

SECURITY IN CANADIAN DEFENCE INDUSTRYPOLICY

1. The Department of Defence Production is responsible for the security of classified information <sup>ENTRUSTED</sup> given by the Government of Canada to Canadian industrial firms and other non-governmental organizations (hereinafter referred to as Industrial Firms) within the terms of a contract between the Department and such Industrial Firms. The security of secret and confidential information in the possession of Industrial Firms may be placed in jeopardy either by persons who may be disloyal to Canada and her system of government or by persons who are unreliable because of defects in their character.
2. Employees in Industrial Firms who are required to have access to classified information in the performance of their duties must be persons in whom the Government of Canada can repose full confidence to safeguard such information. It has been clearly demonstrated that such confidence cannot be placed in persons whose loyalty to Canada and our system of government is diluted by loyalty to any Communist, Fascist, or other legal or illegal political organization whose purposes are inimical to the processes of parliamentary democracy. It is, therefore, an essential of Canadian security policy in relation to defence industry that persons described in paragraph 3 below must not be permitted to have access to classified information.
3. The persons referred to in paragraph 2 above are:
  - (a) a person who is a member of a communist or fascist party or an organization affiliated with a communist or fascist party and having a similar nature and purpose;
  - (b) a person who by his words or his actions shows himself to support a communist or fascist party or an organization affiliated with a communist or fascist party and having a similar nature and purpose;
  - (c) a person who, having reasonable grounds to understand its true nature and purpose, is a member of or supports by his words or his actions an organization which has as its real objective the furtherance of communist or fascist aims and policies (commonly known as a front group);

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- (d) a person who is a secret agent of or an informer for a foreign power, or who deliberately assists any such agent or informer;
- (e) a person who by his words or his actions shows himself to support any organization which publicly or privately advocates or practises the use of force to alter the form of government.

4. It must be borne in mind that there may be reason to doubt the loyalty of a person who at some previous time was a person as described in paragraph 3 above, even though this doubt may not be confirmed by recent information about him.

5. In addition to loyalty, reliability is essential in any person who is to be given access to classified information. A person may be unreliable for a number of reasons that do not relate to loyalty. To provide as much assurance of reliability as possible persons described in paragraph 6 below may not be permitted to have access to classified information, unless after careful consideration of the circumstances, including the value of their services, it is judged that the risk involved appears to be justified.

6. The persons referred to in paragraph 5 above are:

- (a) a person who is unreliable, not because he is disloyal, but because of features of his character which may lead to indiscretion or dishonesty, or make him vulnerable to blackmail or coercion. Such features may be greed, debt, illicit sexual behaviour, drunkenness, drug addiction, mental imbalance, or such other aspect of character as might seriously affect his reliability;
- (b) a person who, through family or other close continuing relationship with persons who are persons as described in paragraphs 3(a) to (e) above, may be induced, either knowingly or unknowingly, to act in a manner prejudicial to the safety and interest of Canada. The kind of relationship, whether by blood, marriage or friendship, may not be of primary concern; the degree of relationship,

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and most particularly the degree of influence that might be exerted, will dictate a judgment as to reliability, a judgment which must be taken with the utmost care; and

- (c) a person who, though in no sense disloyal or unreliable, is bound by close ties of blood or affection to persons living within the borders of such foreign nations as may cause him to be subjected to intolerable pressures.

7. To carry out its responsibility for the safekeeping of the secrets of the Government of Canada and her allies, the Department of Defence Production must first obtain sufficient information about a person to be given access to these secrets in order that a reasonable judgment might be made as to his loyalty and reliability. In making this administrative judgment, it must always be borne in mind that, while the interests of the national security must take precedence where there is a reasonable doubt, the safeguarding of the interests of the individual is also essential to the preservation of the society we seek to protect. Information bearing on the security status of an employee will be treated as confidential, and will not be transmitted by the Department to the employing Firm.

#### PROCEDURES

8. The following procedures by which this policy is to be implemented are designed to provide that the most careful screening possible be given, particularly to persons who will have access to highly classified information. It is the continuing responsibility of the Department of Defence Production to ensure that the security of classified information held by Industrial Firms remains unimpaired.

9. Information about persons who are being considered for access to classified information must be obtained at least from the persons themselves, from referees named by the persons, and from investigations conducted by authorized investigative agencies. An official of the Industrial Firm who will be appointed the Firm's Security Officer, will be responsible for:

- (a) ensuring that, prior to being employed in a position requiring access to classified information, each

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employee being considered for such employment completes a Personal History Form (DDP-54 Rev.);

- (b) informing such persons of the reasons for seeking background information about them;
- (c) explaining to them the dangers to themselves as well as to the national security in their attempting to conceal any information which may have a bearing on the degree of confidence that can be reposed in them; and
- (d) submitting the completed Personal History Form to the Director of Industrial Security of the Department of Defence Production.

10. The Director of Industrial Security will submit the completed Personal History Form to an authorized investigative agency, requesting that either a records investigation or a full background investigation be conducted, depending upon the level of clearance required.

11. The functions of an investigative agency are to conduct promptly and efficiently such investigations as are requested by Departments to assist them in determining the loyalty and reliability of the subject of investigation; and to inform Departments of the results of their investigations in the form of factual reports in which the sources have been carefully evaluated as to the reliability of the information they have provided.

12. On the basis of these reports and such other pertinent information as may have been utilized, the Department of Defence Production will arrive at a considered judgment of the person's loyalty and reliability, and of the degree of confidence that can be reposed in him to carry out the duties to be performed without jeopardy to the security of classified information to which he may have access.

13. If a favourable determination is made, the Department of Defence Production may grant to the Industrial Firm a security clearance in respect of the employee to the level required for the efficient performance of the duties of the position concerned.

14. If, on the other hand, there is in the judgment of the Deputy Minister of the Department of Defence Production a reasonable doubt as to the degree of confidence which can be reposed in the subject, the granting

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of a security clearance will be delayed until the doubt has been resolved to the satisfaction of the Deputy Minister.

15. Where a person is being considered by an Industrial Firm for appointment to a position requiring access to classified information, and a doubt has arisen as to his suitability for such access, the following courses of action may be taken by the Department of Defence Production with a view to resolving that doubt:

- (a) further specific investigation may be requested of an authorized investigative agency; or
- (b) the Department may at any time seek the advice of the interdepartmental Security Panel.

16. Should neither of the courses set out above (Paragraph 15) result in a satisfactory resolution of the doubt concerning the person, the Department of Defence Production shall preserve security by notifying the Industrial Firm that the individual must be denied access to classified information. Should the firm nevertheless decide to employ the applicant in a position where he does not require access to classified information, and subsequently decides to release him, for whatever reason, the termination of his employment must not be related in any way to the earlier denial of security clearance.

17. Where a person is already employed in a position in which he has access to classified information and a doubt has been raised as to his suitability to continue to have access to classified information, the Department must inform the Firm that the employee must be denied access to classified information until the doubt has been resolved, and may take the following courses with a view to resolving that doubt:

- (a) request further specific investigation of an authorized investigative agency;
- (b) seek the advice of the interdepartmental Security Panel;
- (c) consult with the Industrial Firm to review the requirement for security clearance, confirm the nature of the present employment, and obtain comments as to the apparent loyalty, trustworthiness and integrity of the subject, in order to assist in further assessment of the case.

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18. Should these actions fail to resolve the doubt, or appear to the Department to be inexpedient under the circumstances, the assistance of the employee shall be sought in an attempt to resolve the doubt. After reassessing all relevant information obtained from above sources and appropriate consultation with the investigative agency or other source of the information which raised the doubt, the Department shall interview the subject and inform him, to the fullest extent that is possible without jeopardizing important and sensitive sources of security information, of the reasons for doubt, and shall give the employee an opportunity to resolve it to the satisfaction of the Department of Defence Production.

19. Should none of the courses set out above (Paragraph 18) result in a satisfactory resolution of the doubt concerning the employee, the Department of Defence Production shall notify the Industrial Firm concerned that the individual must continue to be denied access to classified information. In order that the interests of the employee may be protected, the Firm should be urged to retain the employee in a position in which he does not require access to classified information.