

countries and other industries has shown that all too frequently an industry initially based on direct government financial assistance relies too heavily on the public purse. In this regard, I suggest the U.S. pattern is moving closer to the Canadian pattern.

I add in explanation of air-mail payments in Canada that the Post Office itself establishes the rate of payment for service; and the Post Office pays what is necessary in order to get the service it wants.

While avoiding subsidies, Canada has aided the aviation industry in other ways, some of which have parallels in U.S. experience. In the United States I understand that air carriers may obtain loans from private financial institutions or from the Reconstruction Finance Corporation. In Canada, for a long time, operators were handicapped by unwillingness on the part of many of the normal lending institutions to invest in aviation. There have been signs of some change in this situation recently and moreover the Canadian Parliament has now authorized the government-owned Industrial Development Bank to make loans to commercial air services.

I have noted recently proposals for accelerated depreciation on aircraft in the U.S. based on a five year write-off. In Canada, depreciation policy is based on the sliding scale principle; an industry is allowed to take a constant percentage of depreciation each year on the balance which remains outstanding following the previous year's depreciation. This sliding scale was recently changed from 30 percent to 40 per cent for aircraft, which means that in Canada 64 per cent of an aircraft's value may be written off in two years and about 78 per cent in three years, as a means of encouraging aircraft replacement.

In addition Canada, unlike the U.S., has completely eliminated the tariff on aircraft imports, except those of a size and type made in Canada.

#### Control of Competition

So much for subsidies and fiscal policy. Degree of regulation and of competition also merit review. The U.S., with a well-established scheduled network and with a large number of surplus aircraft available decided after the War to give a fairly free field to all sorts of new non-scheduled ventures using small and large aircraft. I can recall a former Chairman of the CAB informally expressing to me the view that it was desirable to allow virtually unhampered growth to see what would happen; once it had sorted itself out and a pattern had emerged, it would then be appropriate to establish a policy for regulation of competition.

In Canada, because we were starting from very small beginnings, we took the opposite approach that all operations, regardless of size and type, should be closely controlled from the very outset and stringent limitations would be placed upon competition. Once it had been possible to grow we hoped to consider some relaxation of this regulation.

These differences in policy have narrowed considerably in the last two years. The period of rapid growth in the irregular field in the United States has now been followed by a period in which a pattern of regulation is being imposed and, as might be expected, vigorous opposition has resulted. In Canada, as the industry has grown, we have relaxed somewhat freeing smaller types of operations from regulatory processes originally imposed. We too have encountered difficulties, discovering that some operators have become so accustomed to government control that they feared its loss. Each country has, thus, moved towards the position of the other as regards degree of regulation.