

Mr. CATHERS: No, they borrowed it from the government. You come into the matter of public ownership versus private ownership.

Mr. CREAGHAN: Personally, I think this is a very, very small profit and I am glad it is.

Mr. HORNER (*Jasper-Edson*): So am I. I think it is an excellent policy.

Mr. CATHERS: What would be the average return in the United States companies?

Mr. MCGREGOR: I can give you an average. Are you speaking of return on investment?

Mr. CATHERS: Yes.

Mr. MCGREGOR: These figures should be read in recognition of the fact that in comparison with T.C.A. there is proportionately less debt capital in many of these companies.

The United States industry in 1952 had a return on investment average of 10.9 per cent; T.C.A. at that time was 7.9 per cent. In 1953, United States industry was 9.9 per cent and T.C.A. 3.4 per cent. In 1954, United States industry was 10 per cent and T.C.A. 4.2 per cent. In 1955, United States industry was 10 per cent and T.C.A. 3.2 per cent. In 1956, United States industry was 8.8 per cent and T.C.A. 6 per cent. In 1957, United States industry was 5.1 per cent and T.C.A. 3.7 per cent. In 1958, United States industry was 5.8 per cent and T.C.A. 3.8 per cent.

Mr. CATHERS: That shows on the average you are very, very low as compared to the United States companies.

Mr. MCGREGOR: Yes, keeping in mind the financial structure.

Mr. CATHERS: Here is an odd situation. You are part of the Canadian National Railways, with whom you are in competition, and you are stealing their business. No money is really being made and you are causing them quite a loss.

Mr. MCGREGOR: Good.

Mr. MCPHILLIPS: So what?

Mr. CATHERS: I think it is nonsense.

Mr. MCGREGOR: No. I think it is nonsense for a railway to be in the long-range passenger business. I do not think they will be in it much longer.

Mr. FRASER: Is it true that there are only two or three American airline companies that are really making money?

Mr. MCGREGOR: Eastern Airlines has had a good profit record. I think it was the best in the United States, until fairly recently. All of them began to get into serious trouble late in 1957, with the result they made application for a very substantial fare increase. Early in 1958 they received an interim increase that averaged  $6\frac{1}{2}$  per cent. This met the 1958 situation; however, the whole fare structure in the United States is still before the Civil Aeronautics Board, and it would not surprise me if a further increase was forthcoming.

Mr. SMITH (*Calgary South*): In that respect, the probable suggestion is that the losses indicated by these same airlines are basically one of accounting practices—large write-offs. You would deny that would be the case in connection with T.C.A., but is this a practice to which you agree?

Mr. MCGREGOR: No, I do not think it is correct. Economists tend to regard airline accounting with some horror, because of the high rate of depreciation that is applied, which is not common in other industries. The reason is the rapid rate of development that has gone on in regard to airline equipment. It has forced this high rate of depreciation. The longest depreciation life we are operating on is nine years, which is with respect to the Viscount. The Super Constellations are depreciated on a seven-years basis, and even