

STATEMENT SHOWING SOURCE OF FUNDS FROM WHICH
CAPITAL EXPENDITURE IS TO BE FINANCED

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| Net income | \$ 200,000 |
| Depreciation Accruals | 6,010,000 |
| Loans from CNR | 11,900,000 |
| | <hr/> |
| | \$18,110,000 |
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The CHAIRMAN: Shall the capital budget carry?

Mr. CHURCHILL: Mr. Chairman, I have a question. In this contract between the T.C.A. and the Department of Transport what is the relation between the Trans-Canada Air Lines and the Department of Transport? What does the Trans-Canada Air Lines provide and what does the Department of Transport provide at these airports?

Mr. MCGREGOR: Trans-Canada Air Lines provides all the equipment being used in connection with its own aircraft—ground power units, loading, special vehicles for moving baggage to and from the aircraft, heating units, cabin servicing units, fork lift trucks for lifting commissary into the aircraft.

The Department of Transport provides the ramp areas, taxi ways, runways and other facilities, Department of Transport buildings and the terminal buildings in which, as I mentioned this morning, Trans-Canada Air Lines rents space it specifically uses. Trans-Canada Air Lines also rents the hangar and office space of the Department of Transport buildings which it uses.

Mr. CHURCHILL: In regard to that heading "Ground Communications", what is that for?

Mr. MCGREGOR: Those are the ground radio stations maintained by the company for direct communication between the ground and the aircraft in flight for company traffic.

Mr. CHURCHILL: That question I asked this morning about G.C.A. would not that come under this heading?

Mr. MCGREGOR: No, because that would be used by every aircraft using the airport.

Mr. CHURCHILL: This is only your own Trans-Canada Air Lines communication service?

Mr. MCGREGOR: Yes.

Mr. HAMILTON (*Notre Dame de Grâce*): Mr. Chairman, Mr. McGregor in the course of this year is going to need about \$18 million for this capital budget. At the bottom of the budget he shows us a little statement on where the money is going to come from. I have a question in connection with that for this reason, it is apparent from your balance sheet in order to maintain any sort of reasonable working capital you cannot draw down any more of your own cash. You need everything you have in current assets for that, but you have got \$6 million in these insurance funds in the form of assets.

Now, if you were an independent organization on the same basis as Capital Airlines or something like that I could see where it would be quite necessary for you to keep that fund intact because you have no other source than within yourselves to find it. But actually what you propose to do, as I see it, is to turn to the Canadian National Railways and borrow from them almost \$12 million for the purposes of this capital budget. Would it not be wise since this reserve is there anyway and available to you to utilize this insurance fund for that purpose and you might save quite an amount in interest charges?

Mr. MCGREGOR: No to both questions, Mr. Hamilton. In the first place it is necessary for a company to show if it is self-insuring any proportion