

perform a certain national service, and it is expected that that service will be performed at or near cost.

As hon. members know, this government is obligated to share in the proposed service now being organized between England, Ireland, and Canada to cross the north Atlantic. In that connection we have undertaken to be prepared to fly the mails across Canada connecting with their flight across the Atlantic. For that reason it is urgent to form this company and get the organization under way, and obtain the necessary equipment to undertake the service.

It is estimated that the capital required to purchase the equipment necessary to perform the service in Canada is about \$1,750,000. In addition, about \$1,250,000 is required as part of Canada's capital for the transatlantic service. The balance of \$2,000,000 is provided to be called upon as required for the expansion of the services as national needs may indicate. The cost of operation of the service—the coast to coast service—is estimated at about \$1,000,000 a year.

Mr. BENNETT: Is that the deficit or the operating cost?

Mr. HOWE: The total operating cost. It is thought that from the start the mail contract and such passenger and express business as is immediately available should cover the cost of the service. We have made provision, however, for a subsidy to protect the service in that period. After 1940, as I have said, the subsidy provision expires, and the mail contract will be on the basis of cost of the service. I think that outlines fairly well the intention of the bill. The whole matter can be more fully considered when the bill is brought down.

Mr. BENNETT: It must be apparent from the explanation given by the minister that the measure contemplated is one of a very far-reaching character, and can only be thoroughly understood when the measure based upon the resolution has been introduced into the house. That we should have an air service across the northern half of the continent goes without saying, I think; but our ability to finance such an undertaking is something also that should be considered. Keeping up with the Joneses has been one of the curses of Canada. On the other hand, we had a mail service across Canada as far as Edmonton and Lethbridge and across the southern part of Canada to Vancouver. We discontinued it, strictly in accordance with the terms of the contract, because with the crop failure in western Canada, and with

300,000 of a population receiving some form of relief, there was very little gratification in seeing an aeroplane passing by day after day when the unfortunate owner of the soil could hardly see the aeroplane because his crop had gone up in dust. No apology is offered for having discontinued the service under the financial conditions that obtained.

With more buoyant revenues, and with the expansion of an air service across the Atlantic ocean, the country is confronted with the necessity of providing some form of service between the Atlantic and the Pacific.

The problem at once arises how it shall be done. The minister has not made abundantly clear just how he proposes to do it. He says that the government will not itself own any of the capital stock of the enterprise, but that the Canadian National Railways will be charged with responsibility for the underwriting of the stock, and that those who have heretofore been engaged in aerial operations will have an opportunity to subscribe for the shares.

The Canadian National Railways put \$250,000 into Canadian Airways, and the Canadian Pacific Railway an equal amount. The \$250,000 was recommended by the late Sir Henry Thornton, and the president of the Canadian Pacific Railway agreed with that recommendation and paid a similar sum on behalf of that railway. The Canadian National Railways may be said to have at least some claim, both because of the \$250,000 which they put into the capital stock and because of the fact that they had mail contracts which, during the days of the depression, were cancelled strictly within the terms of the contracts. Unfortunately, however, they did not anticipate the events that followed in quick succession necessitating the cancellation of the contracts.

I am clear in my own mind that we should make some efforts towards establishing an air service; I have no doubt about that. But I should like to see in great detail the conditions under which it is proposed to organize it. I confess that I have not been quite able to follow the minister in his statement that while we shall own none of the capital stock, the Canadian National Railways will be charged with responsibility for the underwriting of the stock, because under those circumstances it might well be that the control of the enterprise would pass entirely out of the hands of the government, and a franchise, the value of which cannot easily be overestimated, would pass out of our control. I gather that the minister is desirous of having the control at least rest either in the government itself or in a government agency such