

THIS TRANSCRIPT HAS NOT BEEN THOROUGHLY EXAMINED FOR ACCURACY
AND IS, THEREFORE, AN UNOFFICIAL DOCUMENT.

PUBLIC ACCOUNTS COMMITTEE

Legislature Chamber

Wednesday, October 19, 1977
10 a.m.

Chairman: Gordon Taylor

MR. CHAIRMAN: Will the committee come to order, please. We have more than a quorum, so we will commence the Public Accounts Committee now. The first item on the agenda is the minutes of the last meeting. What are your wishes? The meeting of May 18 when Bob Dowling was the witness.

MR. NOTLEY: I move they be adopted.

MR. CHAIRMAN: Moved by Mr. Notley they be adopted, seconded by Mr. Batiuk.

MR. McCRAE: Mr. Chairman, I believe last year, rather than adopting them, we would receive them or file them, whatever the subtle distinction is.

MR. CHAIRMAN: Oh, it was received, that's right.

MR. NOTLEY: I move they be received then.

MR. CHAIRMAN: Moved by Mr. Notley that the minutes be received, seconded by Mr. Batiuk. Any discussion? All in favor? Opposed, if any? The motion is carried.

At the last meeting you asked if I would, on your behalf, write Mr. Rogers a short note expressing the hope that he would soon be better and well and back with us again. I did that. Whether it was the letter or the doctors, I don't know, but he's well and back with us again. I'm sure we're all pleased to have Mr. Rogers back on the job.

I would like to introduce to you a new secretary, Mrs. Isobel Morrell, who is an experienced secretary. We are happy to have you with us, Mrs. Morrell.

I would like to have your direction in regard to the group that is to come with the witnesses that you want following the completion of PWA. On the list we have public utilities and colleges, in that order. Do you want us to proceed on that line?

MR. McCRAE: Mr. Chairman, it depends when we finish with PWA. If it is today when we finish with them, I understand from Mr. Foster that he will not be here next week and we should not then move to the Public Utilities Board but to the college question. If it is two weeks hence, then Mr. Foster will be available. Perhaps we should discuss that at the end of the meeting today, should we?

MR. CHAIRMAN: Okay. If PWA is completed today then I would have to have that same discretion you gave me last year to have the next one following if the next following is not able to come. So we'll discuss it at the end of the meeting.

Now I would ask our auditor to point out the sections of the public accounts dealing with PWA. Mr. Rogers, please.

MR. ROGERS: Thank you, Mr. Chairman. Before proceeding to that, I would like to thank you and through you the members of this committee for their good wishes. Thank you very kindly.

I'd like to refer to public accounts volume one, page 44 and 45. You will note that under shares, Pacific Western Airlines is set out as a separate item with the transactions in the year ended March 31, 1976 shown on that line. There is also a reference in note two and the shares for Pacific Western Airlines are contained in the item marked "shares" with an asterisk. The only significance of the note is that they are held at cost, rather than using the equity method which would simply pick up a proportion of retained earnings. But at the moment we are showing them at cost.

The cost breaks down this way. At '76 we had 55,265 preferred shares, for a total of \$2,961,731.

MR. CLARK: Mr. Rogers, is that information on page 44?

MR. ROGERS: No, this is supplementary information, Mr. Chairman, showing the breakdown of the \$37,513,000 which you will note is the total at March 31, 1976. The amortized cost, the last but one column on the statement. The total is \$37,513,226. That is then broken down, and this is supplementary information, into \$2,961,731 which was the cost of 55,265 preferred shares and \$34,551,495, the two figures making up the total of \$37,513,226. That is the cost of the 2,544,202 shares that were purchased. I beg your pardon. I have to go back. Can I repeat that figure? At the end of '76, there were 2,541,817 shares. I have the figures for '77. If anyone wishes those figures, I have them right here.

MR. CHAIRMAN: Mr. Rogers, I guess there's no difficulty in having them, but they aren't involved in this section.

MR. ROGERS: Except that the statements are '76.

MR. CHAIRMAN: Oh, that's fine.

MR. ROGERS: There was an additional \$33,888 of investment to the end of March 31, '77, which made the total investment then \$37,547,114. That represented the acquisition of a further 2,385 common shares -- no additional preferred shares were acquired -- for a total of 2,544,202 shares held at the end of March, 1977.

MR. CHAIRMAN: Thank you, Mr. Rogers. Are there any questions to Mr. Rogers on the accounts so far?

MR. CLARK: Mr. Chairman, to Mr. Rogers, where in the auditor's report would we have any indication of any revenue or any return on those shares?

MR. ROGERS: There is earnings received of \$121,512. That was up to March 31, 1976.

MR. CLARK: What form was that, Mr. Rogers?

MR. ROGERS: Pardon?

MR. CLARK: What was the reason for that income? Was it . . .

MR. ROGERS: Dividend income.

MR. CLARK: Dividend. Thank you.

MR. CHAIRMAN: Any further questions? If not then, I would like to call on the hon. Dr. Horner, the Minister of Transportation and Deputy Premier, who is in charge of PWA, if he would like to make a short opening statement.

DR. HORNER: Thank you, Mr. Chairman. I might just very briefly point out some matters that are relevant to the statement that we're considering. I point out that this is an investment holding of the government. The company is audited by a private auditing firm, but then those figures are then worked on with the Provincial Auditor. The company is regulated by the Canadian Transport Commission in its operations relative to routes and safety. The other complicating factor, if it's a complication, is that the company is incorporated in British Columbia.

I think all of you are aware of the situation relative to our holding of Pacific Western, and that is that we, as a government, have some input into the policy relative to the company's operation, but that the management of the company is done by what we feel is a competent board of directors, chaired by Mr. McDaniel of Calgary. The day-to-day management, of course, is done by the management team headed by Rhys Eyton. We must express again our appreciation of the work that these people have done in the past year to bring the company through a difficult year for airlines and to show a modest profit. I might point out that the \$121,000 is the dividend on the preferred shares and, as such, is paid as a matter of course.

I think that perhaps, Mr. Chairman, other areas might more usefully be dealt with on a question basis. I would point out that one of the conditions in airline accounting is that the turnover of equipment is considered in the income statement and, as such, is reflected in the statement.

The other situation is that because the company operates in more than one province it's under the Canada Labor act as opposed to the provincial one. I think that that's all I'd like to say initially, Mr. Chairman, and I'd be pleased to answer any questions.

MR. CHAIRMAN: Thank you, Dr. Horner.

MR. NOTLEY: Mr. Chairman, the first question I'd like to put to the minister deals with page 8 of the report under the section "Net Gain or Loss and Disposal of Property and Equipment". We have a figure of \$2,178,341.

MR. CHAIRMAN: Mr. Notley, we're hardly hearing you. Perhaps if you'd face this way.

MR. NOTLEY: I'll just speak up, Mr. Chairman. I think they can probably hear me now.

MR. CHAIRMAN: Thanks very much.

MR. NOTLEY: Mr. Minister, dealing with page 8 of the report under the net gains section, it lists \$2,178,341 which would appear to be a very large part of the net earnings of \$2,291,535. I wonder if you could outline just what was involved in that net gain, if you would itemize it. I gather that there is the insurance settlement on the Hercules. Is there any leaseback arrangements? Does that include the sale of Byers Transport? So if you would give us an itemization of that \$2,178,000.

DR. HORNER: Yes, Mr. Chairman. No it doesn't relate to Byers Transport. That was a transaction that took place in 1975. It has not shown up in this statement at all in '76.

It does relate to the net proceeds, if you like, of the insurance relative to the Hercules that was unfortunately lost. That's a substantial portion of it. There is a smaller amount relative to the sale of one of the Convairs. But the substantial amount is the net relative to the loss of the Hercules and the sale of the Convair, the two major items in that.

MR. NOTLEY: Can the minister itemize? Do you have any figures, Mr. Minister, to break that down? If not exact figures, at least approximate figures so that we can get some idea of how that \$2,178,000 breaks down?

DR. HORNER: Well, I can give it to you almost correctly. If you'll look at page 9 in the consolidated statement about the second paragraph, flight equipment held for sale and disposal of equipment, \$5,100,927, that was, if you like, the total that was received from both the insurance on the Hercules and the disposal of the one Convair. The net from those two things -- and the Convair was in the area of \$200,000 -- the balance would be the net on the Hercules.

MR. NOTLEY: Mr. Chairman, it would be fair to say, Mr. Minister, then that both of these particular items are unusual occurrences and that in actual fact the net income picture of PWA would, in a normal year, had it not been for the unfortunate loss of the Hercules for example, have been somewhat smaller than is listed.

DR. HORNER: I suppose that one could put it this way. Any airline company that's attempting to maintain its fleet in a modern configuration is going to be disposing of equipment on a yearly basis. Nobody likes to dispose of them the way the Hercules was disposed of, of course. But in the airline industry there is a constant turnover of equipment. Indeed, the market value of the aircraft that Pacific Western now owns -- and I might point out even though some of the aircraft are leased, in all of those lease contracts there is an option to buy, which is a very important option, because as I'm going to say the gross value of the aircraft that Pacific Western now owns is well over \$100 million, and that doesn't count the ground equipment, the simulators, and perhaps another \$50 million worth of assets that are not in the aircraft themselves. So, in airline management and accounting, the turnover of equipment is an important factor, regardless of the particular year.

MR. NOTLEY: Mr. Chairman, to the minister, just pursuing that because of the fact that the unfortunate crash of the Hercules and the settlement was a factor in our net income picture and the sale of planes and then arranging a leaseback arrangement I believe was also a factor in '75, I wonder, Mr. Minister, if you could outline for us the 13 737's, the one 727, the Boeing 707's, the Hercules and I believe there are two Convairs, what the breakdown is between the ownership -- in other words, PWA actually owning the aircraft and how many of them are on a lease arrangement. I raise that in light of the fact that it appears that the sale or disposition of equipment has at least been in part a factor in determining our net income position.

DR. HORNER: Mr. Chairman, I don't have the breakdown between owned and leased. The reason for that is that even those that are leased in fact we consider to be owned because of the option agreement in the lease contract. In other words, it doesn't matter whether they are leased or not, but I can get a breakdown of that for you.

Indeed, one of the 727's has been sold in '77 and will show up in next year's statement relative to that again. So it's a continuing thing in the airline business. But I will

get a breakdown for the committee, Mr. Chairman, of those that are owned outright and those that are leased.

MR. CLARK: Dr. Horner, in your opening comments you mentioned how PWA was regulated by the Canadian Transport Commission as far as routes and safety are concerned. Then you also talked about complications as far as incorporation in British Columbia is concerned. Would you elaborate on that, please?

DR. HORNER: Well, the company as of now is a company that was incorporated in British Columbia. There are some legal complications relative to how the company is held. That's all.

MR. CLARK: Mr. Chairman, to Dr. Horner, is it the intention of the government to consider making a change in this area? Dr. Horner, I think, was careful. I just forget what word he used, but he indicated to me in his usual careful manner that the government might be considering some option here.

DR. HORNER: Well, there are a number of options that the government is considering and will be considering relative to the matter of how the company is held. I'm sure my honorable friend will appreciate that up until we got the Supreme Court decision there was that amount of uncertainty, that one didn't go ahead with those considerations. But they are being considered now.

MR. CLARK: Mr. Chairman, to the minister. The year we're looking at -- would that be the year that Mr. Rhys Eytton became the president and Mr. Watson was relieved of those responsibilities? My real question is, Mr. Minister -- if you don't have the information today perhaps you could bring it next day to the meeting with you -- what were the arrangements that were agreed upon between PWA and Mr. Don Watson when he left PWA?

DR. HORNER: Well, first of all, Mr. Chairman, no. Mr. Eytton became president in 1975 and I'm not sure whether my honorable friend has a copy of the annual report for 1975 but that report is signed by Mr. Eytton. The arrangements between Mr. Watson and Pacific Western Airlines were arrangements that were worked out by the executive committee of the board of directors and I'm not aware of what those arrangements are.

MR. CLARK: Mr. Chairman, just so I don't misunderstand what the minister has said. The government has spent \$37 million in this investment and following the minister's rather impassioned speech in the House on a certain Friday morning when the minister revealed some of the problems involved, Mr. Minister, are you telling the committee that you know nothing of the arrangements that were made between the PWA board and the former chief executive officer?

DR. HORNER: I'm saying, Mr. Chairman, that that matter is a proper matter for the board of directors to have looked after. They did, and I'm satisfied as the minister responsible, that we have a very effective and efficient board of directors who have trimmed a great deal of the fat in the company and that's their responsibility.

MR. CLARK: Mr. Chairman, to the minister. Mr. Minister, earlier you indicated in the answer to the question just before that you had no information. You didn't know what the arrangements were. That was the question I asked you specifically. Do you know what the arrangements are and will you tell the committee what the arrangements are?

DR. HORNER: Well, Mr. Chairman, I said it earlier that I'm not aware of the specific arrangements that the board of directors . . .

MR. CLARK: The general arrangements.

DR. HORNER: . . . might make with their employees. I think that's a matter for the management to look after.

MR. NOTLEY: Mr. Chairman, just so that we don't get into a hassle over this, the minister did make one statement that isn't quite consistent with the '75 report and that is the time that Mr. Watson took over. It was March of '76, not 1975. I'm sure that you meant to say that but didn't. But it is March of 1976 that they took over. This is contained in the annual report of 1975, page 3.

DR. HORNER: That may well be true. That's correct. He resigned in March of 1976. Mr. Eyton took over and signed the annual report for '75.

MR. THOMPSON: Mr. Chairman, I'd like to ask the minister, on page 5 -- the revenue from charter flights has stayed relatively the same for the last three years. I wonder if he could give us some idea of what effect the new charter rates that have been going into effect for international flights in the last couple of months -- will these really have that much effect on PWA's operation?

DR. HORNER: In a discussion with the chairman, I'm informed that the charter operations are an important component of Pacific Western's operations. They are not as large a component as they are in some other airlines, quite naturally, because of the nature of our fleet and the operations of Pacific Western. We do have two 707's that are in international charter. The 737's are used in what is called short-range charter operations. The charter market has been better in western Canada than elsewhere in the past year. I would expect that Pacific Western would maintain its share of that charter market. Of course the charter, to a scheduled airline, is trying to make the maximum use of the equipment that one has. So in general I would think that having regard to the international situation, the monetary situation, that Pacific Western should be able to maintain its share in that charter market.

The other interesting thing, of course, is whether or not we get domestic so-called ABC's, charters which would be very important to Pacific Western, again because of the configuration of our fleet.

MR. CLARK: Mr. Chairman, then to the minister. Mr. Minister, in light of the fact that this change in management took place in the year we're looking at, would you be prepared to get the information for the committee as to the arrangements that were made between PWA and the former chief executive officer, Mr. Watson?

DR. HORNER: Well, no, Mr. Chairman, because as I've said before, I consider that to be a function of management and the board of directors. If we as government, using this as an investment for policy purposes, start to interfere with that management, then we will start to interfere with the internal operations of the airline and damage it considerably.

MR. NOTLEY: Mr. Chairman, could the minister outline the arrangement at the International Airport as far as the air cargo facilities, which I understand is being constructed by the Alberta government and being leased by PWA?

DR. HORNER: No, that's not correct. They were built by Pacific Western and the kitchen air cargo facility that has been built at the International Airport in Edmonton is owned and operated by Pacific Western and has not had any provincial government money, as such, put into it.

MR. NOTLEY: Okay, so it's completely company-owned and it shows up, in fact, as one of the assets and the costs or money borrowed to build it would show up in the liabilities. Okay, that clears that up.

Mr. Chairman, to the minister, and this is a slight change of topic, has PWA given any consideration, in view of the run between Edmonton and Calgary being very profitable, to changing the configuration of aircraft on that run from the jet to the DASH-7?

DR. HORNER: Mr. Chairman, no. My information is that while, as any airline company should be doing, they are constantly assessing their equipment vis-a-vis the job that it has to do, that they would not be looking at the DASH-7 for the Calgary-Edmonton run. They have looked at the DASH-7 for some of the shorter runs and such runs as those into Fort Chipewyan and in the interior of British Columbia.

MR. NOTLEY: Is the minister in any position to advise where things stand on that consideration? The reason I raise it is because, as the minister knows, we have the problem of northern communities serviced by PWA having what most people consider the inconvenience of having to go both to the International Airport and then to the industrial airport and what I consider to be the cost factor to our airline of having to land these darn jets twice. It seems to me that if you're coming from Peace River, it's a little bit much to have to land at the -- now I know that that's federal jurisdiction, but one of the advantages of the smaller type of aircraft, it would seem to me, is that would that not get around the problems of being able to get into the industrial airport?

DR. HORNER: Mr. Chairman, no. If it would, I would be pressing them to consider it more. Because I think one of the things from a policy point of view that we intend to pursue is the question of getting at least some of the northern flights to land at Edmonton Municipal. I think it would be a substantial help to not only the people in northern Alberta but the people in Yellowknife as well. That has been precluded up until now because of the general number of flights into the Edmonton Municipal and the federal MoT have then -- we are hoping that once Villeneuve is fully operational that we can then pursue again with the MoT the question of landing some of those northern flights at the Municipal Airport.

MR. NOTLEY: Mr. Chairman, I was under the impression that there wasn't going to be any problem once Villeneuve was operational. You mean to say that after Villeneuve is in full operation we then have to go back and argue the case again? I thought that the holdup was the Villeneuve Airport and that once that was operational and the number of light planes using the industrial was reduced, that we would then be able to get some sort of agreement on PWA on those northern runs.

DR. HORNER: Well, that's my hope, but I can't speak for the federal MoT. Every time I do, I get in trouble. And there has been some delay in getting the second runway operational at Villeneuve, and therefore some delay in the movement of some of the smaller aircraft to that airport. It takes a little time for the owners to get moving.

MR. PLANCHE: Mr. Chairman, to the minister, going back to the consolidated statement of earnings and Mr. Notley's earlier comments on the effect of the extraordinary gain on disposal of assets making our profit picture unusually high, is it not also true that during June of that year we had a shut-down? I'm wondering if you have any figures indicating what kind of effect that labor interruption had on our operating income for the year, which would have made the thing considerably better than it shows?

DR. HORNER: Mr. Chairman, the result of the air controllers' strike in June of '76 resulted in a loss of over \$2 million in income without any corresponding reduction in costs.

MR. PLANCHE: If I understand, Mr. Chairman, then, in general terms the one unfortunate disposal item of \$2 million would be in general terms offset by the loss and therefore these figures approximately would have shown the net earnings as indicated here, had there not been a labor interruption. Is that true?

DR. HORNER: Yes, Mr. Chairman. Yes, that's correct.

MR. CLARK: Dr. Horner, I'd be interested in knowing how you arrive at the over \$2 million loss, because in an interview with Mr. Rhys Eyton, the chief executive officer, Financial Times Canada, February 28, 1977, on this very question that Mr. Planche indicates, Mr. Eyton here estimates "a \$1.4 million loss because of the air traffic controllers' strike over the language to be used for flight control last summer".

DR. HORNER: Well, that's counted in the first page of the president's report. He said it is estimated that the June operational shutdown reduced gross revenues by \$2.5 million and net profit by \$1.4 million.

MR. GOGO: Mr. Chairman, to the minister, we have seen in Alberta in the past year or two a tremendous amount of activity in airports, runways, et cetera, around the province, and it just happens to be coincidental, I suppose, Mr. Minister, that you are responsible not only for those runways and terminal facilities, but indeed, as minister responsible for the affairs of PWA .#.#. I'd like to ask you, is consideration being given, to your knowledge, for PWA to expand to other centres in Alberta, for example to the third largest city in the province, Lethbridge?

DR. HORNER: That consideration I think is always before the company, to expand to areas in which it might be profitable to do so. At the moment that expansion is stalled until such time as the matter of Transair and the prairie city routes have been finalized. That matter, of course, is before the air transport board of the Canadian Transport Commission at the moment.

MR. GOGO: Mr. Chairman, in conjunction with the upgrading of those airports and inasmuch as tourism is our third largest industry in Alberta, Mr. Minister, could you indicate whether or not plans are under way to encourage tourism from U.S. centres into the various parts of Alberta to utilize both PWA and those upgrading of facilities?

DR. HORNER: Well, I think that that's a very important future role that has to be looked at and is tied in with the presentations and the policy relative to the domestic air charters. The other complicating factor at the moment is the question of the American tax laws relative to their tourists coming outside of the U.S. I saw a little note on the

news this morning that there might be some change in that and Canada might be exempted and that might be very useful to improve.

MR. CLARK: Mr. Chairman, to the minister. Mr. Minister, what are PWA's plans with regard to making application for a flight from Calgary-Lethbridge-Vancouver, and possibly one stop in the interior of British Columbia? Once again, I raise this in light of comments made by Mr. Eyton not long ago when he indicates that he plans to apply for a Calgary-Lethbridge-Vancouver service with one B.C. interior stop.

DR. HORNER: No application has been made relative to that particular route at the moment. It's one that's being considered, but would be more profitably considered relative to the situation that we hope will occur once the Transair matter has been settled.

MR. CLARK: For the benefit of the committee, Dr. Horner, then would you outline to the committee this Transair matter that you see being settled and the possible advantageous effect as far as PWA is concerned and the implications it has for this possible application?

DR. HORNER: Well, perhaps I could just take a minute to review for the committee that situation. Earlier this year we were approached by the federal government to have a look at Transair because the federal authorities thought that the management of Pacific Western was such that they could help out. When they initially had a look at Transair, it was not considered to be a viable proposition by itself and we so informed the federal authorities. At that time, they then came back and we had some discussions with the president of Air Canada. Our approach was simply that if Pacific Western was going to become involved with Transair there would have to be some accommodation by Air Canada for interprairie city routes. Now we're talking about Winnipeg-Regina, Regina-Calgary, Regina-Edmonton, Winnipeg-Saskatoon, Saskatoon-Edmonton and Calgary, and tying those routes with the ones that Pacific Western presently operates to the west of us. This then made the proposition of acquiring Transair a viable operation, indeed had some really -- in my view -- some exciting possibilities because then Pacific Western becomes in a very real sense a western regional carrier and has access to the major cities of western Canada.

I would think that once that is resolved as per the agreements with Air Canada that then the situation at Lethbridge can be considered in a much more positive way.

MR. CLARK: Dr. Horner, I take from your comment that Air Canada basically were agreeable to this arrangement and so it's basically a formality then before the Canadian Transport Commission?

DR. HORNER: Quite frankly, I had expected that it would be. One of the arrangements with Air Canada and the federal MoT, of course, was that we would drop the route from Winnipeg via Thunder Bay and Owen Sound to Toronto. That seems to have created the most problem.

MR. CLARK: That's a Transair route?

DR. HORNER: Yes. And that seems to have created the most problem and the issue has not been resolved. So I can't say further until the air transport committee gives us a decision.

MR. CLARK: Dr. Horner, what effect will PWA flying in and out of Lethbridge, a Calgary-Lethbridge route, have on Time Air? I ask that in light of the fact that last time I checked, I think, doesn't the government have a \$4 million loan guaranteed for Time Air?

DR. HORNER: We figure it's now closer to \$2.5 million but yes, we have a -- not only that, but we also have a commitment to the third level carriers that we would work with them to ensure that they have the capacity to expand as they could and in my view will in this province. There is no doubt that jet service into Lethbridge would have an impact on Time Air. There are some other areas that might, I think, in joint operation, offset a substantial amount of that.

MR. CLARK: There's no question, Dr. Horner, in your best judgment is there, that PWA going in and out of Lethbridge would have an adverse effect on Time Air's present passenger numbers from there? Are you telling us that you are then really looking at this third tier business for Time Air and some really looking after Time Air in the third level carrier area for what they might lose with PWA going to Lethbridge?

DR. HORNER: Well, I think there are offsets relative to -- and perhaps the term third level is a bit of a misnomer. I think it should probably be called non-jet service that we're hopeful will be expanded right across western Canada, because I think that's important, particularly to some of our other smaller cities that are very anxious to get scheduled service. There are a number of those, of course. So I would simply say that nothing will be done by Pacific Western without close co-operation with Time Air and ensuring that they remain viable and healthy.

MR. NOTLEY: Mr. Chairman, Dr. Horner, the question of Transair I want to pursue for just a moment. It has a rather oblique route to the Yukon, but in view of the whole question of the pipeline, have there been any discussions -- obviously CP would not want to give up that lucrative route from Edmonton to Whitehorse -- but have we given any consideration to applying to get into that route in competition with CP from Edmonton to Whitehorse? Because it seems to me that over the next five years or so that's going to be just a goldmine and we should try to get our hands on part of it if we can.

DR. HORNER: Mr. Chairman, I would agree with the hon. member that anything we can do to strengthen our routes into the Yukon and indeed Alaska should be done and is being done. One of the assets, if you like, of Transair which is going to be very important is the run from Yellowknife to Whitehorse which isn't as good as a direct flight from Edmonton to Whitehorse but may, in fact, by aggressive marketing and better servicing provide at least one entry into the Yukon. The other matter is also being followed up.

MR. NOTLEY: By "being followed up", will there be a formal application to try to get a run from Edmonton directly to -- not directly, but the same general route as CP presently takes?

DR. HORNER: I think that the most I can say at this time is that there is a follow-up being taken relative to additional entry into the Yukon and Alaska and to say more at the moment would, I think, jeopardize the situation.

MR. NOTLEY: Mr. Chairman, the answer was indeed in the best tradition of Mackenzie King. However, I think there was some information in it, notwithstanding. As a frequent critic of the minister, I wish him well in this particular endeavor.

In terms of the Transair addition, will there be any major consolidation of runs as a result of the acquisition of Transair, and will there be certain PWA runs discontinued?

DR. HORNER: I wouldn't see any Pacific Western runs being discontinued. There may be, although one of the interesting things, I don't see any consolidation of routes as such, but the expansion of routes, vis-a-vis the agreement with Air Canada, into the two Saskatchewan cities is a very important component.

MR. STROMBERG: Mr. Chairman, having recently been a passenger on Air Canada and having been served some of the toughest meat imaginable, the only conclusion I could come to was that meat came from Australia. My two questions to the minister: is the catering done by Pacific Western? Are they handling the catering or is it being contracted out? The second question: is the meat good, western Canadian beef?

DR. HORNER: Well, Mr. Chairman, I think I was asked in the House yesterday relative to that matter. Since then I've been in touch with the management. Their policy is to use local supplies wherever they possibly can get them. I would point out that the building of the new kitchen and cargo facility at the Edmonton International has allowed them to have access to local Alberta products in a much greater way than in the past and they operate their own kitchens and therefore have some control over what is served. One of the problems, of course, is that -- does anybody really know when they go into a particular market to buy meat where it came from? Perhaps that's a different matter than Pacific Western. That's a matter of identification of product which personally I've thought would be a good idea for a long time.

AN HON. MEMBER: Another Mackenzie King comment.

MR. STROMBERG: Mr. Chairman, the proof of where the meat originated from is of course in the eating. Did I understand that there is no contracting out of catering or planned on it? It's all going to be handled by the airlines?

DR. HORNER: In a major way the new kitchen at the Edmonton International is certainly servicing the Alberta northern flights and a great deal of the charter flights.

DR. WEBBER: Mr. Chairman, to the minister, because of the devaluation of the Canadian dollar, I understand that Air Canada and at least one other airlines are increasing their rates. I was wondering if the minister could tell us whether or not he knows if PWA are considering increasing their rates?

DR. HORNER: The management have not informed me that they are going to increase their rates relative to that matter. My understanding is that CP and Air Canada are increasing those rates that are flying into the United States to offset the decline in the Canadian dollar's value.

MR. CLARK: Dr. Horner, going back to the northern situation, you indicated that with some more aggressive marketing, Transair might be able to provide a better service. In my recollections the Transair's flight though goes from Whitehorse to Yellowknife and then on east, doesn't it? Down to Winnipeg, if I'm not mistaken.

DR. HORNER: That particular routing is Winnipeg-Churchill-Yellowknife-Whitehorse. On the other hand, I think the hon. Member for Spirit River-Fairview talked about consolidation

of routes. I think that that's one area which would be looked at very closely relative to Edmonton-Yellowknife-Whitehorse as well.

MR. CLARK: I was just going to make the point that it seems to me a very logical thing for PWA to do right now, to sharpen up Transair's operation from Whitehorse to Yellowknife and then get a direct flight from Yellowknife down to Edmonton, but to be very sure that the connections are excellent, rather than having to wait at the airport in Whitehorse and Yellowknife for some time for Transair to arrive.

DR. HORNER: Yes, and I would agree. Again, I'm sure that the management is anxious to have the Transair matter settled so that those matters can be then aggressively looked after.

MR. CLARK: I would suggest, Dr. Horner, in your usual gentle approach you might even make some suggestions to Transair before the matter has been settled before the Canadian Transport Commission. Because in my experience and from people I've talked to, certainly an improved marketing approach with a heck of a lot more emphasis on being prompt would really improve that line a great deal.

Dr. Horner, if I could also ask, are discussions going on between PWA and the people building the pipeline to the north? It seemed to me a very logical thing for PWA to be looking at would be to be flying people in and out from the whole route, because I suspect the construction people will follow a pattern of people in for a couple of weeks and then out for a period of time. This seems to me to have the potential, if not of a goldmine, certainly a silver mine, as far as PWA is concerned. Are we on top of that?

DR. HORNER: Yes, Mr. Chairman. Pacific Western is on top of that. One of the reasons that was very valid in moving the head offices or the executive offices of the airline to Calgary was in anticipation of what in fact has happened so that they could be in close contact with those people who in fact will be building the pipeline.

MR. CLARK: And at that time you knew who was going to build the pipeline, did you?

DR. HORNER: Quite frankly, Mr. Chairman, it wouldn't have mattered. As a matter of fact, the Mackenzie line would have been much more valuable to Pacific Western.

MR. CHAIRMAN: Any further questions? Any further questions, a second time? If not, what is your pleasure in connection with PWA?

MR. CLARK: Sell it.

MR. CHAIRMAN: Members of the committee, I assume that Dr. Horner will send back the information and that we'll move to the next witness, right?

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Then the hon. Mr. McCrae mentioned that public utilities would not be available next week. Do you want me to contact the minister in charge of colleges for next week's meeting? Everybody agreed?

SOME HON. MEMBERS: Agreed.

MR. TAYLOR: Okay. Anything else anybody would like to raise? If not, then I'd like to thank you Dr. Horner for coming and giving us the information you did. The meeting will now stand adjourned. The next meeting will be next Wednesday when the matter of colleges will be studied and I hope that both ministers will be able to be here. The meeting stands adjourned.

MR. McCRAE: Mr. Chairman, I think there is only one minister involved I believe, or perhaps there are two, but we will have whichever or both that are responsible for the colleges system.

MR. CHAIRMAN: I have been sending notices to both ministers of education, so I'll let them fight that out.

DR. HORNER: Mr. Chairman, I just have the information that was requested.

MR. CHAIRMAN: Could we reconvene the meeting and then finish PWA.

DR. HORNER: It will only take a moment. Of the 737's, six are owned, seven are leased. The one 727 is leased. The two 707's are on lease. The three Convairs are owned. The three Herc's are leased. Again, I want to point out that those leases have an option clause which, in effect, gives you ownership, which is very important.

MR. CHAIRMAN: Thank you Dr. Horner, and now we'll adjourn the second time. See you next week. Did you say the Hercules were leased, Dr. Horner?

DR. HORNER: Yes.

MR. CHAIRMAN: Thank you very much.

(The meeting adjourned at 11:01 a.m.)