

expand but whether the extremely high rate of growth will be maintained depends in part on the economy at large but even more on the foresight and initiative of the individual operator.

The fundamental strength of the Canadian economy will lend itself to Canadian aviation. Difficulties in international economic fields and in foreign areas could have some repercussions on Canada which might affect all fields of transportation. Yet there are plenty of grounds for optimism, given initiative on the part of the operator. Aviation is not just growing at the same tempo as the Canadian economy. It is taking over new and additional fields of activity and has by no means reached the maximum degree of penetration of new markets. For example, the percentage of air traffic in Canada in relation to first-class rail traffic is still considerably lower than it is in the United States. In addition, in the air-coach and air-cargo markets there are great new sources of traffic.

Moreover, new development and construction projects will from time to time be initiated in Canada that will continue to offer a special role for air transportation, although the demand may shift from region to region, creating some difficulties in fluctuation of demand for regional operators.

Financial Responsibility of Operators

Those operators who are at present showing a higher-than-average rate of growth because of a two or three year development or construction programme in the North, should be using current favourable conditions to lay plans for the type of business they must later rely on; this should be tied to a continuing normal demand to offset the extreme fluctuation of short-term development projects. Judging the matter as a whole, grounds for optimism are greater than grounds for pessimism; unless we have an extreme shift in world economic conditions, there should be a continuing high rate of growth in Canadian aviation.

A temptation confronts regional operators to continue to expand just as rapidly as possible, regardless of financial backing, volume of debt, or relation between current liabilities and assets. This, during the years when growth was rapid but balance sheets were lean, was understandable but the economic conditions that have existed in the industry more recently provide an opportunity for consolidation of financial position. There must continue to be a reasonable degree of expansion and of new expenditures to acquire better equipment, but the resources of the operator should not be devoted entirely to this objective. The favourable position that exists should also be used to eliminate debt, particularly the current debt which is evident in so many balance sheets; to try and bring in new equity capital; and at the same time to establish working reserves to take care of fluctuations in business.

These remarks are intended to apply particularly to the regional private operators who have emerged as an important factor in our aviation economy. Some companies have already embarked on this course but there are still many cases where success is going to be based upon attention