

Mr. BROOME: On that same question of cost, I did notice in your report the statement that the average level of T.C.A. fares is now approximately the same as that in the United States, even though the cost of airline operation in Canada is substantially higher. In what areas are your costs higher than in the United States? I believe that wages in Canada are lower, but your landing fees are higher. Is that statement substantially correct? I doubt it.

Mr. MCGREGOR: Yes, it is entirely correct.

Mr. BROOME: Are there any figures on it?

Mr. MCGREGOR: Yes, there are complete figures; but probably the best example—and this is one of our main items of cost—is in connection with fuel. Fuel in Canada costs us an average of about 40 per cent more than it costs in the States. We buy fuel in the United States, of course, at the points where we land, and I have a very definite record of the difference that exists. It was calculated a year or so ago that if we could buy our fuel in Canada at the same price we pay for it in New York, the difference in operating costs to the airline would be in the order of \$2 million.

Mr. BROOME: Does that apply to the new type fuels used in your turbine aircraft?

Mr. MCGREGOR: Not to the same extent as the high octane gasolines.

Mr. BROOME: The difference is small on that. Therefore, that cost differential is closing in more, bringing a difference?

Mr. MCGREGOR: Turbine fuel is about 10 per cent higher in Canada.

The CHAIRMAN: Any other questions?

Mr. FRASER: Did Mr. McGregor say that was \$3 million gross or \$3 million net?

Mr. MCGREGOR: I said diversion of gross revenue—at least I said diversion of revenue and I meant gross revenue.

Mr. FRASER: Then that would be offset to some extent by maintenance?

Mr. MCGREGOR: No, I am afraid not, Mr. Fraser, because it was not possible at the time the decision was made, at least with respect to 1959, to make any reasonable reduction in the operations of T.C.A. in the light of this licensed C.P.A. flight. Furthermore, it was not our understanding that it was the intention that because this flight was granted—and you will remember on the basis of the ruling primarily to connect the Canadian Pacific Airlines' international overseas operations—that T.C.A. should end up by dropping a flight in response to the C.P.A. flight.

Mr. BROOME: Well, on that same point I have heard certain criticisms in the west that the minute C.P.A. put on that flight as a sort of accommodation, the T.C.A. immediately, being smart operators, put a competing tourist service on, and there was not that type of tourist flight available.

Mr. MCGREGOR: It have heard the same comment. It is not correct. As I explained at the C.P.A. hearing, the T.C.A. operating plan with respect to 1959 was finalized in 1958 as it always is with respect to each year. We did not know what the decision was going to be. We stated what the operating plan was going to be in 1959, during the course of the hearing. Each year we have added transcontinental flights, have been able to put in more and more non-stop and one-stop flights, and 1959 over 1958 was no exception.

Mr. BROOME: I attended those board hearings, because I was very interested, and one of the criticisms was that T.C.A. was not supplying service to that class of passenger who wished economy fares, that is, tourist fares. While you have increased them dramatically on the transcontinental service, do you propose to do that on other non-competitive services, say, Ottawa to Toronto—flights which are not transcontinental in nature and where you do not face competition?