

Mr. CHEVRIER: How many flights does T.C.A. operate between Montreal and Paris?

Mr. MCGREGOR: Two per week, shortly becoming three.

Mr. CHEVRIER: How many flights do Air France operate?

Mr. MCGREGOR: I think two a week.

Mr. CHEVRIER: Are these T.C.A. flights direct from Montreal; they do not go via London?

Mr. MCGREGOR: There is one flight that goes via London and the other is non-stop.

Mr. SMITH (*Calgary South*): Fortunately I am not asking for the information which was required as a result of the competition of C.P.A., but I would like to ask Mr. McGregor this: in the course of the evidence before the Air Transport Board hearings I believe the corporation made several references to the problem that it had and its views on certain feeder lines it considered were not too practical or of much value to the system; I was wondering if you would care to comment whether or not it is likely that you may go back to the Air Transport Board with a view to suggesting that T.C.A. drop any of these and if so which?

A second question to which you might like to reply at the same time: can you give us an indication which of the new areas, which have been opened by the exchange on the bilateral agreement, will T.C.A. be requesting rights to fly. The minister has recently announced a new exchange of notes, in fact an agreement with the United States on the bilateral international air agreement. Do we assume that T.C.A. will ask for the right to compete on all of these?

Mr. MCGREGOR: First of all, in connection with the general question, as I understand it, this problem connected with the operation of air services to small traffic generating points, this is a problem that is world-wide. It was faced in the United States or recognized years ago, and it was decided to pay direct subsidies to the smaller companies who were operating these feeder line services.

The policy in Canada, as you know, has been for what was usually referred to in the industry as cross-subsidization with respect to the company and this, during the period of the T.C.A. monopoly on the transcontinental run, made good sense. It was a case of taking the bitter with the sweet, so far as these uneconomical services were concerned.

If by the introduction of transcontinental competition the situation is such that cross-subsidization cannot be achieved, without the company operating consistently in a deficit position, then in effect we have got subsidization by the government, if the government makes good T.C.A.'s deficits.

So that one way or another services to small places, Prairie points between Regina and Winnipeg, and between Regina and Calgary, are examples of places that are generating two or two and a half passengers per day. No airline can put an aircraft into those places and defray the costs by the revenue it will achieve. This is a matter of government policy on which I am not competent to comment. But the fact remains that if the Brandons, the Yorktons, Swift Currents and Medicine Hats in this country are going to continue to have air service, it will have to be subsidized in one way or another, either by direct subsidy or by inadvertent subsidy, by making good T.C.A.'s deficit. The alternative is their abandonment.

Mr. SMITH (*Calgary South*): I wonder if I can stop you there. You say it is a matter of government policy. Surely, Mr. McGregor, through the chair, it is a matter of government policy to see that these centres are given service; but am I not correct, in assuming that it is the airline's policy to determine whether or not, through the Air Transport Board which is the vehicle you deal