

to the requirements I have outlined. I believe that, with few exceptions, the Canadian airline which at the end of 1953 still has a poor balance sheet, excessive current liabilities and a shortage of invested capital is a company which has failed to achieve the objectives which have now become possible and has weakened its own position in the long run.

However, these suggestions on my part are not enough. I can indicate to you that the Federal Government has done much more than offer you free advice; it has recognized the importance of civil aviation to this country and has taken important steps recently to provide a better framework for operations.

Avoidance of Direct Subsidies

The Government has deliberately avoided a policy of direct subsidy to commercial aviation, even though this may have created certain difficulties for operators during their initial period of development. I believe the policy has been more than justified by results. We have proven, sooner than any other country in the world, that commercial aviation can stand on its own feet. We have encouraged a healthy attitude of independence on the part of the commercial operators and we have been able to avoid the unfavourable consequences of direct subsidy - primarily, an excessive degree of government control.

Recent Fiscal Assistance by Government

Nevertheless we have been fully aware that we must create a favourable atmosphere for commercial aviation, and we have used a number of fiscal devices for this purpose. The first of these to become effective was the change made at the last session of Parliament when we eliminated for a period of years the tariff on aircraft imports of a type and size not made in Canada. This makes a substantial difference to Canadian operators wishing to acquire better or newer types of aircraft, particularly from U.S. sources.

The second step was the amendment of the Industrial Development Bank Act at the last session to make it possible for that agency to make direct loans to the operators of commercial air-services - especially to assist them in the acquisition of additional and better aircraft. In taking this step we had in mind the apparent reluctance of at least some of the private financial institutions in Canada to enter this field, although I am delighted to learn that there have been signs over recent months of a change in the thinking of some of the private financial institutions in this regard. In part this is due to the present healthy position of commercial aviation but in part also it may be related to the Government's action regarding the Industrial Development Bank.

Finally, in the course of the summer, arrangements regarding depreciation of aircraft were changed and the 30 per cent sliding scale replaced by a 40 per cent sliding scale. Now an aircraft operator may, if he desires, depreciate up to 64 per cent of the value of an aircraft in two years and 78 per cent in three years. With the