

contract which called for an initial rate of 60 cents a mile. The contract provided that on the experience of a full year of operation the rate would be revised in the light of that experience. In other words, the cost of operation including interest on the investment and depreciation was to be set up as an operating cost, against which was to be credited the express and passenger revenue, and after those were deducted, the remainder was to be charged against the mail, and a new rate established based on that result.

We were not able to have a full year of operation in 1939 because the passenger service did not start until April of that year. As a result, parliament extended the initial period until 1941, maintaining the same rate of 60 cents. Now we have our full experience and are beginning to reap the benefits of second, third and fourth services over the same routes. Naturally the ground services cost but little more for four or five services daily than for one service, and many of the other costs are constant. The radio-telephone services; the passenger department and certain other fixed charges do not increase materially as the number of services increases. The result is that we shall be able to reduce materially the price to the post office for 1941 under the automatic feature of the contract. That is definitely assured at this time.

As to the revenue, I think we all realize that in starting a new service there will be some expense. The Post Office Department were establishing an air mail service which, looking at the experience in other countries and looking to the future of this dominion, they had every reason to believe would become profitable to that department as it was built up. A chart was set up which indicated that the service could be expected to be profitable to the post office in about the fourth or fifth year, as I recall the original negotiations. As a matter of fact, I am satisfied that the Post Office Department should about break even on the service this year and should make a substantial profit next year. Therefore my hon. friend's claim about one department of government robbing another is, in my opinion, unwarranted.

Mr. HARRIS (Danforth): On a point of order, Mr. Chairman, I did not say anything about one department robbing another.

Mr. HOWE: My hon. friend said something about our department putting our hands into the till of the Post Office Department, and a man does not usually put his hand into somebody else's till unless he wishes to take something that does not belong to him.

Mr. HARRIS (Danforth): I object to the word "rob". They put their hands into the till under a contract.

Mr. HOWE: The Post Office Department believed that in establishing an air mail service in Canada they were establishing something which was needed in this country and which, in time, would be profitable to the department and beneficial to Canadian business. Trans-Canada Air Lines believed that in establishing the service on this basis they were setting up a service that would handle his majesty's mail in a reliable manner and would furnish a passenger and express service which would be of benefit in speeding up the business activities of the Canadian people. So far as I am aware, neither department has been disappointed up to the present time. I think if one asked the responsible officers of either department who were concerned with making the original contract they would say that the results at this time, for both the Post Office Department and the air lines, far exceed any operating results that were anticipated at the time this service was put in operation.

Mr. HARRIS (Danforth): I have just one further observation to make and I shall have finished. Evidently the Minister of Munitions and Supply was not in the committee when I made my opening remarks; otherwise he would not have found it necessary to say what he has said for the last ten minutes, which was merely a repetition of what I said in congratulating the department. So far as that portion of his remarks addressed to the member for Danforth is concerned, I shall simply ignore them and let it go at that. If the minister wants to carry the matter any further, we are here and we shall be very glad to do so.

I think it is the right and duty of every hon. member to be fair with the Canadian people. Let us tell them that we are establishing a great service, and that it is costing us something. Let us not try to hoodwink them by saying it is going to be carried on at a profit. So far as the agreement with the Post Office Department is concerned, in referring to this 60 cent rate the official of the department was asked what the rate should be. His reply was:

Anything from 35 to 50 cents, but it is definitely less than 60 cents. The Trans-Canada bill makes it obligatory on the Trans-Canada Air Lines to supply equipment which will meet the requirements not only of mail conveyance but also passenger and express traffic which leads up to the determination of the rate.

That is just what I was saying. We know that our mail is getting a de luxe ride. We