

We are talking about a matter of a few months. Firstly, this legislation, C-2, will have to be proclaimed. It takes months for that to happen. Under services, we have said that the proclamation will not come before a certain period of time. We will give, in the service section, a leeway. Therefore I think we are talking about a framework long enough to clarify the situation.

Senator McIlraith: Mr. Minister, you used the expression "Competition is expected." Is not the situation such that the air industry—the passenger and freight-carrying aspects of it—are made monopolies by the federal government through its licensing controls? That is, you not only designate a particular company but you grant it the right to fly from A to B only and not from or to any place it likes in Canada, so the federal government is the one who creates the monopoly, not the company itself. Is that not correct?

If that is so, has not the federal government traditionally, at least since 1936, developed a system of regulating and controlling the monopoly position because it was a monopoly? That has been the traditional method. I am unable to understand how you reconcile the competition method of preventing abuses, because you have prevented unlicensed competition by the licensing procedures under the air legislation, and it seems to me it cannot be made applicable; it is inconsistent with the nature of the creatures we have put into operation in the air industry.

Hon. Mr. Ouellet: Yes; except that I said last week that the Canadian Transport Commission has been asked to analyze in depth the procedures and tariffs arrived at in Bell Canada, for instance. Therefore there is an in-depth process in that area.

Senator Molson: Excuse me, Mr. Minister. Is it not a fact that Bell Canada has no competition? There are not two telephone companies in competition, but there is more than one airline. Does that not make it a little more difficult, in comparing the two?

Hon. Mr. Ouellet: Except that some airlines have a monopoly on certain routes. That is a different approach. Basically, as I told you at our last meeting, if the CTC were going to embark on this process of in-depth examination, there would be no difficulty on our part. We would, of course, assume that the CTC is performing its role in representing the public interest.

Mr. Cowling: Mr. Minister, it is because you made that remark that there is some cause for fear; because it indicates that they do not get protection from the breweries case or the marketing case. You are suggesting that there is something that the CTC should do which it is not doing that would bring the industry within the scope of the jurisprudence; but it is beyond the power and the ability of the industry itself to see to that. That is why I say they are in a dilemma.

Senator McIlraith: In the sphere of international air transport it is my understanding that international agreements entered into by the Canadian government with governments of other countries compel the designated airline to adopt certain techniques or practices that would, in the ordinary course, be contrary to our proposed legislation. The safeguard lies in the regulatory authority and the requirement that they go before the CTC. If we enact this legislation in its present form, without clarification of the

point, are you satisfied that we are not breaking the agreements we have entered into with other governments in the international air field?

Hon. Mr. Ouellet: Yes, I am.

Senator McIlraith: Could you elaborate on that? I find that difficult to understand.

Hon. Mr. Ouellet: These agreements are entered into between governments for the purpose of mutually exchanging air routes. These agreements provide a *modus operandi*, or an apparatus of procedures, agreed to by members of IATA, and that apparatus of procedures is imposed on all members. It happens that in certain countries the airlines companies are owned by the government. Basically, these agreements are not agreements arrived at between governments, but agreements arrived at between firms.

Senator McIlraith: My understanding is that these are agreements between governments, and after designation of the airline, certain requirements and agreements between the firms are entered into, and the procedure that the firms or companies have to use are fixed in the agreement between the governments. That is what compels them to operate in a way that would ordinarily be inconsistent with the competition legislation. If we do not clarify that point, we are in fact compelling the airlines, by international agreement, to operate in a certain way and, on the other hand, saying that what they are doing may be illegal, although we are compelling them to do so.

The Chairman: Supplementing what you have said, Senator McIlraith, and for the information of the minister, may I refer to article 7 of the agreement between Canada and the United Kingdom? Article 7 reads as follows:

(1) The tariffs on any agreed service shall be established at reasonable levels, due regard being paid to all relevant factors, including cost of operation, reasonable profit, characteristics of service (such as standards of speed and accommodation) and the tariffs of other airlines for any part of the specified route. These tariffs shall be determined in accordance with the following provisions of this Article.

(2) The tariffs referred to in paragraph (1) of this Article shall, if possible, be agreed in respect of each route between the designated airlines of the contracting parties, in consultation with other airlines operating over the whole or part of that route, and such agreement shall, where possible, be reached through the rate-fixing machinery of the International Air Transport Association. The tariffs so agreed shall be subject to the approval of the aeronautical authorities of both contracting parties.

The aeronautical authority, so far as Canada is concerned, would be the CTC.

Article 10 then deals with those instances where the parties cannot agree. It states:

(1) If any dispute arises between the contracting parties relating to the interpretation or application of the present Agreement, the contracting parties shall in the first place endeavour to settle it by negotiation between themselves.

(2) If the contracting parties fail to reach a settlement by negotiation,