

EDITORIAL

Why is TCA in the Red?

OUR national airline, TCA, was the subject of a brisk enquiry during the sessions of the House of Commons transport committee. Rightly so. We, the taxpayers who are shelling out the airline's \$4.3 millions deficit for 1949, have every right to examine its operations critically. After 12 full years of operation, and during the peak revenue year of its history, TCA has shown an all-time-record deficit. Why? To answer this question reasonably, it is essential to understand certain basic truths about TCA and the conditions under which it operates. In the first place, we are actually talking about two airlines, each with its own special problems. Trans-Canada Air Lines operates only within North America. A subsidiary, Trans-Canada Air Lines (Atlantic) Ltd., flies the 8,300 route miles to the U. K. and the Caribbean.

Only a third of the deficit (\$1,419,444) was on the books of the domestic TCA. Twice this amount (\$2,898,150) was logged, in red, by the Atlantic TCA. It is anticipated that the domestic airline should be out of the red in a year or two. Even the optimists don't see the hope of a profit for the Atlantic version in less than five years at best.

A study of both airlines reveals three chronic financial ailments to which the deficit symptoms can be traced. These are: expansion, depreciation, and seasonal fluctuation. Although TCA has been in existence for 13 years, as of April, the natural expansion of the airline was thwarted by wartime restrictions on fleet and personnel. In 1945, the airline could offer only 399 seats (11 Lockheed 14's, 14 Lodestars and three DC-3's). Today this capacity has jumped to 1,345 seats, a 300% expansion, with 20 North Stars and 27 DC-3's. Meantime, route mileage has tripled to 16,388 while personnel has increased to over 5,000. Part of the penalty of this mushroom growth has been the heritage of depreciation resulting from an investment of \$17 millions in the North Star-DC-3 fleet. TCA is depreciating the North Stars over a seven-year period, the DC-3's over four years. Had it not been for this fiscal burden, the domestic TCA would have been in the black and the Atlantic operation would have looked a lot healthier. Nevertheless, the curse of aircraft obsolescence is not peculiar to TCA, even though it is a distinctive feature of the airline business.

The seasonal peaks and valleys of passenger traffic are perhaps the most serious blight with which TCA has to contend. The passenger traffic plunges from a peak average of 65,000 per month during the brief summer season to an unprofitable 45,000 a month from October to April. This will be offset to some degree by the Bermuda and Caribbean services, with their traffic highs corresponding to the troughs on the more northerly routes.

However, this problem cannot be solved until the public has been educated to the fact that winter fly-

ing has been liberated, with the aid of the pressurized cabin and improved navigation aids, from the delays and cancellations which used to be taken for granted.

Unlike its counterpart in the U. S., the Canadian post office department has never shown any inclination to foster air transportation with overgenerous mail rates. In 1940, TCA was paid \$6.40 per ton-mile for flying the mail. Now, under the all-up arrangement, the rate has been slashed to \$1.50 per ton-mile. This is a consideration which should not be overlooked, especially in comparing TCA with airlines south of the border.

The suggestion that because of its substantial 1949 deficit TCA, or the Atlantic subsidiary, should be scrapped is, of course, purely academic. The defense value of its 47-plane fleet as a military transport reserve would justify considerably more than the \$4 millions. The benefits of the airline's distance-shrinking schedules in stepping up the whole tempo of the nation are beyond assessment. Even so, it is fortunate that Gordon McGregor, the president, and his chief aids have given public assurances of their determination to put TCA on a paying basis. It will be an occasion for rejoicing when we, the taxpayer-owners can take pride in an airline that is not only efficient but financially profitable.

Let's Tell Our Story

THE Canadian aviation industry is singularly fortunate in being provided with a rare opportunity to tell its story to a vast audience in the United States. The Aviation Writers' Association, with some 400 members, mostly south of the border, has selected Montreal for its annual meeting next June 1-4. This meeting of the leading aviation writers on the continent will serve to play a searching floodlight of publicity on Canadian aviation. It is to be hoped that every effort will be made by our aviation leaders to tell the story as it deserves to be told.

Jetliner On Stage

AS THIS is written, the Avro Jetliner has just taken off on the first international flight of a civil jet plane in this hemisphere. After flying from Toronto to New York in record time, the Canadian pioneer will display its form to top U. S. technical representatives and airlines executives. With it go our sincere wishes for a full measure of success.

CANADIAN AVIATION

Ronald Keith
Editor

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