

Mr. HAMILTON (*York West*): But there is approximately \$160,000 at the end of the year still owing out of that \$188,000?

Mr. WILSON: Yes, that is right, because the plan went in during the year, of course.

Mr. HAHN: You are referring here only to overseas?

Mr. WILSON: Yes, that is right.

Mr. HAMILTON (*York West*): All the carrying charges are paid by the customers, are they, the travellers?

Mr. WILSON: Well, in the arrangement there is a service charge of 2 per cent of the unpaid balance which is calculated to cover those costs.

Mr. HAMILTON (*York West*): The airline itself does not pay that. There is no cost to them or there is no service charge against them?

Mr. WILSON: You mean by the bank?

Mr. HAMILTON (*York West*): Yes.

Mr. WILSON: Well, there would be interest. The ordinary charge when you discount a note at the bank involves interest, which is a charge, of some kind.

Mr. FULTON: Yes, the discount charge by the bank. Do you know what the going rate is? Do you have that?

Mr. WILSON: Their going rate is—well, they discount it at 5 per cent of the reducing balance—That is to say, 5 per cent per annum.

Mr. FULTON: Are they charging the airlines in that case? Do I understand you correctly? Is the airline getting something around 5 per cent less for the note than—

Mr. HAHN: No, no, no.

Mr. FULTON:— they charge the passenger?

Mr. WILSON: No, that is the interest charge. You must pay interest of course. But the bank is collecting in the meantime the interest from the customer, so that the net effect should be that the airlines should not be out any money on the over-all deal.

Mr. HAMILTON (*York West*): This is an ordinary type of financing deal where, in advance, the amount is calculated and it is added to the amount of the note, and the customer has got the whole 2 per cent for the period all figured out. In other words, the fare may have been \$100 but he pays \$124 or whatever it is, and the airline gets the net amount for the ticket. Is not that the usual method?

Mr. WILSON: Yes, it is the usual method in discounting notes.

Mr. FULTON: Well, I do not understand that, because I always thought that when you discount a note, it is discounted at a rate which will give the person who pays you cash for the note, a profit on it.

Mr. WILSON: That is right. The profit is the interest of course. In other words, the note bears 6 per cent plus 2 per cent service charge and the airlines are able to take that note and they may sell it to the bank who get 5 per cent on the reducing balance.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): Perhaps another way of getting that to satisfy everybody, is this: Are these transactions segregated in a separate account, for example, which would perhaps be debited at the time of the sale with the amount for which the customer is to be charged, and this later is credited with the actual cost of the ticket and the bank charges?

Mr. WILSON: Well, of necessity they must be kept sufficiently separate in the accounts to know what has happened; otherwise, I would not be able to give you the total amount for the year and the amount outstanding at the end of the year.