

second place to none, but we are woefully behind other countries in air services between centres of population. During the calendar year 1936 over one million people travelled in scheduled air flights in the United States. Canadian citizens, travelling from one zone to another in Canada, often find they have to use air lines in the United States, and there has been a very insistent demand for the establishment of a direct Canadian service.

Air mail stamps are sold in Canada and much of our mail is routed across the border, transported by the air services of the United States, and then brought back across the border at the point nearest to destination. The volume of this air mail is sufficient to warrant the establishment of a direct service in Canada. I believe such a service would prove of immense value for national purposes. Canada is a country of vast distances and sparse population, and the time needed to travel between the West and the East is considerable under present circumstances. If that time could be cut in three or four by a new air service, the people living at the extremes of this country would be able to travel more frequently to the centres of government, business and industry, and the interrelations of the country would thereby be facilitated. The need for a service of this kind has been recognized for some considerable time. As a means of relieving unemployment the construction of airports was commenced from coast to coast. The work on the airports has been continued since the labour camps were closed. It is expected that the airports from Winnipeg westward will be entirely completed by July 1 next, and the other fields by the end of the present year. The time has now come to undertake the flying of this route, and the Government has been faced with the question how it can best be done. Numerous applications have been received from companies willing and eager to perform this service. Pressure has been brought to bear on the Government on behalf of several of these companies, and also on behalf of companies which are performing similar services in the United States.

We had several examples to guide us. We had the example of Britain and its development of air services through Imperial Airways. The British Government owns twenty-five per cent of the capital stock; in addition, all the operations undertaken by direction of the British Government are subsidized by it. The method is to estimate in advance the deficit for the year and to pay over in advance to the company the money to cover the estimated deficit.

The United States have developed air services along different lines. There it has been a matter of competition, extending over some ten years. In the early days mail subsidies were granted which would now be considered very large; they amounted to about four times the present mail subsidies. Companies were authorized to fly certain services and the lines were built up in that way, the only form of subsidy being the contracts awarded for the carriage of the mail. This led to a somewhat chaotic experience. Companies have been formed, and have disappeared or been merged with other companies. Three or four years ago there was a general writing-down of mail contracts; they were suspended for a time, and the United States Government undertook to perform the service with its own planes, because the contract arrangement was not considered satisfactory. Subsequently new contracts were made with private firms, and to-day, I think, the United States is operating on a very efficient basis—as efficient perhaps as any country in the world. But it seems to me that this mode of arriving at the end desired could be bettered by a country like Canada, able to profit by the experience of others.

The company contemplated by this Bill is to be organized as a private corporation. It is not the intention of the Government to own directly any stock in the company. The agency for organizing the company is to be the Government's existing agency for the conduct of transportation business, namely, the Canadian National Railways. The Canadian National Railways will underwrite, in the first instance, the stock of this company and distribute it among firms at present engaged in aviation in Canada which wish to participate.

It might be argued that the Government should do this direct, but everyone here will appreciate the impossibility of working out a plan involving a great number of competitors when the Government itself does not know the plan, which it cannot know until one has been approved by Parliament. The Government has therefore decided that the proper course is to determine the form of the company, to entrust the underwriting to the National Railways, to ask that after the terms of the arrangement are known those desiring to participate will signify to what degree they are interested and will state what they can contribute towards the enterprise in the way of experienced personnel and perhaps equipment, and then to allow the company's problem to be worked out after the Bill has been passed.

This company will fly only the main artery of traffic across the country and such other arteries of traffic as are designated by the