

then they will not be fully depreciated when they are retired. I doubt very much whether there would be a good market for those aircraft when they are put out of service. This is a horrid situation and it is going to continue, because the airline manufacturers cannot keep alive by simply meeting the growth; they must continue to bring out new types of aircraft. But we are forced, in the keeping up with the "Jones" theory of airlines, to go to the newer aircraft. Before we have received deliveries of DC-8's, we are being approached by manufacturers offering to sell us a Mach II aircraft for \$11 million each.

Mr. DRYSDALE: I would like to make a couple of comments on two matters you raised, the first is in respect of what you thought was going to be a \$5 million loss as a result of Canadian Pacific Airlines competition; and the second comment I would like to make is in regard to the matter raised by Mr. McPhillips, the Vancouver-Victoria situation. I would like your comments on a couple of statements made by Mr. Wheatcroft in his report of airline competition in Canada. It is set out on page 70.

The most serious weakness in the present pattern of T.C.A. services is the low level of frequency, relative to the desirable frequency, on nearly all of the major transcontinental sectors. Over half the sectors have a frequency less than half the number assessed as commercially desirable.

Mr. MCGREGOR: Would you like me to comment on them separately?

Mr. DRYSDALE: Whichever is most convenient.

Mr. MCGREGOR: I think Mr. Wheatcroft is an able airline economist, but he had a formula to which he gave birth himself and of which he thought a great deal. It was that the frequency on any route should be at an interval of time equal to the flying time between these two points. This would mean that a frequency between, we will say, Montreal and Ottawa should be every thirty-five minutes; between Swift Current and Medicine Hat it should be every twenty minutes.

Now, personally I cannot follow the reasoning. That seems to me to have been the basis for his statement that the frequency was too low. It did not take into account the fact that frequency is purely a matter of the size of the aircraft and the volume of traffic which is going to move. There is no use in flying an empty aircraft between two points. If there are 100 people moving and if an aircraft is carrying 40 people then three frequencies would meet the traffic demand.

Mr. DRYSDALE: You will probably have the same criticism in regard to this quotation. It is set out at page 75.

By comparing the actual traffic moving in September 1957 with the minimum traffic required for competition, using aircraft of 40 seats for routes under 1,000 miles and 60 seats over 1,000 miles, the conclusion is reached that there are only three routes in Canada at the present time which have a traffic volume adequate to sustain competitive service without danger of an increase in average operating costs. These are: Toronto-Montreal, Vancouver-Victoria and Toronto-Winnipeg.

I would like your comments in connection with the Vancouver-Victoria aspect. Do you agree with that statement?

Mr. MCGREGOR: There may be plenty of traffic according to Wheatcroft to justify two carriers; but probably, neither will make money, if there are two. There is plenty of traffic between Montreal and Toronto to justify two carriers, but neither will make money. There is not enough traffic between Winnipeg and Toronto to justify two carriers.