

Mr. KNIGHT: Does that mean that you have now made an expenditure which will carry you over into the future as it were, and that you have extra space available? I am thinking of the line at the top of page 7.

Mr. FULTON: I thought we were now on page 5.

Mr. KNIGHT: "The airline made available 28 per cent more ton miles and 17 per cent more seat miles in 1955 than in the previous year".

Mr. MCGREGOR: Yes. That additional accommodation would give us a greater availability of space. That was a planned condition which we hoped to achieve.

Mr. FULTON: Under the heading of non-operating income, net on page 5, you have \$528,366. Otherwise you would have shown a deficit this year. Would you please tell me the main sources of this non-operating income? I do not see any particulars of it.

Mr. MCGREGOR: There are several components in it; we have the interest revenue from a \$6 million insurance investment fund which is held at that figure and which would take care of any claims made against that fund. Then there are cash discounts which are credited to that account. Then there is interest income on progress payments in excess of the requirements of manufacturers. That is, advance payments which bear interest and are credited to this account. Then there is the interest income on the Canadian National Railway loan; exchange on foreign currency, transactions which are advantageous to us and which are covered by that item. Interest on the refund of company's matching pension contributions; that is where the company contributes to the pension fund a like amount to that contributed by the employee. Interest on federal income tax rebates, miscellaneous income and expenditures, a major item of which is a little over \$329,000 and is the one that I already mentioned, interest from the insurance fund.

Mr. FULTON: Is that increase this year in your non-operating income something you would describe as fortuitous, or do you expect it to increase, as the amount in your insurance fund goes up?

Mr. MCGREGOR: No. The increase over 1954 might be regarded as high but I would not look for a similar increase to take place in 1956 over 1955.

Mr. FULTON: As the scope of your operations increases, will you have a larger insurance fund, and therefore earn more?

Mr. MCGREGOR: That is possible, but that would be a decision which the board would have to make, to increase the size of the fund, and there is no indication of it taking place at the moment.

Mr. FOLLWELL: What is the purpose of having that insurance fund? Is it to take care of public liability and property damage?

Mr. MCGREGOR: It is to take care of all claims against the company which are not covered by outside insurance. We have, in effect, an insurance policy against all types of claims with respect to aircraft and their contents, which carries a \$2 million deductible clause, and it has been found to be a desirable arrangement. Under the worst conditions we might have successive years of losses in the aggregate amount of \$2 million with respect to accidents. The fund is kept in an entirely liquid condition, and is invested in government, and government guaranteed bonds, and its purpose is to reduce the cost that would be involved if the total risk were outside.

Mr. HAHN: You mention on this same page other factors such as the rise in the price of labour. Does that include a new contract, or are there more wage earners? Just how is that made up?

Mr. MCGREGOR: Both. Our total number of employees has increased, as you will see later on in the report, and the average wage paid to each employee