

present healthy economic climate of the industry, this change in depreciation arrangements should make it possible to build up larger reserves for aircraft acquisition.

All this should, in the course of coming months, do much to help the position of commercial aviation in this country. I am glad to say that they coincided with a much-needed increase in the number of larger-type transport aircraft in Canada. We now have considerably more twin-engine or larger transport aircraft in the hands of the commercial operators of this country than we had two years ago. The importance of this, both from the economic and military point of view, cannot be underestimated.

I am not unmindful of the fact that these steps can be directly related to the representations made by your Association over recent years and the lengthy consultations which you have had with the Air Transport Board on this subject since I last spoke to you. Other matters, such as the development of a government-owned pool of aircraft for civil use, may, in due course, represent a desirable line of development as well but would raise important considerations of policy which cannot easily be resolved. It is my opinion that the steps I have described should meet the immediate needs of our operators.

Government Policy in Regulation of Competition

In addition, the Government has also kept its policy in the regulation of commercial air-services up to date as the industry has grown, - particularly as regards regulation of competition. It was necessary that, in the immediate postwar period, competition should be virtually eliminated to allow the various operators a reasonable chance to build up business without direct financial assistance from the Government. Therefore the Government laid down a policy which was designed to allow each operator to establish himself unhampered by the chaotic competitive arrangements which had flourished during the 'Thirties. As the industry developed, however, this has gradually evolved to meet changing circumstances. It may be useful for me to restate for you now the general policy which we have laid down for the Air Transport Board to follow.

International Routes

In the international field, particularly as regards inter-continental routes, we are concentrating on the firm establishment of good Canadian scheduled services. In the Atlantic area generally these will be provided by Trans-Canada Air Lines and within the Pacific area generally they will be provided by Canadian Pacific Airlines. TCA has just extended its Atlantic operations to serve Germany in addition to France and the United Kingdom. This by no means represents the end of TCA expansion abroad although further growth will continue to be gradual and based on sound economic considerations. In the Pacific area, CPA, already serving Hawaii, New Zealand, Australia, Japan and Hong Kong, is considering expansion to provide a service between Western Canada and South America.

In the establishment of new international routes, progress must of necessity be slow because of the difficulties involved in making satisfactory bilateral air-agreements