

would serve any point served by the other. As a result, it has now been decided that Canadian Pacific Airlines Limited will serve the whole Pacific area, the whole Continent of Asia, Australia and New Zealand, southern and southeastern Europe and Latin America, and that Air Canada will serve Britain, western, northern and eastern Europe, and the Caribbean. The only exception to this clear-cut division is that CPA will continue to serve the Netherlands. This division accounts for the whole of the world except Africa and the United States; decisions concerning the former depend on the contemplation of service to that area and those concerning the latter on the completion of new bilateral agreements. Co-operation will be maintained between the two carriers in sales and agency relationships, each carrier representing the other outside its own area, so that passengers will be encouraged to travel to their destinations by Canadian airlines. Other measures of co-operation, including joint advice to the Government on air negotiations and joint servicing and support arrangements, will also be maintained.

The second principle concerned the domestic mainline services and stated that, although competition was not to be rejected, development of competition should not compromise or seriously injure the economic viability of Air Canada's domestic operations which represent the essential framework of its network of domestic services, and in the event that competition continues, opportunity should be ensured for growth to both lines above this basic minimum. In 1965 a special aviation consultant was appointed to advise whether the growth of domestic mainline service will now permit some further degree of competition and to recommend the procedure for working out such extensions of service.

The third principle concerned the role of regional air carriers providing scheduled service and their relationship with the mainline carriers. Recommendations are being prepared by the two major airlines and the larger regional carriers as to specific steps that might be taken by the carriers themselves or the Government to improve the position of the regional air carriers and give them a reasonable chance to operate successfully without subsidization.

Thus, in the international field, the joint approach to the provision of world-wide service by the two major Canadian carriers should strengthen their position in a very competitive field and should provide a better over-all service to the travelling public. In the domestic field, a degree of competition will remain to provide the public with the advantages that can result from a competitive atmosphere but excesses of competition, which could be ruinous to the operators and unsatisfactory to the public, will be avoided.

Section 1.—Air Services

Two major airlines, Air Canada and Canadian Pacific Airlines Limited, form the nucleus of Canada's freight and passenger air service. Current operations of these airlines are discussed briefly below, followed by short outlines of the services provided by independent airlines and a list of Commonwealth and foreign air carriers licensed to operate services into Canada.

Broadly, air transport services in Canada may be grouped into two classes—Scheduled Services and Non-scheduled Services. Services in the first group are operated by air carriers that offer public transportation of persons, mails and/or goods by aircraft, serving designated points in accordance with a service schedule and at a toll per unit. The second group includes the following:—

- (1) Regular Specific Point Air Services—operated by air carriers who offer public transportation of persons, mails and/or goods by aircraft serving designated points on a route pattern and with some degree of regularity, at a toll per unit.
- (2) Irregular Specific Point Air Services—operated by air carriers who offer public transportation of persons, mails and/or goods by aircraft from a designated base, serving a defined area or a specific point or points, at a toll per unit.
- (3) Charter Air Services—operated by air carriers who offer public transportation of persons and/or goods by aircraft from a designated base, at a toll per mile or per hour for the charter of the entire aircraft, or at such other tolls as may be permitted by the Air Transport Board.