

I think that explanation might supplement what I have said.

Mr. DEACHMAN: In respect of the equalization of fares, if fares were equalized as you have suggested, by arriving at a point between the C.P.A. route and the T.C.A. route, would this result in a higher total cost to Canadian passengers travelling on these routes?

Mr. MCGREGOR: It would result in higher economy fares and slightly lower first class fares than C.P.A.'s present fares.

Mr. DEACHMAN: As first class fares are tending to decline in relation to economy fares, the tendency would be a shift to a higher rate placed upon passengers; is that correct?

Mr. MCGREGOR: Any higher rate shifts upon passengers, I guess.

Mr. DEACHMAN: I am talking about the total number of dollars which passengers in Canada expend on air fares within this framework of which we are speaking.

Mr. MCGREGOR: I think that is correct.

Mr. DEACHMAN: So in fact this would fix a price or fix a rate at an equal rate but at a level which would cost the Canadian user more, and destroy a competitive position which now gives Canadian passengers the option of choosing a lower rate; am I correct?

Mr. MCGREGOR: You are not quite correct, because we are carrying something like four times as many passengers transcontinental as C.P.A., so the total cost to Canadian air users as a body by a fare increase in the economy rate from C.P.A.'s rate at the present level would be a drop from our present level. I do not think this would cost Canadian users more.

Mr. DEACHMAN: For the total number of passengers carried in Canada would the sum total of rates in general be higher?

Mr. MCGREGOR: They would be lower.

Mr. DEACHMAN: They would be lower?

Mr. MCGREGOR: Yes.

Mr. DEACHMAN: Would the Canadian passenger then receive an advantage by adopting this rate rather than be charged a higher rate in total?

Mr. MCGREGOR: I think that is correct, yes. Our economy fares would go down half way to the present C.P.A. fares. That is, our return transcontinental rate between Montreal and Vancouver would be dropped by approximately \$10. We are carrying four times as many passengers, so the advantage to Canadian air travel I think is obvious.

Mr. HAHN: Mr. Chairman, I should like to ask one or two questions in this same area.

The CHAIRMAN: Have you any other questions?

Mr. ADDISON: Mr. Chairman, I should like to ask a supplementary question. In relation to this cost curve to which you have referred, as far as passenger miles are concerned in relation to the effect on C.P.A.'s economy fare, which is less, does the fact that you have operating costs such as in respect of the Winnipeg T.C.A. maintenance base have any bearing in this regard? It is my understanding that the cost of that maintenance base is in the neighbourhood of \$19 million. Would this be a factor in relation to the difference in fares?

Mr. MCGREGOR: No, I do not think so. Let me explain the history of this fare situation. T.C.A. and C.P.A. have duplicated route legs and have always charged the same fares. On January 1, 1961, we both filed identical tariff reductions. We both operated during 1961 with a very substantial deficit and we found that we had set the fares too low in relation to our operating costs.