



# STATEMENTS AND SPEECHES

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## CANADA'S AIR POLICY

An address by the Prime Minister, Mr. St. Laurent, made at the Annual Meeting of the Air Industries and Transport Association of Canada, Ottawa, October 28, 1953.

... Your Association is unique in that it represents both the producer and the consumer in the aviation industry. And I am sure that that relationship has been responsible in no small degree for the success that you are experiencing. Your industry is not only highly competitive but it must be alert to developments and improvements which are being made at a rapid rate. We are as you are yourselves, fully aware that you have to deal with these new techniques if you are to stay in business. Fifty years of development is after all a relatively short period of time, too short to permit you to enjoy the more static conditions which prevail in some other industries. You have also realized that the peculiar problems which confront your members can best be solved by mutual consultation and assistance. Therefore, you are to be congratulated for having formed this association of both aircraft manufacturers and aircraft operators dedicated to the advancement of commercial aviation in Canada.

The great progress that has been made both in the field of air operations and in aircraft production since the end of the war has been due in no small manner to the work of your Association. The records show that from 253 commercial aircraft in operation in March 1945, Canadian companies, in March of this year, had more than 1,300 aircraft in commercial operation. They also indicate that last year Canadian aircraft carried three times the number of passengers they carried in 1946, more than 1,800,000 air travellers. That figure represents something like one-eighth of Canada's population and strikingly emphasizes the part that aviation is playing in the lives of Canadians.

That significant increase in business has brought about a new concept of airline operations. When Trans-Canada Air Lines was established in 1937 it was conceived as a mainline operator on an east-west basis. On the other hand, private operators working on a north-south basis were considered to be feeder lines. Well, development has been so great that that concept is no longer adequate. Many of the lines operated by private concerns are now so active that they too must be regarded as main lines. And, conversely, some of the lines operated by TCA have become, in fact, feeder lines. Thus the original idea of retaining the mainline type for TCA only and the feeder-line type

for private operators only has to be reconsidered.

When I acted as host at a dinner given in honour of the delegates of the International Air Transport Association earlier this month I paid tribute, and it was a well-earned tribute, to the pioneers of aviation whose perseverance and courage have made this air age possible. I referred briefly to the part that Canadian pioneers had played in the development of aviation both on the flying side and the technical side of the industry. I made special reference to that hardy breed of men who had done so much and who are still doing so much to explore and to exploit vast areas of our country accessible only by air. They are the men who have earned for themselves that honourable and distinctively Canadian title of "bush pilot".

Thanks to them, the unblazed sky trails are now few in number, and I do wish to repeat my appreciation of the service they have performed for our nation. And I am sure you will agree that few have been more prominent in that service than your president and your past president (G.W. McConachie).

I was interested to learn of the suggestion contained in Mr. Dickins' presidential address yesterday that steps be taken to found an air museum so that a visual record of our nation's achievements in aviation might be maintained. Those achievements have been considerable and I think it is most fitting that they should be kept before the public in this fashion. May I therefore extend to the Association my best wishes for the success of this commendable project should it be undertaken.

I believe it is correct to say that in the early days of aviation greater recognition was given to the military potential of aircraft than to the civilian possibilities. This was certainly the case in Canada where first the Air Board in 1919 and then the Department of National Defence in 1922 were given control of both civilian and military aviation. That decision, I suppose, was a natural one in view of the fame acquired in the Great War by Canadian aviators and of the achievements of Canadian aircraft plants in the production of military and training aircraft. Names like Bishop, Barker, Collishaw, MacLaren, McLeod and others continue to inspire the admiration of Canadians for their daring exploits, and justly so. But I think it is to be regretted that the remarkable achievements in aircraft production by Canadian firms during the same war seem to have been largely forgotten.

And these achievements were remarkable too. I have learned, for example, that in the short space of eighteen months over 3,000 trainer aircraft were produced by a Toronto plant mainly for the use of the United Kingdom. I also learned that several dozen flying boats, with wing-spans as large as World War Two bombers, were produced for the United States Government. And when I add that the first of these flying boats was produced thirty days after the order had been placed and the entire delivery made in less than eight months, I hasten to assure those representatives of companies who are now producing aircraft for our national defence, that I am not mentioning these facts as a hint that those production

records might be imitated. I have had the pleasure of visiting several of our Canadian plants and I can appreciate, in spite of a lack of technical training, the vastly more complex problems that must be solved by today's producer of military aircraft.

I mention these facts to show that Canada early formed a tradition of flying and of production in which she can take pride.

By 1927 civilian aviation in Canada had developed to such an extent the government of the day set up the Civilian Aviation Branch to have authority over such matters as the licensing of flying personnel, airports, the survey of air routes and the administration of Air Regulations. But this Branch, together with the Royal Canadian Air Force, remained under the Department of National Defence. This arrangement continued until 1936, when the new Department of Transport took over the responsibility for civil aviation. As one of its first tasks the new Department began to provide for a trans-continental air system for Canada which involved the construction of aerodromes, runways, airport buildings, radio range stations and servicing facilities.

The next and latest change in the machinery for regulation of civil aviation took place in 1944 when the Air Transport Board was established. The Board's function is to advise the Minister of Transport in matters pertaining to civil aviation and to deal with the economic regulation of air services in Canada.

While military and civilian aviation are now administered separately there is a strong interrelationship between the two. Both are essential to our national economy and to our national security. For that reason our military aircraft must be the most efficient and effective that we can produce or acquire and our civilian aircraft must be able to secure and to carry for their operators payloads that will earn a fair return on the investments made in them.

This interrelationship and interdependence of the two branches of aviation in Canada can be observed in both aircraft production and in aircraft operation.

On the production side, the aircraft industry, like other industries, has been able to apply to civilian production the lessons that were learned and the discoveries that were made during the period of the war when advances, which would normally have required years, were made in a short space of time. It is accurate to say, I believe, that the gas turbine engine would not yet be in general use nor would the electronic devices and safety equipment be so far advanced had it not been for the stimulus provided during the late war. It is unfortunate that it takes a war to accelerate such developments but some comfort can be derived from their subsequent application to peacetime aviation.

And I am sure that the \$105 million which the Government has provided for capital assistance since the outbreak in Korea to stimulate the production of military aircraft will in the long run indirectly assist in the production of civilian types.

There is also a relationship between the military and civilian operation of aircraft. Hundreds of war-trained aviators of both world wars are now playing a prominent part in civilian air operations. And, of course, the flying clubs and some airline companies during the last war contributed in large measure to the success of the British Commonwealth Air Training Plan by training thousands of aircrew.

An excellent example of the co-operation which exists between the two fields of aviation in Canada is the participation in the Korean air lift of aircraft of both the RCAF and Canadian Pacific Airlines.

This relationship between the civilian and military sides of aviation in our country has worked out well. Certainly our young men who fought in the skies over Europe, in North Africa, in the Far East and over the Atlantic were second to none. And, today, our squadrons on guard in Europe and at home are manned by men who are worthily maintaining the proud traditions of Canada's fighting airmen.

On the other hand, the safety record of Canadian airlines testifies not only to the proficiency of Canadian crews and maintenance men but also to the system that has helped to make that record possible.

Canada is now playing a major part in both civilian and military aircraft production as well. During the last war Canadian plants were devoted largely to producing aircraft designed by other nations. To some extent they are still producing aircraft of foreign design, although often with Canadian modifications. But now they are also designing and producing distinctively Canadian aircraft, both civil and military.

In military production the Canadian-built F86 "Sabre" jet with which our air division in Europe is equipped, forms the main line of air defence from attack across the iron Curtain. The completely Canadian development through all stages of the powerful all-weather fighter, the CF-100, and of the "Orenda" jet-engine are achievements of which the Canadian industry can be proud. And we are also producing jet-training planes, the T33 without which we would have no pilots to fly our fighters.

No doubt it was these achievements plus future projects that inspired Sir Roy Dobson to say earlier this month about Canadian production that "Canada doesn't take second place to anyone", and that "in some phases she is ahead of the United States and the United Kingdom".

While unfortunately, due to the "cold war", we have been forced to concentrate on military production, Canada's record of production of civilian aircraft is a commendable one. We were the first nation on this continent to design and produce a jet-liner; unfortunately its further development had to be arrested by the requirements of military production after the outbreak of war in Korea. It was our aircraft industry which successfully wedded a British-type engine with an American-designed air-frame to produce the "North Star", a craft which has given splendid service not only to the RCAF and the Canadian airlines but also the British Overseas Airways Corporation. And of course, I must

not fail to mention those hard-working aircraft, the "Otter" and the "Beaver", which have earned a popularity far beyond our borders.

I hope that it is true to say that the Federal Government is fully conscious of the paramount necessity in this period of "cold war" to equip our air force with the best fighting aircraft that our national resources can provide. And I hope it is equally true that the Government appreciates the part commercial aviation is playing in our national development and the need for encouraging commercial aviation to continue to play that part.

Of the part played by government in the stimulation of aviation, I have already mentioned the capital assistance programme which is designed to encourage the production of military aircraft.

On the commercial side, for many years the Department of Transport has been providing such services as radio ranges, the construction and improvement of air-fields and runways, meteorological reports, the licensing of pilots and other regulatory functions. In fact, the Government has over half a billion dollars invested in facilities of this nature. In addition, it has been making grants of \$100 to flying clubs and schools for each graduate student in order to increase the number of Canadians who hold private licences.

In the belief that commercial aviation can best develop in an atmosphere of independence, the Government has avoided the use of the direct subsidy which involves a high degree of government control. Nevertheless, we have endeavoured by other fiscal means to encourage the industry. By removing for a period of years the tariff on the import of aircraft of a type and size not available in Canada, we have opened up a wide source of aircraft for commercial use. By an amendment to the Industrial Development Bank Act, operators may now obtain loans for the purchase of aircraft which it was difficult for them to obtain formerly from private sources. And regulations have been changed concerning the depreciation of aircraft whereby operators may now depreciate up to 64 per cent of the value of their aircraft in two years and 78 per cent in three years.

In the regulation of the commercial air services the Government has tried to follow the policy which would be in the best interests of the nation and of the industry. After the last war as you know, the number of commercial operators mushroomed and the Government attempted to bring about conditions where each operator would have an opportunity to get established, unhampered by chaotic conditions arising out of unregulated competition.

But I will assure you that the Government does not necessarily intend to guarantee every operator a permanent monopoly in his area. We do wish to avoid the situation which existed in our railway-building era, when companies were permitted to construct lines in a territory served by rivals when there was not even sufficient traffic to sustain one line. Perhaps the classic example of this kind of folly was the construction of three rival parallel lines between Montreal and Toronto at a time when there was sufficient business for only one.

That sort of thing was a wasteful misuse of resources and manpower and certainly did not help the financial position of the railways involved.

I am sure you will agree that it is desirable to prevent similar abuses in commercial aviation. That is one reason the Air Transport Board was formed. The Board is there to help the industry to develop along sound economic lines which will give fair returns to the operators and an adequate service to the public.

Later this week the Cabinet will be hearing representatives from the two largest airlines and the Cabinet is hearing those representatives because the decision to be taken is one of major importance.

The decision that my colleagues and I will make, will have to be made with these two principles in mind: First of all we will try to decide what is best for the public, whether or not from now on the public can be served better by two competing lines, not just for a short period but indefinitely. And secondly, our decision will be based on what will be the best for the industry itself. We will endeavour to determine whether or not there is enough business in sight for two lines to serve the public at reasonable rates and with reasonable profit. Surely it would not be in the interests of either line to permit a situation where both would be forced to operate at a loss for years to come.

These are the factors which will govern our decision and we will try to make it without bias. It is not going to be regarded as a clash between a government-operated company and a private line.

If we are convinced that both the industry and the nation would be better served by granting another licence now then of course we will make that recommendation. If we feel that it would not be in the public interest nor in the interest of the industry to grant another licence at this time, then we will not recommend that one be granted.

Communications are not like corner-stores. The failure of an occasional corner-store in a community is unfortunate but it can make no appreciable difference to the national economy. But airlines like other transport facilities are the arteries through which the economic lifeblood of the country flows. Any operation performed on them may affect the well-being of the entire body. Therefore, our decision will have to be made with the greatest of care.

As you well know, that decision is apt to have broader implications than merely the settlement of the rival claims of two companies. Let me assure you that whichever way the decision goes now it will not in the long run be a decision in favour of the perpetuation of monopoly conditions. I have stated, many times, before representatives of other industries that the Government to which I belong believes that as a general rule the public can be best served under competitive conditions. And I believe that once the air transport industry is soundly established, the decisions to be made by any Canadian Government should be in favour of opportunities for competition.

And in view of the tremendous development of our resources that has been taking place, a development which shows no sign of relenting, the demands for the services of

commercial aircraft should increase to such an extent that increasing competition will be both desirable and beneficial.

On the production side, this increased demand for services should be reflected by an increase in the demand for civil aircraft. As for military aircraft, if the cold war continues, the demands for them will also likely be high. Certainly, defence contracts already placed are apt to keep the plants running near capacity for several years.

But cold war or not, the members of the Association are, I believe, in an enviable position. The products which you sell and the services which you offer should meet with increasing demand because of our rapidly-expanding population and the quickening pace of the development of our resources.

The industries and airlines comprising your membership having won in the space of a few years the confidence of the public and proved your value to the national economy, I feel confident you can look forward to a future of even greater opportunities for yourselves and greater service to our nation. It is in our own interest as well as in yours that we extend to you our best wishes.

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