

in the original discussions that led to the establishment of the International Civil Aviation Organization (ICAO) which has headquarters at Montreal, Que. At present, Canada has air agreements with 21 other countries.

Federal Civil Aviation Policy.—The intent of Federal Government concern in civil aviation is to provide an efficient and stable service for the Canadian public and the best possible economic framework for the major and regional carriers. In formulating its aviation policy in 1964, three principles were accepted by the Government as basic. The first related to the international field and stated that air services provided by Canadian airlines should serve the Canadian interest as a whole; that these services should not be competitive or conflicting but should represent a single integrated plan which could be achieved by amalgamation, by partnership or by a clear division of fields of operations. The two major airlines agreed that the most effective way to carry out this policy would be by a clear division of their fields of operations so that outside Canada neither airline 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 Southwestern 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. Where decisions depend on the contemplation of service to those undesignated areas, 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.

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.