures would not be very great at first. It was felt that, during the first few years, approximately $250,000 would be sufficient to provide an adequate number of post-graduate awards and scholarships. In the field of fine arts, expenditures during this initial period would be small,as the Council would likely wish, before extending any existing awards and grants, to conduct a fairly intensive survey of this field in order to determine precisely what the needs were and how best they could be met.

The Minister submitted for consideration proposed instructions to the Department of Justice for the drafting of legislation to establish a Canadian Council for the Arts,

An explanatory memorandum had been circulated.

(Memorandum, Cabinet Committee on the Canada Council, Nov. 22, 1954-Cab. Doc. 252-54).

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2. In the course of discussion the following points emerged:

(a) Ever since the publication of the Royal Commission's report, there had been pretty intensive pressure by certain groups to have its recommendations implemented. Because of the present budgetary situation this was perhaps not the best time to establish the Council. Some control could, of course, be exercised over the rapidity with which the Council's activities expanded. Another consideration was that the scholarships and grants-in-aid administered by the National Research Council in the field of natural resources produced measurable economic returns while the returns to be expected from the activities of the Canadian Council for the Arts would be somewhat more intangible.

(b) There were undoubtedly certain advantages in appointing the Chairman and Vice-Chairman on a full-time basis as recommended by the Royal Commission. However, it might be difficult to get the sort of person one would want to accept the position on that basis. There appeared to be some considerable advantage in securing an eminent and dynamic business man of independent means as Chairman, on a part-time basis. Such a person might not only ensure that the affairs of the Council were well managed but also attract some private support for the Council's work. If this course of action were followed, particular care should be exercised in the selection of the Secretary and Associate Secretary, as they would then be the effective executive heads of the organization.

(c) The Royal Commission had recommended scholarships at the under-graduate level and there were those who felt that the Federal government should do something to equalize the opportunities of promising young high school graduates. The direct awarding of under-graduate scholarships by the Council, however, presented such serious difficulties that it seemed preferable to stay out of that field. In any event, the government could take the position that the present University Grants constituted, in fact, federal assistance at the under-graduate level. It might be thought desirable, in the future, to increase these grants in order that the Universities might offer more substantial assistance to under-graduates.

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(d) In drafting the legislation to establish the Canadian Council for the Arts, it should be kept in mind that under Canadian income tax law, certain scholarships and awards connected with services rendered were taxable. Such was apparently not the case in certain other countries such as the United States.

(e) There might be criticism in Parliament and elsewhere if the proposed legislation provided under-graduate scholarships for foreign students but not for Canadian residents. In reply to such criticism, it could be pointed out that not only did the Federal government now contribute to the welfare of Canadian under-graduates through the University Grants, but that many foreign countries made a number of under-graduate scholarships available to Canadians while up to the present time Canada had provided no counter-part. Furthermore, such under-graduate scholarships for foreigners might be an indirect means of obtaining a very desirable type of immigrant as it was conceivable that a certain number of young students from such countries as the United Kingdom, France, Germany, etc., might settle permanently in this country upon completion of their studies at Canadian universities.

(f) The government would likely be accused, in some quarters, of invading the exclusively provincial field of education. In reply to such accusations, it should be pointed out that the Canadian Council for the Arts will be doing precisely the same sort of thing as has been done for a great number of years by the National Research Council in the field of the natural sciences. Furthermore, one of the Council's essential functions would be to act as a national commission for U.N.E.S.C.O. Canada had certain contractual commitments with regard to U.N.E.S.C.O. and there could obviously not be ten national commissions.

(g) The view was expressed that it was wiser not to attempt to force our cultural growth through the establishment of the Canadian Council for the Arts. The creation of such a body might be interpreted as an artificial attempt on the part of the government to do, in a very short time, what had been achieved in European countries through centuries of cultural development and in the United States by great wealth.

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(h) One argument in favour of proceeding without delay with the establishment of the Canadian Council was the fact that, because of the availability of financial assistance in the field of natural sciences and the lack of such assistance in the field of the letters, humanities and the social sciences, more and more promising Canadian students were being diverted into scientific studies. If this trend continued there might, in years to come, be a serious shortage of economists, humanists, etc., in Canada. It was important in the national interest to correct this state of affairs as quickly and effectively as possible.

(i) It had been suggested from time to time that, if and when the Council were established, it should take over the Youth Training Programme administered by the Department of Labour. This programme, however, was aimed exclusively at the under-graduate level. In the circumstances, the wisest course of action might be to establish the Council on the understanding that it would not, during the first few years at least, disturb any of the existing schemes for educational assistance such as the University Grants, the Youth Training Programme of the Department of Labour and the educational assistance provided by the Department of National Defence for members of the Armed Forces. At some future time, when the Council was well established, consideration might again be given to the desirability of transferring some or all of these other activities to it.

(j) If and when a bill to establish a Canadian Council for the Arts were introduced in Parliament, it might be referred for consideration to a special committee of Parliament on the understanding that ample opportunity would be given to interested groups to make representations, and that the government would not attempt to have the legislation passed until the next ensuing session. A second alternative would be to introduce the bill as a government measure and have it passed as quickly as possible without reference to any committee. On balance, the second course of action appeared to be preferable.

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(k) A decision would also have to be reached as to whether any mention of this legislation should be made in the Speech from the Throne. Perhaps the safest course of action would be not to do so, on the understanding that, if any questions were asked as to the government's intentions, it could be stated that the recommendations of the Royal Commission were under review and that, provided such review could be completed in time, the government might introduce a measure during the course of the session.

3. The Cabinet,-

(a) approved in principle the recommendations of the Special Cabinet Committee on the establishment of a Canadian Council for the Arts and agreed that draft legislation be prepared forthwith by the Department of Justice along the lines recommended by the Committee;

(b) agreed that the Minister of Finance should consider further, and report subsequently on the financial aspects both of the existing related assistance programmes and of this proposal; and,

(c) deferred for further consideration a decision as to whether the legislation would be introduced during the course of the coming session of Parliament, and, if so, as to whether any mention thereof should be made in the Speech from the Throne.

Parliament; date of opening of next session

4. The Prime Minister submitted certain proposals as to the date of the opening of the next session of Parliament and the choice of a mover and seconder of the Speech from the Throne.

The normal practice had been to have Parliament convene at 3:00 p.m. on a Thursday and to hear the mover and seconder of the Speech from the Throne the following day. The House was then usually adjourned until the following Monday to allow the Leader of the Opposition some time to prepare his statement on the Speech. He hoped it would be possible to have Parliament meet this year as early as possible in January, Unfortunately, Thursday, the 6th of January, was a religious holiday and it might not be felt appropriate

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that Parliament be convened on that day. It would, of course, be possible to meet earlier in the day on Friday, January 7th, it being understood that an opportunity would be given the same day to the mover and the seconder to be heard, and that then the House would adjourn until the following Monday.

5. The Cabinet agreed,-

(a) that a proclamation be issued summoning Parliament to meet on Friday, January 7th, 1955, at 2:00 p.m.; it being understood that the mover and the seconder would be heard that day and that the House would then adjourn until the following Monday; and,

(b) that the mover and the seconder of the Speech from the Throne be respectively Mr. Yves Leduc and Mr. Donald B. Carrick.

Flood damage in Toronto area, October 1954

6. The Minister of Finance referred to the decision taken at the meeting of November 9th, as to the basis on which the Federal government would be prepared to share with the government of Ontario the cost of providing assistance to persons having suffered damage to their private dwellings during the floods that occurred in the Toronto area on October 15th and 16th, 1954.

The damaged houses could be placed in four general categories. There were those dwellings that had been damaged beyond repair. A second category were those houses that had suffered serious damage but where services had not been disrupted. Thirdly, there were the houses that had been seriously damaged and where services had been disrupted. Finally, there were those houses, including trailers, which had been flooded but which had not suffered serious damage.

It was understood that the provincial and local authorities were planning to remove damaged houses, particularly those where services had been disrupted, from the areas where flooding was likely to recur rather than to attempt to protect the houses by the erection of dykes. The provincial authorities were apparently prepared to assist the owners of houses so removed up to the maximum of $5,000 per dwelling and an enquiry had been received as to whether the Federal government would be prepared to share on a fifty-fifty basis the cost of providing the maximum allowable assistance in such cases.

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7. In the course of discussion it was suggested that the course of action to be adopted by the provincial and local authorities in removing damaged houses from dangerous areas seemed sensible. However, it did not seem proper for the Federal government to share in paying for what was essentially zoning and consequently a provincial or local responsibility. The Federal government, however, might agree to share in providing maximum assistance in those cases where homes had been damaged and where services had been disrupted and would not be replaced, but no federal assistance should be extended in cases where services had not been disrupted and where houses were being removed simply on zoning considerations.

8. The Cabinet agreed that the Secretary inform the provincial officials concerned that the Federal government would be prepared to share the cost of assistance at the maximum figure for houses damaged during the floods of October 15th, 1954, in the Toronto area and where services had been disrupted and would not be repaired, but would not be prepared to share in providing assistance to damaged dwellings where services remained available but where the houses were to be removed as a precaution against damage from floods in the future.

Legislation; bill to provide control over construction of works interfering with the flow of waters crossing the international boundary

9. The Minister of Trade and Commerce, referring to discussion at the meeting of October 28th, 1954, reported that, in preparing the draft legislation to provide federal control over the construction of works which interfered with the normal flow of waters across international or interprovincial boundaries, the Department of Justice had felt it necessary to provide that such improvements were "works for the general advantage of Canada" as envisaged in section 92(10)(c) of the British North America Act.

There did not seem to be any serious difficulty arising from this in the case of streams flowing across the international boundary. A rather difficult problem would be created, however, if improvements in the rivers which crossed interprovincial boundaries or which formed the boundary between two provinces, such as the Ottawa River, were declared to be works for the general advantage of Canada, and thus removed from provincial jurisdiction.

He recommended that the applicability of the proposed legislation be restricted to rivers flowing across the international boundary.

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10. In the course of discussion it was pointed out that, if improvements in rivers flowing across inter-provincial boundaries or constituting the boundary between two provinces were declared to be works for the general advantage of Canada, certain doubts would arise as to what jurisdiction the provinces claimed over such works. There might also be demands for the Federal government to assume financial and administrative responsibility for such works once Parliament asserted its jurisdiction over them.
In the circumstances, it appeared preferable to have the new legislation apply only to rivers flowing across the international boundary. Even on this limited basis, however, particular care should be exercised to ensure that the legislation did not, in any way conflict with the provisions of the Boundary Waters Treaty of 1909.

11. The Cabinet agreed that the Department of Justice be instructed that the new proposed legislation to provide federal control over the construction of works, which interfered with the normal flow of rivers crossing international or interprovincial boundaries, should be restricted to rivers crossing the international boundary, and that particular care should be taken to ensure that the various provisions of the legislation did not, in any way conflict with international obligations Canada had assumed under the Boundary Waters Treaty of 1909 or otherwise.

Canadian Broadcasting Corporation; staff reductions in International Service

12. Dr. McCann, referring to discussion at the meeting of May 27th, 1954, said that as a result of the decision to reduce the International Service of the Canadian Broadcasting Corporation, a substantial number of C.B.C. employees would soon have to be released.

He had advised the management of the Corporation that no public statement should be made in this connection and that the necessary staff reductions should be effected gradually and without publicity.

13. The Cabinet noted with approval the report by Dr. McCann on the staff reductions to be made by the Canadian Broadcasting Corporation in implementing the decision of May 27th, 1954, to reduce the Corporation's International Service.

Canadian coal; subventions on purchases by railways

14. The Minister of Mines and Technical Surveys referred to the decision at the meeting of March 10th, 1954, that the subvention on C.P.R. purchases of Canadian coal be calculated on the basis of a 5-mill rate with a maximum

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of $4.00 per net ton on the amount of assistance payable in all areas.

He had now been informed by the Canadian Pacific Railway Company that no further purchases could be made by that company on the 5-mill rate basis. The Railway had suggested that the rate be increased to 7 mills retroactive to April 1st, 1954. It was noted that higher rates were allowed to the Canadian National Railways in calculating subventions on coal purchased for use by that Company.

He agreed that the request for an increase from 5 mills to 7 mills was reasonable but did not feel that the higher subvention should be paid on coal purchased by the C.P.R. between April 1st and November 1st.

15. The Cabinet agreed that the subvention on Canadian Pacific Railway Company purchases of Canadian coal be based on a 7-mill O.C.S. rate, with a maximum of $4.00 per net ton on the amount payable, effective November 1st, 1954; Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1832,1833 and 1834, Nov. 24).

Cabinet Defence Committee; report by Minister of National Defence

16. The Minister of National Defence reported on matters considered by the Cabinet Defence Committee at its meetings held on the 12th and 24th of November. A report on the distant early warning line had already been made and approved by the Cabinet at its meeting of November 18th.

There was a need for a high-speed wind-tunnel for general research, and particularly for the development of CF-105 aircraft and guided missiles. Such a proposal had the support of the National Aeronautical Research Committee and the President of the National Research Council. It was now recommended by the Defence Committee. The cost would be approximately $8.5 million spread over the current and next two fiscal years.

The Committee had also recommended for inclusion in the current Mutual Aid Programme certain one-mile wireless sets, the transfer of a number of shell components produced recently and certain equipment acquired prior to March 31st, 1950. With these additions, the 1954-55 programme would amount to $261 million. In addition, the suggestion had been approved that Canada offer now for inclusion in the 1955-56 Mutual Aid Programme certain trucks, trailers, wireless sets, rockets and mortar bombs, totalling about $5.5 million in value.

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The Committee had considered a revision of the regulations governing the carrying of bombs on training flights of the U.S. Strategic Air Force over Canadian territory, and agreed that they be amended to authorize the carrying of practice bombs, photo flash bombs and other types of armament. These regulations did not cover nuclear weapons or their components which were the subject of separate regulations.

The Committee had examined the chapter on Canada contained in the 1954 Annual Review report of N.A.T.O. countries' defence programmes, a list of military recommendations made by the Supreme Commander and the Standing Group, and Canadian comments on those recommendations. The Committee had approved the proposed Canadian comments and had suggested that a review be made, at the forthcoming N.A.T.O. Ministerial Meeting of the Mutual Aid Programme, up to date, including what was possible about future Mutual Aid policy.

Finally, a number of recommendations regarding civil defence, including the assumption of full responsibility by the Federal government for issuing warnings of attacks, had been considered and approved.

17. The Cabinet noted with approval the report of the Minister of National Defence on the Cabinet Defence Committee meetings of November 12th and 24th and agreed,-

(a) that a high-speed wind-tunnel be constructed at the National Aeronautical Research establishment in Ottawa at an estimated cost of approximately $3.5 million, to be provided from the appropriations of the Air Force and Defence Research Board for the current and next two fiscal years;

(b) that the Mutual Aid Programme for 1954-55 include increased production of one-mile wireless sets, the offering of pre-1950 service equipment valued at about $5,009,000, and certain shell components at an estimated cost of $4,290,800; it being understood that approximately $500,000 of this might be carried forward to the fiscal year 1955-56;

(c) that there be offered as Mutual Aid, for inclusion in the 1955-56 programme, army equipment from stocks available for release without replacement to the value of $3,335,046 and stocks available for release following replacement to the value of $2,202,926;

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(d) that amendments be made to the regulations governing the procedure for the clearing of training flights of U.S. service aircraft over Canadian territory to cover the carrying of practice bombs or bombs filled with inert material in aircraft conducting camera bombing and radar-scope photography, the carrying of photo flash bombs required for photographic reconnaissance missions, and the carrying of other types of armament, provided the normal safety precautions as practiced in the United States were observed; it being understood that the revisions would make it clear that the regulations in question did not cover nuclear weapons or their components;

(e) that the Federal government accept the civil defence responsibility for giving warning of a real or possible enemy air attack directed at Canadian targets, and that other modifications be made in the civil defence programme as recommended by the Defence Committee; and,

(f) that the proposed Canadian comments be made on the recommendations in the N.A.T.O. Annual Review for 1954, and that a statement on Mutual Aid be made at the forthcoming meeting of the N.A.T.O. Council.

R.B.Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 1st, 1954.

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No. 76-54

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, December 1st, 1954, at 10:30 a.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Secretary of State for External Affairs
(Mr. Pearson),
The Minister of Justice
(Mr. Garson),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Northern Affairs
and National Resources
(Mr. Lesage),
The Minister of Transport
(Mr. Marler).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin).

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Table of Precedence; position of Roman Catholic church dignitaries

1. The Prime Minister, referring to discussion at the meeting of July 6th, 1954, said that the manner in which church dignitaries were referred to in the Table of Precedence, which had come into force on September 1st, 1954, had given rise to some difficulty. Heading 12 of the Table referred to "the prelate of the Roman Catholic church having the highest relative precedence in that church in Canada" while, in fact, the Roman Catholic church had several dignitaries of equal status and rank in Canada.

It was suggested that the reference in question be changed to read "a prelate of the Roman Catholic church having high relative precedence in that church in Canada". In this manner, it would be possible to give the proper precedence to the highest ranking Roman Catholic dignitary in whatever locality a state function happened to be held. The Apostolic Delegate to Canada had, for some years, been given precedence in group 12 as a courtesy. By making a minor modification in the footnote to heading 12, it would be possible to give Roman Catholic dignitaries, if more than one were present at any function, the same relative precedence among themselves as that recognized by the Roman Catholic Church.

2. The Cabinet agreed that Her Majesty's approval be sought for the change in the Table of Precedence regarding the position of Roman Catholic church dignitaries as recommended by the Prime Minister; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1900, Dec. 1,1954).

Legislation; War Veterans Allowance Act amendment

3. The Minister of Veterans Affairs referred to discussion at the meeting of November 23rd when consideration was given to a proposal to amend the War Veterans Allowance Act which would involve no change in the basic rate of benefit, but only an increase in the allowable income ceilings from $720 to $900 a year for single veterans and from $1200 to $1560 a year for veterans with dependents, and which would also entail a somewhat more liberal use of the Assistance Fund. The total additional expenditure involved in this proposal would amount to approximately $8 million per annum. It had been agreed that he and the Minister of Finance should consider further and report on the desirability of adopting a formula under which the basic rate of benefit would be increased from $50 to $60 a month for single veterans and from $90 to $108 a month for married veterans, together

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with an increase in the income ceilings from $720 to $840 per annum single and from $1200 to $1440 per annum for married veterans or widows with dependents.

Using this alternative formula, it had now been estimated that the total additional expenditure would be approximately $9.2 million per annum. The additional number of recipients would be 6,490.

A second alternative would be to allow the same increase in basic rates (from $50 to $60 single and from $90 to $108 married) but to increase the allowable income ceilings to $900 for single veterans and to $1560 for married veterans. The total additional expenditure here would be approximately $11.5 million per annum and the additional number of recipients would be 8,025.

An explanatory memorandum was circulated.

(Minister's memorandum, Nov. 30, 1954- Cab. Doc. 262-54).

4. In the course of discussion the following points emerged:

(a) It was suggested that the second alternative might be preferable as it might conceivably put an effective end, once and for all, to the numerous demands by veterans organizations for higher benefits under the War Veterans Allowance Act.

(b) It was argued, on the other hand, that, if the basic rate of benefit were increased as suggested by the Minister of Veterans Affairs, there did not seem to be any real need to increase the allowable income ceilings beyond the levels suggested in the first alternative ($840 single and $1440 married). It might be desirable, however, to fix the income ceiling for married veterans at $1500 rather than $1440. If this were done, it would be possible for a ten percent disability pensioner to receive his full pension without having his War Veterans Allowance diminished.

(c) Another possible solution would be to increase the basic rate for married veterans from $90 to $108 but to increase the basic rate for single veterans to $55 rather than to $60 as has previously been suggested. It could be argued in defence of this approach that the single recipient did not have as many responsibilities as the married veteran and therefore did not need

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as proportionately large an increase in the benefits he received under the Act. It was pointed out, on the other hand, that approximately 40 percent of all W.V.A. recipients were single veterans without dependents and that many of the most difficult cases were found in this group.

(d) Because of the relationship that had been established in the past between W.V.A. benefits and other social security measures, it was suggested that if it were now agreed to increase the basic rates under the War Veterans Allowance Act, it would be almost impossible to resist demands for somewhat similar increases in the rates of benefits paid under the Old Age Assistance Act and the Blind Persons Act.

5. The Cabinet agreed that a bill be prepared to amend the War Veterans Allowance Act to provide an increase in basic rates from $50 to $60 a month for a veteran without dependents and from $90 to $108 for a veteran with dependents, and also to provide for an increase in the allowable income ceilings from $720 to $840 per annum for single veterans and from $1200 to $1440 or $1500 for married veterans; it being understood that a final decision as to the allowable income ceiling for married veterans would be reached when the bill was in printed form.

Legislation; Great Lakes Fisheries Convention Act

6. The Minister of Fisheries submitted a resolution and bill entitled "The Great Lakes Fisheries Convention Act." The purpose of the measure was to implement in Canada the Convention on Great Lakes Fisheries between Canada and the United States which had been signed at Washington on September 10th, 1954.

7. The Cabinet approved for introduction a resolution and bill entitled the Great Lakes Fisheries Convention Act as submitted by the Minister of Fisheries.

Legislation; New Westminster Harbour Commissioners Loan Act, 1954

8. The Minister of Transport submitted a resolution and bill entitled the "New Westminster Harbour Commissioners Loan Act, 1954."

The purpose of the measure was to authorize the Minister of Finance to make loans totalling $200,000 to the New Westminster Harbour Commissioners for the purpose of constructing a causeway and bridge to provide access to Annacis Island within the limits of the New Westminster Harbour.

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9. The Cabinet approved for introduction the resolution and bill entitled The New Westminster Harbour Commissioners Loan Act,1954, as submitted by the Minister of Transport.

Legislation; Foreign Aircraft Third Party Damage Act

10. The Minister of Transport submitted a bill entitled "Foreign Aircraft Third Party Damage Act".

The purpose of the measure was to implement in Canada the Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface which had been concluded at Rome, on October 7th, 1952.

11. In the course of discussion it was noted that no Canadian signature appeared at the end of the convention which formed part of the bill. It would be advisable to ascertain that Canada had, in fact, signed or adhered to the convention before the legislation was introduced. It would also be useful to ascertain whether the United States was a party to the convention, as presumably much of the advantage to be derived by Canada from the convention would be in connection with accidents that might be caused in Canada by United States aircraft.

12. The Cabinet deferred decision on introduction of a ~~resolution and~~ bill entitled "The Foreign Aircraft Third Party Damage Act" pending review of the points raised during the course of discussion.

Legislation; Radio Act amendment

13. The Minister of Transport submitted a resolution and bill to amend the Radio Act.

The main purpose of the legislation was to control the mechanical features of radio and television antennae and to implement the obligations assumed by Canada under the International Telecommunication Convention with respect to the preservation of the secrecy of radio communications.

14. The Cabinet approved for introduction a resolution and bill to amend the Radio Act as submitted by the Minister of Transport.

Labour; renewal of Federal-Provincial Vocational Schools Assistance and University Students Assistance agreements

15. The Minister of Labour reported that, under authority of section 4(2) of the Vocational Training Coordination Act, agreements known as the Vocational Schools Assistance agreements had been entered into in 1945 with all provinces for a ten-year period ending March 31st, 1955. The agreement with Newfoundland had been entered into for a period running from the date of Union, April 1st, 1949, to March 31st, 1955.

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Under the terms of the agreements, the total federal contribution would amount to $29 million over the 10-year period, as follows:

(a) an annual appropriation of $2 million, later increased to $2,070,800 upon completion of the agreement with Newfoundland and Northwest Territories, to be applied towards expenditures for vocational schools training, including both capital and operational training costs as specified in the agreements. This amount was allocated between the provinces on the basis of an unmatched grant of $10,000 to each province, and the remainder as a matching grant to each province based on the provincial proportion of total population in Canada in the age group 15-19 years;

(b) an additional amount of $10 million (later increased to $10,304,950 upon completion of agreements with Newfoundland and Northwest Territories) for approved capital expenditures for expansion and extension of vocational schools training facilities, on a matching basis, allocated on the same basis as (1) above.

The Department of Labour, in conjunction with the Vocational Training Advisory Council, had carefully reviewed the experience under the present agreements, the necessity for continued federal-provincial assistance for vocational training, and the representations received from the various provinces. In the light of this review and of these representations, he recommended that the agreements with the provinces be renewed from April 1st, 1955, on the following terms:

(a) the term of the agreements to be for ten years;

(b) the total annual federal appropriation to be provided under the agreements for contribution to the provinces to be $5 million;

(c) a revised formula to be used for allocating the total federal annual contribution of $5 million between the province as follows:

(i) an unmatched grant of $10,000 to each province with $1,500 to the Northwest Territories;

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(ii) the balance of $4,898,500 to be allocated on a matching basis of which one-half would be allocated on the basis of population 15-19 years of age as at the last decennial census, and the other half to be allocated in direct proportion to total population and in inverse ratio to per capita personal income.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 29, 1954- Cab. Doc. 259-54).

16. Mr. Gregg added that, under section 4(1)(b) of the Act, assistance was given to young university students between the ages of 16 and 30 who were unable, without such aid, to go to university and who had clearly demonstrated ability and interest in such training. The project was in operation in all provinces on a fifty-fifty basis of contribution, the federal contribution being subject to the amount of the appropriation by Parliament. The plan formed part of the Youth Training Programme under agreements which would expire on March 31st, 1955.

The amount of assistance to individual students varied from $25 to $800 per annum, but in no province did the average assistance per student exceed $500 per annum. Application for this aid, which was in the form of interest-free loans, or outright grants, as determined by the policy of the province, were considered each year by a committee established by the provincial Departments of Education. The representative of the Federal government on these committees was ordinarily the Regional Director of the Vocational Training Programme.

Since the beginning of the programme in 1939, 35,000 students had received assistance. The total amount of federal payments over the fifteen-year period to March 31st, 1954, equalled $2,533,000; against this figure, however, there should be applied $194,567, which represented monies remitted by the provinces to cover the Federal government's share of repayments on student loans. An amount of $297,000 had been allocated from the 1954-55 Youth Training Vote for this assistance to university students. The majority of the provinces have provided more than the Federal government for this purpose. The following table gave the relative data for 1953-54:

Province	Total Expenditures	Federal Contribution
Newfoundland	$ 37,000	$ 13,000
Prince Edward Island	11,050	5,475
Nova Scotia	21,223	10,536
New Brunswick	31,000	15,512
Quebec	469,175	112,371
Ontario	307,991	79,750
Manitoba	42,325	5,927
Saskatchewan	66,200	28,000
Alberta	71,719	8,291
British Columbia	117,771	26,355
	$1,175,454	$ 305,217

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It had been urged by all the provincial governments and by the Canadian Vocational Training Advisory Council that this type of assistance be continued as part of the Youth Training Programme.

The Minister said that there appeared to be several possible alternatives. These were,-

(a) to continue the student aid programme for a specified period of years on a fifty-fifty sharing basis with the provinces, which would involve an increase in the amount of the federal contribution to an amount equal to 50 percent of the overall need (in 1953-1954 this would have amounted to $587,700 as compared with the $305,200 actually spent);

(b) to continue the programme for a specified period of years on a fifty-fifty basis with the provinces but with a ceiling on the total federal contribution (the ceiling placed on the 1954-55 programme was $297,000);

(c) to continue the programme as in either (a) or (b) above but on a year to year basis; or

(d) to discontinue federal participation in the programme as of April 1st, 1955.

An explanatory memorandum had been circulated.

(Joint memorandum, Minister of Finance and Minister of Labour, Nov. 25, 1954-Cab. Doc. 253-54).

17. In the course of discussion the following points emerged:

(a) With regard to the Vocational Schools Assistance agreements, it was pointed out that all the provinces had spent more money to assist vocational training than had the Federal government. In view of the useful results that the current programme had achieved, it was suggested that it would be desirable to continue both the capital assistance and the operational part of the programme for another five-year period at least.

(b) It was argued, on the other hand, that this vocational training programme had been undertaken at the end of World War II for a specific and temporary purpose. This purpose had now been achieved and consideration might be given to the desirability of discontinuing the programme or at least discontinuing the capital assistance feature of the programme.

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(c) It was suggested that all matters pertaining to the Vocational Training Coordination Act such as youth training programmes, vocational schools assistance, rehabilitation, education for the unemployed, etc.,might be referred for consideration and report to a Parliamentary Committee during the next session. All these programmes undoubtedly achieved some beneficial results. The federal assistance extended during the past few years had made possible the gaining of valuable experience in the operation of these programmes but this did not mean that the Federal government should remain indefinitely in this field. It might now be preferable to leave these matters entirely to the provincial governments. An added consideration was that the federal aid extended in these fields was to some degree in contradiction with the basic principle underlying the tax rental agreements, which was that the payments made by the Federal government under the tax rentals were intended to place the provinces in a position to discharge adequately those functions, such as education, which were under their jurisdiction.

18. The Cabinet noted the report of the Minister of Labour and agreed,-

(a) that the Vocational Schools Assistance agreements and the University Students Assistance agreements be temporarily extended for one year from April 1st, 1955, and be supported by appropriations on the same general scale as at present; and,

(b) that all the programmes undertaken under authority of the Vocational Training Co-ordination Act be referred to a Parliamentary Committee for consideration and report during the next session.

Northwest Territories; transfer of administration of Indian schools to the Department of Northern Affairs and National Resources

19. The Minister of Citizenship and Immigration said his department was administering a number of schools for the education of Indian children in the Northwest Territories where the Department of Northern Affairs and National Resources was responsible for the education of all other children, including Eskimos.

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It was the policy of his Department to avoid segregation of Indian children and, wherever practicable, to have them educated in whatever schools were attended by other children. In the circumstances, he recommended, with the concurrence of the Minister of Northern Affairs and National Resources, that the administration of Indian schools in the Northwest Territories be transferred to the Department of Northern Affairs and National Resources. In this way, and quite apart from the savings that might be effected, all children in the Territories - be they white, Eskimo or Indian - would be educated in the same schools administered by Northern Affairs and National Resources.

20. The Cabinet agreed,-

(a) that the administration of Indian schools in the Northwest Territories be transferred from the Department of Citizenship and Immigration to the Department of Northern Affairs and National Resources; and,

(b) that the Minister of Citizenship and Immigration enter into an agreement with the Commissioner of the Northwest Territories for the education of Indian children in schools to be operated by the Department of Northern Affairs and National Resources;an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1898, Dec. 1,)

St. Lawrence Seaway Authority; capital budget

21. The Minister of Finance and the Minister of Transport submitted the capital budget of the St. Lawrence Seaway Authority for the period July 1st to December 31st, 1954. The Authority's expenditures during this period would amount,in the aggregate,to $752,000,to be financed from funds advanced from the Consolidated Revenue Fund under authority of section 26 of the St. Lawrence Seaway Authority Act.

22. The Cabinet approved the capital budget of the St. Lawrence Seaway Authority for the period July 1st to December 31st, 1954, as submitted by the Ministers of Finance and Transport; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1899, Dec. 1).

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Construction of sewage and drainage works at Welland, Crowland and Thorold, Ontario; request for federal assistance

23. The Minister of Transport reported that the city of Welland and the townships of Crowland and Thorold, Ontario, had requested a contribution from the Department of Transport towards the cost of constructing works designed to improve the collection and disposal of sewage, storm drainage and surface water run-off. This request was based on the claim that the Welland ship canal had interfered with the natural drainage of the areas concerned and that, if there had been no canal, the proposed construction would not be necessary. The municipalities concerned had also proposed that the Department of National Health and Welfare and the Hydro-Electric Power Commission of Ontario make contributions to these works.

In a report prepared by consulting engineers retained by Welland, Crowland and Thorold, it had been suggested that the cost of these works be apportioned as follows:

Ontario Hydro-Electric Commission -----	$	224,172	(6%)
Department of Transport ----------		1,106,178	(30%)
Municipalities ----------		2,008,746	(54%)
Department of National Health & Welfare --		361,211	(10%)
Total	$	3,700,307	

The cost of the project had been studied by the Superintending Engineer of Welland Canals. He had estimated that the additional cost of the proposed works attributable to the existence of the ship canal would be $150,300, whereas the contribution requested was in excess of $1.1 million. As, however, the Superintending Engineer and the other members of the engineering staff of the Department of Transport had no extensive experience in drainage or sewage matters and their report was based only on general knowledge, the estimate of $150,300 might be unduly low.

Counsel had advised that the Department had fulfilled its obligations by the construction of remedial sewer and water facilities made necessary by the building of the canal, and that there was no legal obligation for the Department, because of the existence of the canal, to assume or share the cost to the municipalities either of improving the facilities constructed by the Department or of providing new facilities made necessary by the growth in population and industry.

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Notwithstanding the legal position, it seemed clear that the situation now confronting the city of Welland and the townships of Crowland and Thorold resulted to some extent from the existence of the Welland Canal. The matter was, therefore, submitted for consideration and direction as to whether a contribution should in the circumstances be made by the Department of Transport.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 26, 1954- Cab. Doc. 254-54).

24. In the course of discussion it was suggested that it would be undesirable to have the Department of National Health and Welfare accept any financial responsibility for sewage disposal projects undertaken by municipalities. As to the claim on the Department of Transport, it should be borne in mind that the construction of the Welland Canal by the Federal government had, in fact, brought many direct benefits to the city of Welland, which, in turn, had caused the city to grow perhaps more rapidly than it otherwise would. If, as a result of such growth, certain additional public facilities were required, it did not follow that the Federal government should recognize any responsibility for the construction of such facilities even if such construction were somewhat more expensive because of the existence of the canal. It would be quite another matter if these claims were for damages caused to existing municipal facilities by the construction of a new canal.

25. The Cabinet noted the report by the Minister of Transport on claims by the city of Welland and the townships of Crowland and Thorold, in Ontario, for contributions by the Department of Transport and the Department of National Health and Welfare towards the cost of constructing sewage and drainage works in those municipalities, and agreed that the Departments of Transport and Finance should review the past practice in matters of this kind and submit recommendations as to how best to dispose of the present claims.

Atwater Avenue Tunnel contract, Montreal, P.Q.; claim by Atlas Construction Company Limited

26. The Minister of Transport said that, under authority of Order in Council P.C. 461 of January 27th, 1951, a contract had been entered into with Atlas Construction Company Limited for the construction of the Atwater Avenue tunnel beneath the Lachine canal at Montreal. The contract had specified a completion date of October 31st, 1952, or approximately twenty months. The work had actually been completed on January 31st, 1954, or some fifteen months later than the date of completion specified in the contract.

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In February 1954, the company had submitted a request for an additional payment of $943,000 for overhead, increased labour rates and extra plant rental, contending that the work had been delayed some fifteen months by its inability to obtain steel as required due to the defence build-up and controls imposed after the Korean outbreak. His Department recognized that there was undoubtedly delay attributable to shortage of steel, and that it would not appear that the Company could reasonably be expected to anticipate such a shortage at the time its tender was made, nor did the Department itself anticipate a shortage. It was considered that the contractor's proposed schedule of deliveries was quite reasonable, but delays arose almost from the inception of the work, despite every effort made by the Department to assist the contractor.

After negotiations with Departmental officials, the Company agreed to delete certain job overhead items and to accept a reduction in the alleged period of delay, with the result that its claim was reduced to $566,612, which was based upon a delay of twelve months.

All aspects of the matter had been examined by the Departmental engineers under whose supervision the work had been performed. They were of opinion that the delay attributable to failure to meet expected delivery dates was approximately eight months, and, therefore, they had recommended for consideration an ex gratia payment of $376,000 (equal to 8/12 of the sum of $566,612.)

In the circumstances, it was suggested that the Company's records be audited in detail by the Cost Audit Section of the Comptroller of the Treasury and that, on completion of the audit, authority be obtained for a gratuitous payment of $376,000 or such lesser amount on a proportionate basis as might be verified by the audit.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 21,1954-
Cab. Doc. 227-54).

27. In the course of discussion it was pointed out that a number of ex gratia payments had been made to contractors in the past under various circumstances. However, there were a number of such cases pending in various departments. As it was difficult to maintain a consistent and equitable policy in dealing with claims of this nature it might be useful to consider the Atlas Construction Company's claim together with all other pending claims and in the light of action taken on similar cases in the past.

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28. The Cabinet noted the report by the Minister of Transport on a claim by the Atlas Construction Company Limited for additional payment for work done on the Atwater Avenue tunnel in Montreal, and agreed that this claim be further considered together with other pending claims for ex gratia payments to contractors and in the light of action taken in the past in similar circumstances.

Canadian Pacific Air Lines; application for Vancouver-Amsterdam route

29. The Minister of Transport, referring to discussion at the meeting of October 28th, 1954, said the Bureau of Transportation Economics had now made a review of the economic aspects of the international scheduled air transport service which the Canadian Pacific Air Lines Limited desired to operate between Vancouver, B.C., and Amsterdam, Holland.

The main features of the Bureau's report were,-

(a) that the Vancouver-Amsterdam route would not be operated at a profit,- the estimated annual loss being approximately $165,000;

(b) that the additional net revenue Canadian Pacific Air Lines would obtain on its present Pacific services seemed likely to be greater than the prospective loss on the Vancouver-Amsterdam route, and that the net gain might be approximately $215,000 a year;

(c) that the revenue likely to be diverted from Trans-Canada Air Lines might be $670,000 a year, quite apart from the financial results of this proposed operation;

(d) that it was very likely that, after inauguration of the route, C.P.A. would request an additional stop at Edmonton or Yellowknife; and,

(e) that it was estimated that the revenue diverted from U.S. carriers participating in Northwestern U.S.A. - Europe traffic would be approximately $180,000 per year, and that the revenue diverted from trans-Pacific routings to Europe via Pan American and Qantas, and from the India route, would be approximately $400,000 per year.

It was noted that the estimates prepared by the Canadian Pacific Air Lines placed greater stress on the new traffic to be developed while the review by the Bureau

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of Transportation Economics placed less emphasis on this and considered diversion of existing traffic to C.P.A. as more important.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 26,1954- Cab. Doc. 255-54).

30. In the course of discussion the following points emerged:

(a) The proposed Vancouver-Amsterdam route might presumably be desired by C.P.A. even though it was expected to be unprofitable, because it represented a major step forward towards the breaking of the monopoly enjoyed by T.C.A. on Canadian transcontinental air routes.

(b) There was some evidence of public dissatisfaction, particularly in the west, with the monopoly enjoyed by T.C.A. and the service it was giving and competition from another enterprise might possibly be a healthy development at this stage.

(c) If C.P.A.'s application were denied, no Canadian air carriers would be operating on the route across Northern Canada and the Arctic, with which Canada should have experience.

31. The Cabinet noted the report by the Minister of Transport on the economic aspects of the application by Canadian Pacific Air Lines for an international scheduled air transport service between Vancouver and Amsterdam,and deferred decision on this matter pending further consideration at a meeting when the Minister of Trade and Commerce could be present.

Central Mortgage and H using Corporation; appointment of President

32. The Prime Minister, on behalf of the Minister of Public Works, submitted a recommendation for approval of the appointment of a President of Central Mortgage and Housing Corporation to replace Mr. D.B. Mansur who had recently resigned the post.

33. The Cabinet approved the appointment by the Board of Directors of the Central Mortgage and Housing Corporation of Mr. Stewart Bates, as President of Central Mortgage and Housing Corporation,at an annual salary of $22,500 and for the statutory period of seven years from December 6th,1954; an Order in Council to be passed accordingly.

(Order in Council P.C. 1954-1897, Dec. 1).

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Columbia River, B.C.; investigation of economic feasibility of partial diversion of waters to the Fraser River

34. The Minister of Northern Affairs and National Resources considered that arrangements made in the next few years for the control and use of the waters of the Columbia River system would be of the greatest importance to the economy of British Columbia and of Canada generally. The Columbia Basin provided a major source of cheap energy available in perpetuity. The arrangements for its use and control were of equal significance to the United States and particularly the north Pacific states. Some of the issues involved had been outlined in connection with the agreement entered into by the B.C. government and the Kaiser Company for the construction of a regulating dam at the foot of the Arrow Lakes. That dam, however, involved only a fraction of the total water-use problem in the Columbia watershed. There were a number of other possible developments in the Columbia basin which would have important economic consequences. One of these possible projects was the storing of the flood waters on the upper Columbia by the erection of a dam at Mica Creek. It was thought to be possible to divert all or part of these flood waters through the Thompson into the Fraser River. If such a diversion were made, it would be possible to have the hydro-electric potential of the Columbia flood waters fully developed in Canada instead of having that potential partially developed in the United States. Such a diversion would undoubtedly give rise to a rather difficult situation between Canada and the United States, even though from a purely legal point of view there appeared to be no doubt that Canada was entitled to effect such a diversion.

The Chairman of the Canadian Section of the International Joint Commission had recommended that an amount of $250,000 be included in the estimates of the Engineering and Water Resources Branch of the Department of Northern Affairs and National Resources in order that an investigation of the economic feasibility of the diversion might be undertaken during the coming year. It would be included in the usual vote for engineering studies of the Columbia.

Having regard to the very great importance to Canada in future years of low cost hydro-electric power, it would be imprudent not to investigate a possibility that might have the effect of yielding an enormous benefit to this country. Even if the diversions never were made, the knowledge that it could be done would be of value in negotiations with the U.S. In the circumstances and notwithstanding the certainty that vigorous protests may be expected from interests in the United States, it was recommended that approval be given to the inclusion of $250,000 in the estimates for the abovementioned purpose.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 29, 1954- Cab. Doc. 257-54).

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35. In the course of discussion the following points emerged:

(a) There were several instances where the United States had diverted for their own use, without consulting Canada, certain waters that would otherwise have flowedinto Canada.

(b) Some doubt was expressed as to whether Canada would ever actually divert the flood waters of the Columbia into the Fraser as proposed. However, it seemed highly desirable to complete the engineering investigation suggested by the Chairman of the Canadian Section of the International Joint Commission, as this would place Canada in a much stronger bargaining position to obtain adequate downstream benefits with regard to regulatory works constructed on the Canadian sections of the Columbia basin streams.

(c) In any public announcement that might be made on the proposed engineering studies, it should be made clear that Canada would fully protect the valuable fishery assets in the Fraser River.

36. The Cabinet agreed,-

(a) that $250,000 be included in the usual estimates of the Engineering and Water Resources Branch of the Department of Northern Affairs and National Resources, for studies of the Columbia River to ascertain the engineering and economic feasibility of diverting a substantial amount of water from the Columbia watershed into the Fraser watershed;

(b) that the Canadian Ambassador at Washington inform the U.S. State Department, orally, that the Canadian government was undertaking a general engineering survey of the whole Columbia basin, including the possibility of diverting some water from the Columbia watershed into the Fraser; and,

(c) that the Minister of Northern Affairs and National Resources prepare, in consultation with the Secretary of State for External Affairs and the Minister of Fisheries, a public statement regarding the proposed survey for possible use at some later time.

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Unemployment statistics

37. The Prime Minister reported that the Privy Council Office had been asked to arrange for a study of the statistics measuring unemployment. There were two figures which had come to be used for the purpose. The first, derived from the Labour Force Survey, was the number of "persons without jobs and seeking work". The second came from a count on a certain day each month of applications for jobs on file at offices of the National Employment Service and was known as the "unplaced applicant" figure.

As a result of this study, a number of ways had been suggested by which the accuracy and significance of both sets of figures could be improved. During the investigation there had also been raised the question of conducting a single carefully planned survey of unplaced applicants, using Labour Force enumerator instructions and techniques, so as to demonstrate that unplaced applicants could be found in each of the Labour Force classifications. The recommendations made had been discussed with the officials concerned who had agreed that most were desirable and that, so far as possible, they should be implemented. It was felt, however, that the comprehensive survey of unplaced applicants should be deferred until the suggestions for improvement had been put into effect and their results were apparent.

It was now recommended, that a White Paper on Unemployment Statistics be prepared for presentation to Parliament describing the concept of unemployment, pointing out the difficulty of measuring the number of those really unemployed and describing the figures in detail and what they actually showed.

An explanatory memorandum had been circulated.

(Memorandum, Secretary to the Cabinet, Nov. 29,1954- Cab. Doc. 258-54).

38. In the course of discussion, it was stated that the work done thus far to improve these statistics had been useful, and the presentation of both figures together each month was particularly valuable. A White Paper along the lines described would be helpful to Parliament and to the public.

39. The Cabinet noted the report of the Prime Minister on unemployment statistics and agreed that a White Paper along the lines recommended be drafted for consideration and subsequent presentation to Parliament early in its next session; the document to be prepared by the appropriate departmental officials under the general direction of the Privy Council Office.

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Unemployment Insurance; payment of contributions on behalf of ex-members of the Regular Forces; Treasury Board proposal for reference to a committee

40. The Minister of Finance said the Treasury Board, at a recent meeting had considered a communication from the Deputy Minister of Veterans Affairs requesting direction on the payment of unemployment insurance contributions on behalf of ex-members of the Regular Forces. The question had arisen because of the provision in the Veterans' Benefit Act, 1954, for payment of such contributions on behalf of ex-members of the Special Forces and of ex-members of the Regular Forces who were enrolled after July 5th,1950 but did not necessarily serve on the strength of the Special Forces. In the main estimates for 1954-55, $605,000 had been provided for this purpose and it had been necessary to increase the amount by an additional $670,000 in the supplementary estimates. At that time,it had been suggested by the Board that the expenditure appeared to be more properly chargeable to the defence appropriation. Discussions had been held from time to time between Veterans Affairs and National Defence and it had been proposed that after March 31st,1955, either this benefit should not be considered as a rehabilitation measure or the cost of the contribution should be charged against the defence appropriation. The Department of National Defence could not agree with either of these proposals and the matter was referred to the Board for direction.

It had also been suggested that it might be advisable to terminate this benefit in the near future because, although it had been supported originally as a rehabilitation measure for members of a force which was being expanded only on a short-time basis, it could hardly be justified now because the expansion had become more or less permanent. The Board had considered the proposals and directed that the matter be submitted for the decision of the Cabinet.

41. The Cabinet noted the report of the Minister of Finance on the matter of payment of unemployment insurance contributions on behalf of ex-members of the Special Forces and ex-members of the Regular Forces enrolled after July 5th, 1950, and agreed that the Minister of Finance arrange for interdepartmental discussions to review the legislation governing these payments, to consider whether or not they should be continued, and, if so, in respect of what persons in the forces and to what appropriation the costs should be charged.

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Establishment of Canada House (New York) Ltd.

42. The Secretary of State for External Affairs said the Canadian Consul-General in New York had suggested some time ago that there be erected in that city, under private auspices, a building to house all Canadian government offices and possibly other non-governmental Canadian organizations. There was much to be said for this proposal as it would bring under one roof the activities of the government and its agencies and possibly many Canadian organizations doing business in the city, it would provide a symbol and focal point of Canadian affairs in New York and might result in some saving on the high rents now being paid there. Mr. Lawson had since discussed the proposal with representative Canadian citizens and appeared to have obtained promises of the required private capital necessary to undertake the venture. An application had now been made to the Secretary of State for incorporation and the use of the name "Canada House (New York) Limited". The immediate question was whether or not it was desirable to allow the use of this name for the building. Mr. Lawson wished for an early decision in order, particularly, to complete the necessary financial arrangements.

The Minister had no strong feelings about the name to be used but felt it would be wise not to make a decision until the articles of incorporation had been examined and approved and until the government had some idea of the part it might play in the project.

43. The Prime Minister added that he had also discussed the matter with Mr. Lawson and, in a recent letter to him, had pointed out that the only position the government could take in the matter was that of an ordinary tenant. The venture would be financed, initially, by bonds and debentures subscribed to by approximately 30 Canadian founders. Equity financing would consist of a small number of preferred and common shares of a nominal face value and the bankers of the scheme had suggested that the government accept, by way of a gift from the founders, the common stock. The apparent purpose of this move was to enable the promoters to apply for a ruling that the building company would be exempt from corporation taxes payable to the U.S. government. In other words, the government as owners would be placed in the position of asking for tax exemption on a building to be rented for business purposes in which it had no substantial investment. This would be an embarrassing precedent if some similar action were contemplated by foreign interests in Canada.

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He had informed Mr. Lawson that he felt the government should not accept the common shares. If, however, the promoters desired to do so, the shares might be transferred to a trustee to hold them for delivery on demand by the Canadian government. However, until the scheme was operating satisfactorily, he felt the government would not wish to be vested with the title in the property and that no attempt should be made to get the benefit of exemptions from any taxes the owners of other office buildings had to pay in the United States.

44. In the course of discussion, the following points emerged:

(a) There was no legal exception that could be made to the use of the name suggested, but, in the past, people had been discouraged from using the name of a country or of royalty when incorporating a company. The name appeared to be a good one, and, whether or not approval was given for its use, the building would no doubt come to be known as "Canada House".

(b) The promoters had been told not to expect the backing of the government but that the government would be prepared to become tenants in the building at competitive rates. Rentals would probably be lower than those now paid for space in New York and ultimately the government would become the owner of the building.

(c) It would be desirable to examine the taxation implications of the proposal in the Department of National Revenue, particularly since there was no precedent for such a proposal.

45. The Cabinet noted the report of the Secretary of State for External Affairs on the proposal for a building in New York, to be financed by certain Canadian citizens, for the purpose of establishing a Canadian centre and agreed:

(a) that the promoters be informed there would be no objection to the use of the name "Canada House (New York) Ltd." provided the articles of incorporation were satisfactory, but the government could not accept ownership of the company's common stock; and,

(b) that the financial and taxation aspects of the proposal be examined by the Minister of National Revenue.

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Use of Gander Airport by U.S. Civil Reserve Air Fleet in event of war

46. The Secretary of State for External Affairs said the U.S. government had requested, on behalf of the U.S. Air Force, the use in wartime of Gander Airport by the Civil Reserve Air Fleet as a major refueling stop on trans-Atlantic routes. The fleet consisted of civil aircraft, operated by the U.S. commercial airlines,which would be put under charter to the U.S. Military Air Transport Service in the event of war. If these aircraft were to be employed most effectively,a staging base in the Newfoundland area would be required,and Gander would be the most suitable base as other stations in the Island would be saturated with military traffic. It was estimated that 8,000 refueling stops would be made in the first 90 days of hostilities, with the subsequent level of traffic being not quite so great but considerably higher than in peacetime. To make this use of Gander possible, the U.S.A.F. had proposed establishing there, at U.S. expense, additional fuel capacity to the extent of 500,000 barrels. Other facilities for longer stopovers would also be required.

Basic facilities at Gander were being progressively improved,but if runways, taxi-ways and other traffic-handling facilities were to be adequate to handle an operation the size of this Civil Reserve Air Fleet proposal, another $900,000 would have to be spent by Canada on them. The Department of Transport was now demolishing old buildings as new accommodation in Gander became available. It was planned to construct in 1955, a large terminal building and aircraft parking area, but this would necessitate the demolition of many old buildings and wartime hangars which would have the effect of reducing the amount of accommodation which could be made available to C.R.A.F. in an emergency that took place in the near future. However, when the terminal project was completed in 1956 the present terminal area could be held in reserve for this purpose. If, however, U.S. planning required accommodation reserved immediately, new construction might become necessary and consideration would have to be given as to how the expense could be met. Furthermore, C.R.A.F. operations would mean a substantial expansion by the Department of Transport of its meteorological, communications and maintenance personnel.

In informal conversations with the U.S. authorities, it had been assumed, without making any commitment,that the government would probably wish to permit C.R.A.F. to use Gander in the event of war. It had also been assumed that the operational control of the airport would remain with the Department of Transport and that any facilities constructed would be paid for by the U.S. but that title to them would remain vested in a Canadian entity. With these comditions in mind,

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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).

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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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Colombo Plan; Canadian contribution 1955-56

49. The Secretary of State for External Affairs, referring to discussion at the meeting of October 6th, 1954, said that he,and the Minister of Finance, had considered further the question of what the size of the contribution to the Colombo Plan might be for the next fiscal year. He now wished to recommend that there be no change in the amount for capital aid but that an additional $1 million be provided for technical assistance. At the next meeting of the Consultative Committee the future of the Plan would be reviewed. Meanwhile, Canadian authorities should consider their attitude towards it and what the programme after the first 6-year period should be. The countries recently admitted to the Plan would not be in a position to spend capital that might be made available to them in the forthcoming year, but the full $25 million for 1955-56 could usefully be spent in India, Pakistan and Ceylon. Countries newly associated with the Plan would, however, be able to take advantage of technical assistance and advice which they needed urgently.

50. In the course of discussion, it was pointed out that unemployment was causing anxiety in certain Canadian centres,but even so, it was doubtful if any exception would be taken to additional provision for technical assistance. The money already spent under the Plan had not only helped the receiving countries but had been of direct benefit to communities in Canada where goods had been purchased to implement the Plan.

51. The Cabinet noted the report of the Secretary of State for External Affairs on the Colombo Plan and agreed that the total Canadian contribution for the fiscal year 1955-56 be increased by $1 million to provide for further technical assistance.

Colombo Plan; aid for Pakistan

52. The Secretary of State for External Affairs said approval had been given for the allocation of $5.5 million from appropriations in previous fiscal years towards the external costs of the Daudkhel Cement Plant. Difficulties had arisen regarding this project and there had been some delay in its construction, largely due to faulty concrete work. Canadian officials had recently visited the site and had held discussions with Pakistani authorities about the project. It was now believed that construction was proceeding as satisfactorily as could be expected and that the Pakistan government was endeavouring to carry out the responsibilities it undertook for this project. In the light of these events and as a result of further investigations, the original estimates of cost had been revised and it was now thought that an additional $1,250,000 would be required to finance the external cost of the project.

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The Pakistan economy had been showing considerable strain recently, reflected in large part in an acute shortage of consumer goods and raw materials. The Pakistan authorities had requested aid in the form of paper board, aluminum and copper. If the request were approved, counterpart funds resulting from the sale of these commodities would be devoted to special development projects. The request had been considered by Canadian officials and it was recommended that aluminum and copper, to the extent of approximately $1 million, be provided as part of the current year's programme. The Pakistan government had also asked if the aerial survey now being carried out could be further extended to cover a soil survey of an additional 35,000 square miles at an approximate cost of $50,000. Those familiar with this work felt that aid in this form would be a useful contribution to the development of the country.

If these grants were approved, the total aid for Pakistan in the current fiscal year would amount to $10.1 million, which was slightly in excess of the amount allocated in 1953-54. However, it should be remembered that Pakistan had been experiencing an economic crisis with unfortunate political effects in recent months.

The Minister recommended that the additional aid for the Daudkhel Cement Plant, the provision of aluminum and copper and the extension of the aerial resources survey, as described, be approved.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 24, 1954- Cab. Doc. 263-54).

53. In the course of discussion it was pointed out that the proposals had been agreed to by the Department of Trade and Commerce. Furthermore, rumours that the equipment sent over for the cement plant was standing unused and deteriorating were wrong. There was some doubt that copper would be available in Canada and, before agreeing to this particular request, it should be ascertained if the necessary quantities could, in fact, be provided.

54. The Cabinet approved the recommendation of the Secretary of State for External Affairs for additional assistance to Pakistan from available Colombo Plan funds and agreed:

(a) that an additional $1,250,000 be allocated to finance increased costs at the Daudkhel Cement Plant;

(b) that aluminum and copper to a value of $1 million, in the form considered most suitable in the light of needs and existing fabrication facilities, be provided on the understanding that equivalent counterpart funds would be established for agreed development projects and subject to the availability of copper; and,

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(c) that the aerial resources survey presently being carried out in Pakistan be extended to include a soil survey of an additional 35,000 square miles at an estimated cost of $50,000.

Canadian government relief for Haiti

55. The Secretary of State for External Affairs, referring to discussion at the meeting of November 18th, 1954, said that it had been ascertained that while codfish would be a most welcome form of assistance, flour would not be usable in Haiti. It appeared that additional codfish could be readily provided in place of the flour suggested. Haitian authorities had also expressed interest in receiving potatoes, and this possibility was being investigated by the Canadian Red Cross. Accordingly, he recommended that the $25,000 made available for hurricane relief in Haiti be either entirely in codfish, or partly in the form of potatoes instead of flour as originally proposed.

An explanatory memorandum was circulated.

(Minister's, memorandum Nov. 30,1954- Cab. Doc. 260-54).

56. The Cabinet noted the report of the Secretary of State for External Affairs and agreed that the $25,000 made available for hurricane relief in Haiti be used entirely to send codfish, or partly for potatoes if the Canadian Red Cross so recommended.

Proposed Polish-Canadian trade talks

57. The Secretary of State for External Affairs said it had been indicated to our Charge d'Affaires in Poland that the Polish government desired to purchase in Canada 150,000 to 200,000 tons of wheat, for payment partly in cash and partly on credit. In addition, the Polish government was anxious to discuss broader trade relations between Canada and Poland and, in particular, the matter of customs valuation of Polish imports. They seemed to be prepared to accept settlement on this latter point along the lines of the recent Czech arrangements. Polish authorities had made their approach attractive in that they had mentioned purchasing a considerable quantity of Canadian exports, even in excess of what they would be prepared to sell. They would not insist on being sold strategic goods, and the difficult problem of Polish assets in Canada had not been discussed.

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Before the war, Canadian exports to Poland were valued at about $1 million a year. In 1946, they amounted to $22.5 million, but by 1954 had declined to about $500,000, mostly woollen rags. There had been little change in the composition or value of Canadian imports from Poland, which in 1953 amounted to $250,000.

There would probably be a continued demand in Poland for imported wheat because of the expansion of the industrial population. Furthermore, requirements this year for imports of wheat were probably up because of the adverse effect of farm collectivization on production.

The recent Czech talks had been requested by the Czech government as they were entitled to do under G.A.T.T. Although Poland was not a contracting party under G.A.T.T., and although the Polish government had not invoked the provisions in its Convention on Commerce with Canada, similar conditions would seem to apply to the Polish case as those which had lead to the talks with Czechoslovakia.

With one or two exceptions, it had never been the policy to extend credit for the purchase of Canadian wheat, and it might be that the implied desire of the Polish government for trade discussions would disappear if this request for credit were rejected. However, even if this happened, it would seem appropriate to indicate willingness to consult on the valuation question and to discuss other trade issues.

The Minister recommended, with the concurrence of the Ministers of Trade and Commerce, Finance and National Revenue, that, in accordance with traditional practice, Canada would not be prepared to extend credit to cover purchases of wheat but, at the same time, would be ready to agree with the suggestion that other problems relating to Polish-Canada trade might be examined with Polish officials in Ottawa.

58. In the course of discussion it was pointed out that the traditional policy of selling wheat on a cash basis should be adhered to and none disposed of even under a partial credit arrangement. This particular proposal raised the whole question of U.S. arrangements to dispose of its surplus products on credit or through a number of other ways. It was not too early to review this whole programme and ascertain as precisely as possible its effects on established Canadian and other markets.

An explanatory memorandum was circulated.

(Minister's memorandum, Nov. 26, 1954 - Cab. Doc. 264-54).

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59. The Cabinet approved the recommendation of the Secretary of State for External Affairs and agreed that the Canadian Charge d'Affaires in Warsaw be instructed to inform the Polish authorities of the unwillingness of the Canadian government to consider the extension of credit to cover wheat purchased by Poland in Canada, but, at the same time, to express orally Canada's readiness to agree that other problems relating to Polish-Canada trade be examined with Polish officials in Ottawa; it being understood that, in the event the Poles indicated they would like to engage in trade talks the Cabinet would be consulted again on the substance of the discussions.

Appointments

60. The Minister of Justice submitted recommendations for two judicial appointments.

61 The Cabinet approved the recommendations of the Minister of Justice and agreed:

(a) that the Honourable Walter E. Darby of Summerside, P.E.I., be appointed Judge of the County Court of Prince in Prince Edward Island; and,

(b) that Frank Fingland, Esq., of Clinton, Ontario, be appointed Judge of the County Court of Huron and a local Judge of the High Court of Justice for Ontario;

Orders in Council to be passed accordingly.

(Orders in Council P.C. 1954-1896,-1895,Dec. 1).

National Gallery; selection of site

62. The Minister of Citizenship and Immigration, referring to discussion at the meeting of March 4th,1954, said a new building for the National Gallery was required as soon as possible. Although the competition to select the architect for the building had been based on the assumption that the Cartier Square site would be used and, failing that, a site on Sussex Street, he and the Board of Trustees were unanimously of the opinion that a site in the park behind the Chateau Laurier should be seriously considered. Neither the Cartier Square site nor the Sussex Street site would be available for some time and, in any event, he and the Board did not consider the latter as desirable as one in Major's Hill Park. Mr. Greber had agreed that there would be no objection to constructing the Gallery there, although he thought the building should be no larger than that which had bean already planned, and there would, therefore,

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be no room for its expansion if this was desired in the future. The Minister would like to be authorized to ask the National Capital Planning Committee, through the Chairman of the Federal District Commission, if this suggestion would be acceptable. The Minister of Public Works had been consulted and agreed with the proposal.

63. In the course of discussion it was indicated that, although the Sussex Street site had been considered appropriate, the Board of Trustees had never been in unanimous agreement on that choice largely because they felt it was too far away for the large number of visitors expected to come on foot. If the building were constructed behind the Chateau Laurier it would not spoil the park, and the design would not need to match that of the Chateau. This use of the site might interfere with its use for underground parking space. No matter what the decision was, many people would be dissatisfied with it. It was essential, however, to move the Gallery as soon as possible as the present quarters were dangerous. The art treaures of the Gallery could never be replaced, in fact, even though they were covered by insurance.

64. The Cabinet agreed that the Minister of Citizenship and Immigration be authorized to request the National Capital Planning Committee, through the Chairman of the Federal District Commission, to consider the suitability of Major's Hill Park, behind the Chateau Laurier, as a site for the National Gallery.

Income Tax Inventory Valuation; Anaconda case: Supreme Court Decision

65. The Minister of National Revenue, referring to discussion at the meeting of November 3rd, 1954, said the judgment of the Supreme Court in the case of the Crown vs Anaconda American Brass Limited on inventory accounting methods had now been considered by officials of the departments concerned. The judgment would create grave problems, both in regard to the administration of the tax law and to the revenue position of the government. Officials felt at the moment that, in principle, the L.I.F.O. system of accounting approved for certain types of operations by the judgment of the Supreme Court, would not be a good system for income tax purposes. It appeared desirable to make an appeal to the Judicial Committee of the Privy Council in the hope that the judgment would not be sustained. If an appeal were not successful, it would then be necessary to amend the Income Tax Act. In addition to the Anaconda American Brass Limited, appeals had been made to the department in respect of assessments by 12 other companies who had also adopted the L.I.F.O. system. It had been estimated that 1952 inventories of all companies amounted to approximately $5.5 billion. If all companies had used

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the L.I.F.O. system revenue might have been down by as much as $1 billion.

66. The Minister of Justice said his department also felt it was important to have the judgment set aside, otherwise it would be extremely difficult to legislate to remove the inequities which would arise as a result. It could be argued, superficially, that the L.I.F.O. principle was a fair one, because on a falling market the government would collect the taxes it could not on a rising market. However, it was quite probable that, on a declining market, the common law rule that inventories should be valued at cost or at their market value, whichever was the lower, would be invoked. If the government were to insist on the L.I.F.O. principle in such conditions, it would be demanding taxes on profits which were not realized and at a time when other profits were reduced. There would be a large number of bankruptcies and business failures. It was felt by his department that the evidence given by certain chartered accountants during the court proceedings in the Exchequer Court should not have been admitted. For all of these reasons it would be desirable to appeal the judgment and, if the appeal were not successful, to attempt to amend the law even though this would be a difficult task.

67. In the course of discussion, the following points emerged:

(a) an appeal similar to that made by Anaconda American Brass had been made in the United States but had been rejected by the Supreme Court there. State legislatures had, subsequently, enacted laws providing for the use of the L.I.F.O. system but subject to certain safeguards. If the Judicial Committee of the Privy Council set aside the Supreme Court judgment, the question of using the L.I.F.O. principle could be considered on its own merits and a decision taken as to whether or not it should be adopted and with what safeguards.

(b) Since it had been decided to abolish appeals to the Privy Council, it might be embarrassing for the government, now, to seek leave for appeal. However, the government had appealed the Nolan case since abolishing new appeals, and by succeeding in that appeal it had avoided a most difficult situation.

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(c) It would be desirable to ascertain the actual administrative practices of the Department of National Revenue in valuing inventories to be sure that the L.I.F.O. practice was not being permitted in some cases. If the appeal were won and it was decided then to allow the L.I.F.O. system, properly safeguarded, there might not be any serious difficulty. If, however, the appeal were lost and legislation had to be enacted which would,in effect,reject or seriously limit the use of L.I.F.O., it would be embarrassing to find that it had already been permitted in practice. The government had to be sure that it was not sanctioning the L.I.F.O. principle in some cases unknowingly.

(d) There was an implication in the judgment that the concept of profit varied over the years with changes in accounting practices. That concept had never been very clear, in any event, and it had been further confused by the recent Supreme Court judgment.

(e) It would not be desirable to delay seeking leave to appeal. The firms affected by the decision wished to know where they stood and any delay would create the unfortunate impression on their Lordships in the Privy Council that the government had not been able to make up its own mind. Leave to appeal should be sought now and at the same time a serious study begun to find just what accounting and taxing procedures in regard to inventory valuation had been applied in the Department of National Revenue.

68. The Cabinet agreed:

(a) that leave for appeal to the Judicial Committee of the Privy Council be sought with respect to the judgment of the Supreme Court in the case of the Crown against Anaconda American Brass Limited on inventory accounting methods; and,

(b) that the Department of National Revenue examine and report upon its precedures to determine if, in fact, it had applied or allowed this use of the L.I.F.O. principle in valuing inventories; and,

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(c) that the Departments of Finance and National Revenue consider what policy might be adopted in future, in respect of inventory accounting and whether or not the L.I.F.O. principle, properly safeguarded, might be applied regardless of the outcome of the appeal to the Privy Council.

R.B. Bryce,
Secretary to the Cabinet.

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CABINET CONCLUSIONS

Meeting

December 8th, 1954.

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TOP SECRET

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber, on Wednesday, December 8th, 1954, at 3:00 p.m.

Present:

The Prime Minister
(Mr. St-Laurent) in the Chair,
The Minister of Agriculture
(Mr. Gardiner),
The Minister of National Health and Welfare
(Mr. Martin),
The Minister of National Revenue
(Dr. McCann),
The Minister of Labour
(Mr. Gregg),
The Minister of Justice
(Mr. Garson),
The Minister of Public Works
(Mr. Winters),
The Minister of Veterans Affairs
(Mr. Lapointe),
The Minister of Finance
(Mr. Harris),
The Minister of Mines and Technical Surveys
(Mr. Prudham),
The Postmaster General
(Mr. Cote),
The Minister of Fisheries
(Mr. Sinclair),
The Minister of National Defence
(Mr. Campney),
The Leader of the Government in the Senate
and Solicitor General
(Senator Macdonald),
The Minister of Citizenship and Immigration
(Mr. Pickersgill),
The Minister of Transport
(Mr. Marler),
The Secretary of State
(Mr. Pinard).

The Secretary to the Cabinet
(Mr. Bryce),
The Assistant Secretaries to the Cabinet
(Mr. Pelletier)
(Mr. Martin)

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Legislation; Canada Shipping Act amendment, re sick mariners

1. The Minister of National Health and Welfare reported that Part V of the Canada Shipping Act authorized free medical and surgical treatment for sick mariners who were members of the crews of ships that had paid dues. Dues were set by the Act at 2 cents per ton of registered tonnage payable not more than three times in any calendar year, with the initial payment being not less than $2.00 per vessel. The legislation, generally speaking, provided coverage for ships engaged in interprovincial and international trade, with the payment of dues being compulsory. It also provided that vessels engaged exclusively in fishing could come under the plan, if the master or owner decided to avail himself of the service and pay dues. The bulk of fishing vessels were of small tonnage and the initial payment of $2.00 which was required constituted the payment of dues for the entire year. The ships within the coverage, therefore, were foreign-going vessels and coastal vessels in interprovincial trade for which payment of dues was compulsory, and fishing vessels for which payment of dues was optional.

Some government vessels came within the scope of Part V as being engaged on interprovincial voyages or in voyages which operated between a port in Canada and a port outside. Others did not, but nevertheless, for many years payment of dues had been accepted from all government owned or operated vessels that desired to take advantage of the service. The propriety of accepting dues from all government vessels had been questioned, and the matter had been referred to the Department of Justice. In the opinion of that Department, only such vessels as would pay dues if privately owned and operated, either compulsorily or on a voluntary basis as fishing vessels, were entitled to do so. Other vessels owned and operated by the government of Canada were not within the application of Part V of the legislation and notification had accordingly been given to the various departments concerned that, from and after January 1st, 1955, they would be excluded from the plan.

The original purpose of the legislation was to ensure that sick or injured seamen from foreign vessels, left in Canadian ports for treatment, would not constitute a public charge, and the service so authorized had been extended to include the various classes of shipping outlined.

Until 1942, the amount collected had been sufficient to pay for the services given. Since 1942, however, the cost of services had been increasingly higher than the total of dues received. In the fiscal year 1953-54, the total cost of service was $792,317.11 while the dues collected amounted to only $316,226.15. He proposed, therefore, that, during the coming session of Parliament, the Act be amended to provide for an increase as well as some re-adjustment in the amount of dues so that they would meet the cost of service.

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The annual deficits were due mainly to fishing vessels and to government owned vessels and, to a lesser proportionate extent, to foreign-going vessels. For example, in the fiscal year 1953-54 a total amount of about $268,000 was spent on fishermen, while only about $10,000 was collected in dues from fishing vessels. In the case of government owned vessels, the expenditures were about $87,000 with receipts about $1,900.

The Minister recommended that the legislation be amended to permit an annual schedule of dues to be fixed by the Governor in Council. These would be calculated in terms of the various classes of shipping and in accordance with the tonnage of the various ships in each class, based on the average yearly cost of service to such ships during the preceding three years, and with a minumum payment in each case of not less than $40 yearly. This formula would permit an annual adjustment of fees in accordance with the actual cost of providing the service which the members of the crews of the various classes of vessels enjoyed. It was recognized that fishing vessels and other vessels of small tonnage, at present enjoying the service for an annual fee of some $2.00, be required to pay an amount ranging from $40 upwards.

An explanatory memorandum had been circulated.

(Minister's memorandum, Nov. 29, 1954 - Cab. Doc. 266-54).

The Minister considered that although a good case could be made for continuing the scheme for foreign-going vessels, the benefits granted to fishing vessels and government owned vessels amount virtually to a form of health insurance which was not available to other Canadians. He felt that no government owned vessels should be allowed to participate in the scheme and that consideration should be given to the desirability of dropping fishing vessels as well.

2. In the course of discussion the following points emerged:

(a) It was suggested that the benefits under Part V of the Canada Shipping Act had possibly been extended to fishermen because a number of fishing schooners plied between the Maritime provinces and Newfoundland before the latter became a Canadian province.

(b) Whatever the reason for extending the scheme to fishing vessels, there was little doubt that there had been abuses. Daughters and wives of fishermen sometimes drew benefits under the Act even though there was some doubt whether they actually were members of the crew. Although the scheme had been extended to fishermen on the

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east and west coasts, it had not been applied to fishermen on the Great Lakes. There was much to be said in favour of removing all fishing vessels from the scheme except those fishing vessels that actually did ply the high seas and occasionally berthed in foreign ports. On the other hand, fishermen generally, particularly on the east coast, were in a very low income group and pursued a rather hazardous occupation. It might prove to be a real hardship if the benefits under Part V of the Canada Shipping Act were now to be withdrawn. Moreover they were not eligible for benefits under the Unemployment Insurance Act.

(c) It was argued that no government owned ships should be allowed to participate in the scheme since the government should not be placed in the position of granting a form of health insurance to the crews of departmentally owned and operated vessels while similar benefits were not provided to other employees in the Public Service and indeed to the public generally. It was pointed out, on the other hand, that many government owned ships performed precisely the same sort of service as privately owned vessels and that there might be dissatisfaction and recruiting difficulties if sailors on government owned vessels were denied benefits to which sailors on privately owned vessels doing similar work were entitled.

(d) There seemed little doubt that the dues levied on vessels participating in the scheme should be increased. Careful consideration should be given, however, to the formula proposed by the Minister of National Health and Welfare in order to ensure that the rates imposed would not result in undue hardship on fishermen and possibly others.

3. The Cabinet noted the report by the Minister of National Health and Welfare on proposed amendments to Part V of the Canada Shipping Act with regard to the dues levied on ships for sick mariners benefits and on the inclusion or exclusion of various categories of vessels, and deferred decision on the proposal pending further consideration of the problems involved, with particular reference to fishing and government owned vessels, by the Minister of National Health and Welfare in consultation with other Ministers most immediately concerned.

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Legislation; Prairie Farm Rehabilitation Act amendment

4. The Minister of Agriculture, submitted a bill to amend the Prairie Farm Rehabilitation Act. The main purpose of the measure was to make the legislation more consistent with the provisions of the Financial Administration Act in the procedure for authorizing contracts, purchases and projects.

5. In the course of discussion it was suggested that subsection (2) of section 9 of the Act might be further amended to provide that projects under that section, involving expenditures in excess of $15,000, should not be undertaken without the consent of the Treasury Board rather than the Governor in Council, as the Act now provided. It was felt that this would be more consistent with the practice followed in other government departments and would be a logical extension of the government's policy of having the Treasury Board, rather than the Governor in Council, assume responsibility for consideration and final approval of such administrative matters as departmental contracts, land purchases, rentals of machinery etc.

6. The Cabinet approved the proposed amendments to the Prairie Farm Rehabilitation Act, as submitted by the Minister of Agriculture, and agreed that the Act be further amended to provide that the consent of the Treasury Board rather than of the Governor in Council, be obtained before undertaking any project under that section involving an expenditure in excess of $15,000.

Legislation; Defence Production Act amendment

7. The Secretary submitted a resolution and bill to amend the Defence Production Act. The main purpose of the measure was to extend indefinitely the life of the legislation rather than to have it cease to have effect on July 31st, 1956, as now provided by section 41 of the Act. It would also increase the salary of the Minister to $15,000, as had been done for other Ministers in the Salaries Act last session.

8. In the course of discussion it was suggested that this bill might more properly be introduced in the House by the Prime Minister since it dealt, among other things, with an increase in a ministerial salary.

9. The Cabinet approved for introduction a resolution and bill to amend the Defence Production Act as submitted; it being understood that the Cabinet Committee on Legislation would consider whether this measure should be introduced in the House by the Prime Minister rather than by the Minister of Defence Production.

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Legislation; Historic Sites and Monuments Act amendment

10. The Secretary submitted a resolution and bill to amend the Historic Sites and Monuments Act. The main purposes of the measure were to amplify the definition of "historic place", to alter slightly the representation on the Board, and to provide for a change in the method and amount of payment to members of the Board.

11. The Cabinet approved for introduction a resolution and bill to amend the Historic Sites and Monuments Act as submitted

Legislation; Territorial Lands Act amendment

12. The Secretary submitted a bill to amend the Territorial Lands Act. The purpose of the amendment was to permit sales of territorial lands to be made prior to survey, thus permitting the price to be fixed when an application to purchase was accepted.

13. The Cabinet approved for introduction a bill to amend the Territorial Lands Act as submitted.

Legislation; Foreign Aircraft Third Party Damage Act

14. The Minister of Transport referring to discussion at the meeting of December 1st, reported that the signatures of plenipotentiaries appearing at the end of the Convention, as printed in the bill, were those of representatives of countries who actually signed the Convention when it was opened for signature at Rome on October 7th, 1952. The Convention would not come into force until five signatory states had deposited their instruments of ratification. To date, only one country, Egypt, had done so. As, under article 31, the Convention was to remain open for signature until it came into force, any country that had signed it since October 7th, 1952, was considered an original signatory. This last group included Canada whose plenipotentiary, the Minister of Transport, had signed the Convention at Montreal on May 26th, 1954. Other countries which signed after October 7th, 1952, included the United Kingdom (April 23rd, 1953) and Australia (October 20th, 1953).

15. The Cabinet agreed that the bill entitled the "Foreign Aircraft Third Party Damage Act" be reprinted in such a manner as to remove the implication that the Convention had been signed only by those countries whose plenipotentiaries had affixed their signatures on October 7th, 1952.

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National Housing Act; partial proclamation in force of Home Improvement provisions

16. The Minister of Public Works, referring to discussion at the meeting of October 28th, 1954, said that when the National Housing Act, 1954, was proclaimed in force there had been an express reservation that the provisions of Part IV of the Act relating to loans for the improvement of homes, should not come into force.

It had been stated in Parliament, during the previous session that the home improvement sections would not be proclaimed immediately, because it was considered advisable to allow the banks who were being authorized, for the first time to make N.H.A. loans on the security of residential real estate, to become familiar with mortgage lending. He had said that the government would consider the matter between six and twelve months after the main provisions of the Act had come into force.

Furthermore, while certain amendments to the Veterans Land Act were under consideration during the last session (to allow additional loans to full-time farmers who had been settled under the Veterans Land Act and to authorize additional loans to farmers, commercial fishermen, and part-time farmers who might be settled under that Act in the future,) the Minister of Veterans Affairs had stated that the legislation did not make additional loans available to small holders already established under the Veterans Land Act because these would be able to get loans under the home improvement sections of the National Housing Act.

On the other hand, enquiries had indicated that the banks, who had participated vigorously in mortgage lending on new housing, would encounter administrative difficulties in handling large additional lending operations under the home improvement sections of the Act at the present time.

In the circumstances, he recommended that Part IV of the Act be now proclaimed in force only in respect of those commercial fishermen and small holders who had already been established under the Veterans Land Act and who had not been covered by the benefits under section 3 of the Veterans Land Act which had been passed during the last session. He suggested that this partial proclamation of Part IV be made effective January 1st, 1955.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 6, 1954 - Cab. Doc. 267-54).

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17. In the course of discussion the following points emerged:

(a) It was suggested that the mortgage lending scheme on new housing under the National Housing Act, in which the banks participated, was of considerable benefit to the middle and higher income groups but was of practically no benefit to families in the low income groups. An unqualified proclamation of the home improvement provisions of the National Housing Act would provide assistance where it was most needed. Wage earners in the low income groups with increasing families generally found it impossible to buy new homes but could, if Part IV of the Act were proclaimed, carry a loan for the purpose of adding to their present homes.

(b) It was pointed out, further, that improvements to existing homes required more labour per dollar spent than did new housing. In addition, much of the work that would be financed under Part IV of the Act could be done during the winter months, while in most sections of Canada it was not possible to construct new housing during the more severe winter weather.

(c) Perhaps one of the reasons why the banks did not favour proclaiming Part IV of the Act at the present time was that, by and large, the loans under this Part would be much smaller than loans on new housing and, since the cost of servicing loans, whether large or small, was practically the same, they would naturally prefer to have a lesser number of loans for larger individual amounts.

(d) Loans for home improvement purposes did not involve the same type of risk as did loans on new housing. The banks were only now learning the mortgage lending business and it might not be quite fair to ask them to enter the home improvement loan field for another year or so.

(e) Everything had been done to encourage the construction of new housing in Canada in recent years. It was expected that total starts would reach approximately 115,000 units during the current year.

(f) It was suggested that, in certain urban centres, there was a tendency to construct too much new housing, particularly apartments, which might result in a serious deflation of real estate values in the event of an economic downturn.

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This situation would not be affected by proclaiming Part IV of the National Housing Act in force for it simply helped in the improvement and extension of existing homes.

(g) It was suggested that the partial proclaimation proposed by the Minister of Public Works was perhaps the most acceptable compromise. However, as the Minister wished to review and amend this part of the legislation, it might be studied now with a view to introducing an appropriate amending bill during the course of the coming session and proclaiming the home improvement provisions of the Act some time in the late summer or fall of 1955. The banks would then have had the benefit of a year's experience in the administration of mortgage lending on new housing before they entered the home improvement loan field.

18. The Cabinet,-

(a) agreed that a proclamation be issued bringing into force, as of January 1st, 1955, Part IV of the National Housing Act 1954 in respect only of loans to veterans having contracts for the purchase of land with the Director, Veterans Land Act; and,

(b) deferred decision on the general and unqualified proclamation in force of Part IV of that Act pending a review and report by the Minister of Public Works on amendments that might be made to that part of the legislation before such a proclamation were issued.

Transport; winter passenger and freight service between Ile-aux-Grues and Montmagny,P.Q.

19. The Minister of Transport reported that for several years water transportation of passengers, mail and freight between Ile-aux-Grues,with a population of 530,and Montmagny, P.Q., a distance of six miles, had been maintained throughout the year. The service was carried on in two seasonal operations by separate contractors - one for the summer and another for the winter. The summer service,from May 1st to November 15th was operated six days a week by a motor vessel and had for the past eight years received an annual subsidy of $2,500. The winter service, from November 16th to April 30th, was operated three times a week by an ice canoe which travelled over ice and through water and had not been subsidized.

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During the past year, revenue from the carriage of mail during the winter service had been $1,650. It was understood that the Post Office Department would now carry mail destined to Ile-aux-Grues by air. The resulting loss of revenue would make it impossible to continue the winter service for the carriage of passenger and freight without loss.

It was pointed out that the island produced large quantities of potatoes, cheese, bacon and other farm products and the winter service was essential to its economy and needs. After investigating the winter service, the Canadian Maritime Commission had recommended that a subsidy of $1,700 be provided towards its maintenance.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 2, 1954- Cab. Doc. 265-54).

20. In the course of discussion it was suggested that there seemed little logic in having the Post Office Department change over from a waterborne to an airborne mail service for Ile-aux-Grues when the changeover would result in the necessity of providing federal assistance to the existing passenger and freight service between Ile-aux-Grues and Montmagny. The relatively small population of Ile-aux-Grues now received mail three times a week in winter, which seemed to be adequate service if the special geographic position of the community were taken into consideration. Furthermore, it seemed doubtful that a satisfactory airmail service could be given to the island for $1,650 during the five winter months. In the circumstances, it was suggested that the Post Office might review the situation with a view to ascertaining whether the suggested change from waterborne to airborne mail service was truly in the best interests not only of the community concerned but of the country as a whole.

21. The Cabinet,-

(a) deferred decision on a proposed subsidy of $1,700 per season to ensure continuance of the water-and ice-borne passenger and freight service operated during the winter months between Ile-aux-Grues and Montmagny, P.Q.; and,

(b) agreed that the Postmaster General review and report on the desirability of replacing the present waterborne mail service to Ile-aux-Grues by an airborne service.

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Transport; construction of supply vessel for Marine Agency, St. John's, Newfoundland

22. The Minister of Transport referred to a decision of April 1st, 1954, when it was agreed that a new lighthouse supply and buoy vessel for use at St. John's Newfoundland be constructed by the Halifax Shipyards under a negotiated contract. Funds to start construction on this vessel had been included in the estimates for the current fiscal year.

He reported that the Department of Defence Production, which was responsible for negotiating the contract, had been unable to reach a satisfactory agreement with the Halifax Shipyards. As a consequence, construction had not begun at the time originally contemplated and indeed was not yet under way. Apparently the best price that could be negotiated was $2,277,000. This supply vessel was identical to the "Walter E. Foster", which was being built in the Vickers yards at a final cost expected to be between $1.7 million and $1.8 million. It appeared that if the supply vessel at St. John's, Newfoundland, was to be built by Halifax Shipyards its cost would be $400,000 or $500,000 more than the "Walter E. Foster".

23. In the course of discussion the following points emerged:

(a) Rather than call for tenders, the government had, in the past, allocated some contracts for ship repairs and construction of new vessels to designated firms in order to maintain a minimum nucleus of Canadian shipyards in operation, which nucleus could be expanded fairly rapidly in case of an emergency.

(b) This construction had been allocated to the Halifax yard at a time when other business, particularly the rehabilitation of two naval frigates, was being allocated to other yards.

(c) Although unemployment was not too severe in Halifax, it would be desirable to award this contract to the Halifax Shipyards, provided there was not too wide a margin between the final price quoted by the Shipyards and that which might be quoted by other Canadian shipyards. In the circumstances, it was suggested that the Minister of Transport might inform the owners of Halifax Shipyards that the government was desirous of placing the contract with that firm but could hardly do so at a cost so substantially above the cost of building the same vessel in other shipyards.

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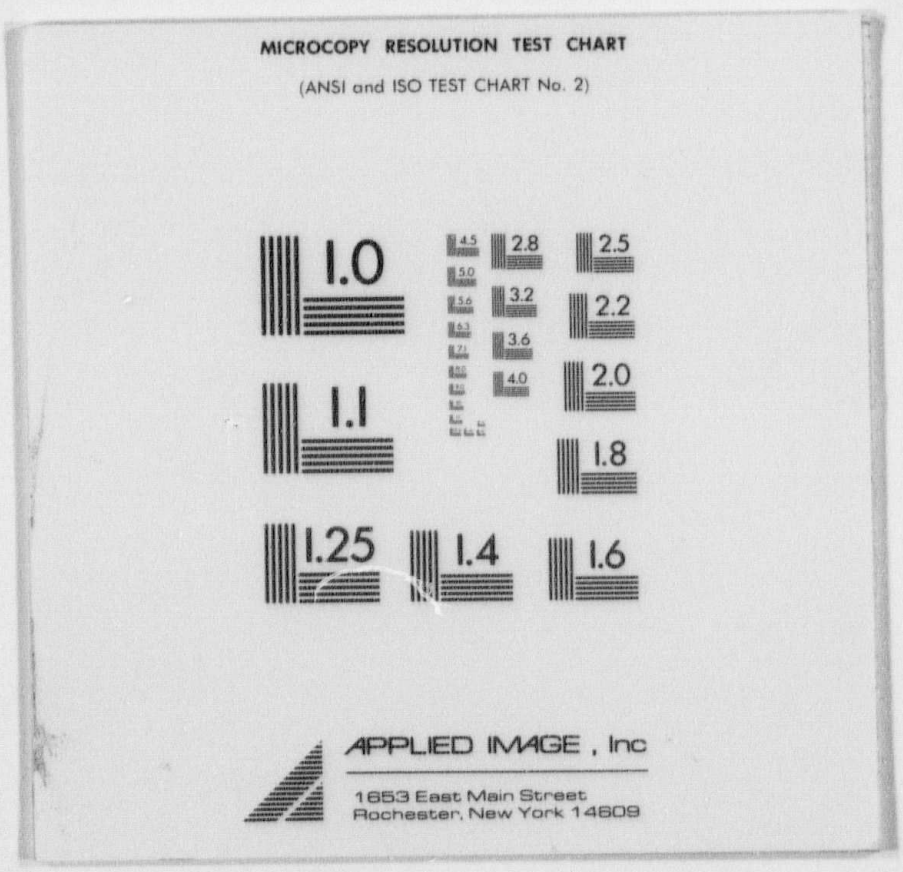
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END OF REEL

FIN DE LA BOBINE


MICROCOPY RESOLUTION TEST CHART
(ANSI and ISO TEST CHART No. 2)
1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0
4.5
5.0
5.6
6.3
7.1
8.0
9.0
10
11
APPLIED IMAGE, Inc
1653 East Main Street
Rochester, New York 14609