

proposed set-up of the Bank should guarantee that this state of affairs would soon be drawn to the Government's attention and Parliament would have an opportunity to decide whether or not the Bank should be continued. If, on the

other hand, the Industrial Development Bank can operate within the limits of its own financial resources and add even in a small way to the level of economic activity after the war, it would seem that we have nothing to lose and something to gain.

Aiding Trans-Canada Airways

By A. W. CURRIE

CANADIANS have reason to be proud of the government-owned Trans-Canada Air Lines. Created only six years ago and competing with well-established American companies, Trans-Canada gives a service which for speed, reliability, safety and economy is as good as any in the world. Best of all, it has a surplus on its operations.

To a people inured for a decade to huge losses on the Canadian National Railways, it is almost unbelievable that any government-owned transportation system should actually have a surplus. This incredulity is increased when T.C.A. states that it meets all its operating expenses, regularly pays five per cent on its capital stock, and still has a surplus. All this seems too good to be true.

Does Trans-Canada really cover all its costs and still make a profit? Well, to be blunt, it doesn't! No company engaged in air transport anywhere in the world does. Commercial transportation by air is subsidized by every country. Each major nation wants to aid its exporters, develop its outlying areas, assist its own national defence and, in particular, add to national prestige. The result is that, despite the earlier attitude that "civil aviation must fly by itself," almost every nation is financially assisting the development of commercial flying within as well as beyond its borders. Canada is no exception.

Facilities Provided

How much subsidy Canada pays annually to airline operators it is practically

impossible to determine. In general, the government provides terminal and emergency landing fields, radio beacons and meteorological services for use by commercial airlines and private flyers without charge. Some of the airports were built by adjacent municipalities with the Dominion government contributing, usually, three dollars for every dollar invested by municipalities. During the depression great improvements were made under unemployment relief plans. All airports had to be substantially enlarged and rebuilt to accommodate the large planes now in use. Since 1937 when control of aviation was taken over by the Department of Transport and, more recently, by the Department of Munitions and Supply, there has been invested in land, runways, radio and lighting systems, and other permanent facilities a total of about twelve and a half million dollars. Very large sums have been spent on airports and navigation aids for the Royal Canadian Air Force and the British Commonwealth Air Training Plan, some of which will be chargeable after the war to civil aviation. Obviously no accurate estimate of the public investment in landing fields and aviation aids can be made but the amount must approach twenty million dollars.

On this very large investment commercial aviation companies pay only a small amount. For example at certain fields Trans-Canada pays \$1,200 a year for the first scheduled flight and \$600 for each additional flight. It must also pay for rental of hangars, labour, and tractor service supplied by the airport management but such payments are

negligible in relation to the value of the facilities used. T.C.A. pays nothing whatever for the intermediate or emergency landing fields of which there are about forty across Canada costing, on the average, \$50,000 each. It rarely uses these fields but could not operate without them.

In addition the Dominion in 1942 paid about one million dollars for meteorological and radio services for use by airlines. Since 1871 the Dominion has compiled weather reports for use by agriculture, coastal shipping and the public generally. But the advent of air travel necessitated more detailed and accurate information. With the introduction of beam flying the government began to supply further facilities, again without charge to airlines.

Of course there are certain expenditures on aviation which are made on the ground of safety, public order, and good government generally. In this category are the costs of administering the Aeronautics Act of 1919, the inspection of equipment and certification of its airworthiness, the licencing of non-military pilots and air harbours, and general supervision of airport construction. Besides, since 1928 grants have been made to flying clubs with the hope of maintaining public interest in flying and building up a reserve of pilots and mechanics against a possible emergency. When war broke out the experience of Trans-Canada's engineers was immediately made use of by the government in the purchase of land and the construction of military airports. There are, therefore, substantial government expenditures on aviation which can be justified on the basis of national welfare. Nevertheless there remain huge capital investments used primarily by commercial air carriers which they ought to pay for if they are to cover all the costs properly attributable to transportation by air. But airline operators pay practically nothing in the way of interest, maintenance and operation charges of all these services. To that extent they are subsidized from the public purse.

In view of this situation how can Trans-Canada Air Lines seriously contend that it pays its way and has an operating surplus? What it means is that it covers its operating expenses. That is to say, it pays for its gasoline, maintenance of equipment, depreciation on owned facilities, the wages of its pilots, stewardesses, ground crew, clerical and supervisory staff, the rent of hangars, and its proportion of the cost of medical, legal, purchasing and stores departments of the Canadian National Railways of which it is a subsidiary. Finally it pays five per cent on its capital which has been advanced to it by the government. The attitude of Trans-Canada is that after having met the above operating charges, its obligation to the public has been satisfied and that the cost of airports, radio beacons and most navigation aids should be borne not by T.C.A. and other commercial airline operators but by the public at large.

Mail Subsidy

Even if one accepts the attitude of T.C.A. as valid, it is by no means certain that it is actually meeting its operating expenses without government subsidy. A considerable, though steadily decreasing, percentage of the revenue of Trans-Canada is received from the Post Office for the transportation of air-mail. Should these payments be higher than they ought to be, the government through the Post Office would be aiding Trans-Canada Airlines beyond the considerable sums invested in air navigation aids and capital equipment. In other words, excessive mail pay may be a hidden government subsidy to T.C.A.

As a matter of fact when T.C.A. was first established the government contemplated that mail payments would be adjusted to cover the estimated deficits on operation. The government was to pay Trans-Canada at the rate of sixty cents a mile for carrying any quantity of mail up to one thousand pounds in weight. For the year 1941 it was calculated that a payment of fifty-three

cents per aeroplane mile for airmail would cover T.C.A.'s operating expenses. The government, however, felt that this mileage rate would yield T.C.A. a substantial surplus because of the increased mileage flown and the steady increase in the volume of passenger and express traffic. Accordingly it arbitrarily reduced the rate to forty-five cents per aeroplane mile effective April 1, 1941. This was done over the protests of the directors of T.C.A. They contended that there was no more reason why a contract between the government and a government owned transportation corporation should be broken than a contract between the government and any business organization. Moreover, the directors claimed that T.C.A. needed to build up adequate reserves to protect itself against the changes of a rapidly developing industry. Even with the arbitrary reduction in airmail pay, T.C.A. has had a surplus since 1941.

Notwithstanding the reduction of airmail compensation it can still be contended that T.C.A. is being subsidized on its operating expenses in addition to assistance on its capital expenditures.

A comparison of mail payments to T.C.A. with American rates is not entirely valid because operating conditions are somewhat different in the two countries. The density of traffic is higher on many airlines in the United States than it is in Canada. American airlines have an opportunity to collect more revenue from passengers and express than T.C.A. has and consequently they can afford to accept lower airmail rates. Comparison is vitiated too by the fact that airmail compensation is not calculated on precisely the same basis in the two countries. Unsatisfactory experience with contracts awarded by tender led the American government to establish the Civil Aeronautics Board with authority to set rates which airline operators could charge the Post Office for the carriage of mail. The rates were to be such that carriers, under honest economical and efficient management, would be able to maintain and continue the development of transportation

by air to the extent, and of the character and quality necessary for the commercial, postal and defense purposes of the United States. In effect the Board was to set airmail compensation rates at a level high enough to cover operating deficits. The average rate determined by the Board for 1942 was almost thirty-two cents a mile when the corresponding rate on T.C.A. was forty-five cents. In a recent decision the Civil Aeronautics Board has reduced the rate to about ten cents a plane mile on two heavily travelled, well located airmail routes. Clearly, American rates are much lower than those on Trans-Canada. The lower traffic density in Canada may, however, justify higher rates here than in the United States.

The possibility of a subsidy to T.C.A. through payments for the transportation of airmail may be judged from the standpoint of the Post Office. If the Post Office regularly pays more for the carriage of mail by air than it receives in revenue on airmail letters, then a subsidy is being given indirectly to Trans-Canada. As a matter of fact the Post Office does not know and cannot accurately determine either its revenue or its expenses (other than payment to air transport companies) from its airmail operations. Periodic checks reveal that from forty to sixty letters each of one ounce or less make up one pound of airmail. At the rate of six cents per letter of one ounce or less the revenue to the Post Office averages three dollars per pound. From this amount the Post Office must pay expenses on the ground—pick-up, sorting, short-haul movements by rail, and actual delivery to the recipient—amounting to about two cents a letter or two dollars a pound. This leaves about one dollar per pound out of which the Post Office must pay the airline for transporting the mail. The contract for the carriage of airmail is not on a straight poundage basis however. The payment to Trans-Canada is forty-five cents per aeroplane mile for all airmail up to one thousand pounds in weight. In other words, the payment to T.C.A.

is the same whether one hundred, five hundred or one thousand pounds is carried. Essentially, the rate is based on volume not weight. Moreover, the Post Office does not analyze its revenue and expenditures by airmail routes and mileage payments to airline operators vary considerably with different routes. On routes into remote territories, the so-called bush flights where the cost of airline operation is high and passenger revenue small, the Post Office may pay as much as eighty cents and in one case \$1.25 for much smaller maximum loads. In a few instances the Post Office sends all mail including newspapers and parcels by air at ordinary mail rates. This exceptional service is supplied to only a few of the most remote areas in the country and is done because the cost of carriage by alternative means of transport is prohibitive.

Thus, there is no practicable way of segregating what the Post Office actually receives and expends on mail carried on T.C.A. from receipts and expenditures on other airlines carrying mail. To complicate the matter still further, the increase in airmail may have led to a decline in ordinary mail and in telegraph and telephone calls on which the government collects taxes. In short, it is impossible accurately to determine whether or not the amounts which the Post Office pays to T.C.A. exceed what the Post Office receives from the public for the service after covering the other expenses involved. Officials of the Post Office, however, are sure that the airmail revenue covers expenses.

Conclusion

In conclusion, Trans-Canada Airlines pays its operating but not its full capital expenses. It is not being subsidized by the Post Office because airmail revenue apparently covers the costs of ground and air services in connection with this mail. Payments to T.C.A. do, however, exceed the average rates per aeroplane mile in the United States though different operating and traffic conditions may justify higher payments in Canada. The

contention then that T.C.A. is being subsidized and that its surplus is not a real one, would seem to rest on the capital facilities and navigation aids supplied by the government without appreciable charge to airline operators rather than on the basis of excess mail pay.

The situation which has been developing over the past five years may become more acute in the post-war world. The surplus of flying equipment after the war, the increase in the number of good landing fields and trained pilots and the possibility of increased competition between airlines may lead to a great expansion of services to new areas and a drastic slashing of passenger fares. If revenue from passengers and express proves inadequate to cover the increases in expenses, will airmail compensation be expected to increase to cover the operating deficits? After the war planes will become larger and more luxurious. Will airmail, which could have been carried in an old style plane, be expected to bear its proportionate share of the cost of luxury airliners provided mainly for the benefit of passengers? Possibly too, the volume of airmail will increase rapidly as the speed and convenience of the service becomes better known. As the airmail revenue increases will the Post Office be obligated to continue to pay T.C.A. at a high rate for the carriage of mail by air so that the Post Office just makes ends meet and T.C.A. makes a large profit or will the reverse situation be permitted? In a world drastically changed as far as airborne traffic is concerned, it is unlikely that payments appropriate for the Post Office to make from the standpoint of postal revenues and expenses should coincide precisely with the financial needs of Trans-Canada and other airlines.

As time goes on the present system of determining airmail compensation will become increasingly difficult to administer. As a first step in dealing with what will sooner or later become an intractable situation, the Board of Transport Commissioners should be given authority to set rates for the carriage of mail by

air. This will not solve the problem but at least it will place it in the hands of the public body which is presumably most competent to deal with it. The proposal will avoid the negotiations now carried on behind closed doors between

the Post Office Department and public and private airline operators. Finally it is in line with the practice in the United States and may remove one small element from the international rivalry for air traffic which has already arisen.

Beyond the Melting Pot

By WATSON THOMPSON

THE founders of America made one big blunder. They held certain truths to be self-evident. Self-evident they were, perhaps, to them and to anyone else of vision and high purpose, but these same truths are counted as lies by a vast majority. Even for the best of us, they need to be re-formulated, re-verified, recaptured many times.

Is it self-evident that all men are created equal? That they are endowed by God with the inalienable right to the pursuit of happiness? Life, yes, we say in America. And liberty, perhaps, (political only, of course; never socially, culturally, economically). But pursuit of happiness? Hardly. Equality? Well, let's see.

Equality is essentially a faith, not a self-evident truth. There are obvious human inequalities in a functional sense but no inequality of status follows upon the myriad human differences. According to the American vision, all men were *created* equal and therefore in their intrinsic humanness they were forever equal. This is the faith.

The Consciousness of Race

But what is the present status of equality? Nazism and Nipponism are two of the most blatant proclamations of disbelief in all historic times. Are they to be thought of as the last spasms of an old order? If so, how do we account for the many recent manifestations of

race prejudice and intolerance which can be witnessed both in Canada and the United States. The only possible answer to this question is to say that presumably these phenomena should be regarded as "last dying kicks" of an ancient system of ignorance; and that it depends on a number of things whether these death-throes last a decade or through another whole epoch of unnecessary degradation and martyrdom.

Whichever way it goes, it will be because of the extent to which this continent—the United States and Canada paramountly—become aware of their special opportunity and responsibility as the place of greatest hopefulness in all the world. There is one way forward for all humanity in this matter of "race" and equality, and that way is open to the people of this continent as to none other.

Although the Canadian and the American patterns have been very dissimilar, the fact remains that they have something of a common vision. The idea of a new start away from the prejudices, restrictions, persecutions and strife of Europe is common to both, though stronger in the United States.

Consider Canada first. The sad truth is that this New World idea of equality ran into trouble very early in its life and has remained in a state of arrested development ever since. For two reasons: First, all the die-hard Loyalists from the American colonies flocked to Canada and became the backbone of Ontario. Their colonial mentality still flourishes; they are even to-day prouder to be called British than Canadian. The maintenance

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