Mr. McGregor: Yes.

Mr. Hamilton (*Notre Dame de Grâce*): Do we hold it in escrow or in trust?

Mr. McGregor: It is invested in securities which the company permitted to purchase, which are dominion and provincial government securities, or securities guaranteed by those authorities, and it is in actual being.

Mr. Hamilton (*York West*): I see that in conjunction with the current assets sheet there is a $6 million item—would that be for this insurance fund?

Mr. McGregor: It would be part of the breakup assets.

Mr. Hamilton (*York West*): Are you troubled in any way with currency problems, that is, convertibility in connection with your operations?

Mr. McGregor: No, we have been rather fortunate in that respect. There was an international clearing house set up some years ago, and there is another clearing house which has been in existence for an even longer time in the United States, and all the transactions involving foreign currencies are cleared there, and the net difference is very small.

The Chairman: Can we go on with the capital budget next?

Mr. Hamilton (*York West*): What about the statement on the next page, page 36? In connection with the operational statement, may I ask Mr. McGregor how this year's operation statement compares with that of an airline of comparable size in the United States from the net profit standpoint. I am thinking here of Capital Airlines which is not too much out of line, I guess.

Mr. McGregor: I would say that our net bears a lower relationship to our gross revenue than in the case of the more satisfactory airlines in the states.

Mr. Hamilton (*York West*): Can you give us any explanation of that from an administration standpoint?

Mr. McGregor: A higher volume of traffic serving larger centres. Capital Airlines serve, I think, something like 20 points. The T.C.A. serve 65, if I remember the figures correctly. A number of small stations comparatively infreqently used run costs higher. Fuel costs some 30 per cent less in the United States. Labour is generally said to cost somewhat less in Canada, but that does not offset the tremendous difference in fuel costs.

Mr. Hamilton (*York West*): You think that on a comparative basis, this explains the difference in net profit of $400,000 on $68 million to Capital Airlines' $3 million profit on about $45 million.

Mr. McGregor: No, there are a number of other factors which enter into it. By the nature of T.C.A. with respect to Canadian views, we are required as a company to maintain some extremely expensive facilities which do not apply to a company such as Capital Airlines. For instance, we have an expensive and, I may say, a rather famous engineering department. Capital has none. When Capital Airlines want aircraft, they look over the program of engineering modifications required by T.C.A., and tell Vickers that they will take the aircraft with those modifications.

Mr. Hamilton (*York West*): How do they carry out their engineering program?

Mr. McGregor: Quite frankly, they do not have one. When they want aircraft, they go to the manufacturer and say: "What do you have to sell us?" And then they either take it, or they don't. Conditions in Canada require a special approach. Cabin heating, ground heating, the domestic plumbing—if it is not to freeze up—it has to be dealt with in an entirely different way, so we have certainly felt a strong need to maintain an engineering department, and that is not an inexpensive luxury.