

**Hon. Mr. Howden:** Where is the rail revenue going, then? The rates have never changed.

**Hon. Mr. McKeen:** The revenue has been absorbed by lower charges for mail. Mail is being sent by air as cheaply as by surface transport. That is, all letters weighing an ounce or less are carried by air.

**Hon. Mr. Aseltine:** Sometimes it goes that way.

**Hon. Mr. McKeen:** Well, it goes that way if air service will save any time.

**Hon. Mr. Haig:** No, it does not.

**Hon. Mr. McKeen:** But the tonnage is greater. I have the figures. In 1949 it represented 3,403,800 ton miles, an increase of 48 per cent over the previous year, but the rate per ton mile fell from \$2.03 in 1948 to \$1.59 last year. I challenge honourable senators to point to any other transportation company which can show such a reduction of rates. The railway companies have not been dropping their rates, nor have the steamships done so. But air lines charges are fixed by the postal authorities. I might mention that an appeal with a view of obtaining a fair rate is now before the postal department. Had the rates of 1940 been in effect last year there would have been a surplus of \$11 million, or more than sufficient to wipe out the present deficit.

But this again is only part of the story. Among the sources which provide revenue to the government are: deductions from payroll amounting to \$1,074,000; interest charges, taxes and landing fees of approximately \$3 million, \$467,000 of which is accounted for by landing fees alone. I understand that over \$150 must be paid every time one of these North Stars lands on an airfield. Taxes on gasoline amount to \$142,000. Aircraft parts and spares are imported at charges ranging from 30 to 35 per cent higher than those prevailing in the United States; and from this source the government obtains the customs charge. So judging from this standpoint, it is evident that the government is not losing money on TCA.

Another angle to which I would draw attention is this. TCA bought North Star ships from Canadair, and these ships are equal to any airships elsewhere. Their safety record is excelled by none.

**Hon. Mr. Burchill:** Is there any breakdown as between the trans-Atlantic service and service on the continent?

**Hon. Mr. McKeen:** Yes; I can give that information. The figures I have cited relate to domestic operations only, but the report tabled here this evening gives the figures on trans-Atlantic service. TCA losses, according to their bookkeeping, are \$1,419,444 on the

domestic lines, and \$2,898,149 on the Trans Canada Air Lines (Atlantic) Ltd. The big deficit is on the trans-Atlantic run.

While I am on this subject I will mention something which I think the government should do. CPA, which has bought North Star planes, is pioneering the run to Hong Kong and out to Australia and the rates which they are allowed to charge for that run are set, not by them alone, but by all the air lines. At the beginning of their operations they cannot possibly carry on this service—which is for the benefit of Canada—without loss, and I believe that since the government itself is not running a service across the Pacific, it should take into account the value of this operation in keeping Canada to the fore—at great expense to CPA—and subsidize the line. If air lines are not maintained we shall lose out in world trade. We have found by experience that it is a disadvantage not to have steamships to carry our freight, particularly such products as lumber. Those who control the ships control to a certain extent the trade. Private enterprise might reasonably have shied away from trans-Pacific operations, which looked like unprofitable business, at any rate for a while; but the private air lines have in this respect proved their worth, and I think they should receive some government support.

I have already referred to Canadair. A large plant has been built in Canada, and to show that it is not kept going solely by TCA and CPA, I may mention that the biggest order they have had was from BOAC, to whom they sold twenty-four planes. These planes are flying all around the world. In this connection I should like to mention a circumstance which is of particular interest to us in British Columbia, and would be also, I think, of interest to others. A few weeks ago our minister from British Columbia, Honourable R. W. Mayhew, had occasion to go to conferences in India and Ceylon. From Victoria he flew on a North Star aircraft to Montreal, and then to London. If he had waited another day to go from London to Cairo he could have taken a North Star in the service of the BOAC, but the schedule was unsuitable, so he took a Constellation. However, he was again on a North Star—that is, a Canadian-built plane—from Cairo to Bombay. From Bombay to Hyderabad, from Hyderabad to Bangalore, and thence to Madras and to Colombo he rode in small airplanes of another type, either Deccans or Air Salons. He was again in a North Star from Colombo to Karachi, and thence to Delhi, from Delhi to Singapore via Rangoon, from Singapore to Hong Kong, Hong Kong to Tokio, Tokio to Honolulu, and Honolulu to San Francisco, where he took an Australian