

would serve any point served by the other. As a result, it was decided that Canadian Pacific Airlines Limited would 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 would serve Britain, Western, Northern and Eastern Europe, and the Caribbean. The only exception to this clear-cut division is that CPA would 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 is maintained between the two carriers in sales and agency relationships, each carrier representing the other outside its own area, so that passengers are 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, are 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 would permit some further degree of competition and to recommend the procedure for working out such extensions of service. The report of the consultant is now (December 1966) being examined.

The third principle concerned the role of regional air carriers providing scheduled service and their relationship with the mainline carriers. Recommendations were prepared by the two major airlines and the larger regional carriers which resulted in a "Statement of Principles for Regional Air Carriers" tabled in the House of Commons on Oct. 20, 1966, by the Minister of Transport. These principles are summarized as follows:—

- (1) Regional carriers will provide regular route operations into the North and will operate local or regional routes to supplement the domestic mainline operations of Air Canada and CPA; they will be limited to a regional role.
- (2) Greater scope will be allowed regional carriers in the development of routes and services by the following means: (a) where appropriate, limited competition on mainline route segments of Air Canada or CPA may be permitted to regional carriers if this is consistent with their local route development; (b) in a few cases, secondary routes at present operated by Air Canada and CPA may become eligible for transfer to regional carriers; and (c) a larger role will be allotted to regional carriers in connection with the development of domestic and international charter services, inclusive tours and new types of services.
- (3) Greater co-operation between the mainline carriers and the regional carriers will be developed in a variety of fields, ranging from technical and servicing arrangements to joint fare arrangements.
- (4) A limited policy of temporary subsidies for regional routes will be introduced, to be based upon a "use it or lose it" formula.
- (5) Firmer control will be exercised over the financial structure of regional carriers in connection with new licensing arrangements.
- (6) Regional carriers will be assisted with the acquisition of aircraft by development of a scheme for consultation between government and the carriers regarding plans for new aircraft, and by a special investigation designed to explore the possibility of developing a joint approach to this problem on the part of the carriers.

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

A new National Transportation Act defining and implementing the national transportation policy, including the civil aviation policy, was passed by the Federal Parliament on Jan. 27, 1967 (SC 1967, c. 69).