

Capital expenditures in 1963 totalled \$21,100,000, of which payments on the last three *Vanguards* and on five DC-8F aircraft, together with the cost of completion of the Halifax maintenance base, were the major items.

Tariffs

The twin objectives of the April 1 revision to the North American fare structure were a reduction of the differential between the price of domestic first class and economy class transportation and the establishment of a more realistic relationship in ticket price per mile between long haul and short haul operations. On the one hand this substantially improved the company's yield per average passenger mile and on the other, virtually put an end to the cross subsidization within the airline that had previously required passengers on the longer flights to pay part of the cost of giving service to travellers on shorter distances.

The company believes that it now has passenger and cargo tariffs that represent a proper relationship between the cost of giving service and the value of that service to the air passenger or shipper. It is not anticipated that any further tariff adjustment will be necessary in the foreseeable future unless further reductions in unit expenses make possible a general tariff reduction. Certainly this step will be taken if it can be shown to be economically sound, but it is not likely that this will change the new and sounder relationship between short and long haul domestic fares.

Of particular interest to the company in 1962 was the international air transport association approval of discounts as high as 38 per cent from existing fares for groups of 25 or more persons travelling together on the North Atlantic. Also, TCA lowered cargo rates for a number of specific commodities moving between Canada and the Caribbean. New economy class fares were introduced for passengers travelling in groups of ten or more on domestic services.

In considering international fares, it should be remembered that these are based upon general industry agreement. TCA is, however, not entirely satisfied with present international tariffs and has pressed at International air transport association meetings for lower fares and particularly for a reduced differential between first class and economy class charges.

Service and Traffic Growth

In 1962 TCA marked its twenty-fifth year of public service by offering the greatest capacity for passenger travel and commodity shipment in its history. Almost 600 million ton miles of air transportation were made available, an increase of 14 per cent from the previous year. During the busiest months, 24 return flights a week were operated on the North Atlantic providing over 3,000 seats in each direction. Transcontinentally over 1,000 seats were offered daily in each direction.

More service of a better quality was provided as the company realized its long-term objective of operating an all-turbine powered fleet everywhere except to the small prairie centres where runway lengths required the continued use of DC-3 equipment.

To adjust this fleet to the further demand for economy class service, changes were made in the seating configuration of the DC-8s, *Vanguards*, and *Viscounts*. Specifically this called for 111 economy class seats and 20 first class seats on the DC-8; 90 economy class seats and 18 first class seats on the *Vanguard* and 39 economy class seats and 12 first class seats on the *Viscount*.