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CENTRAL INTELLIGENCE AGENCY

CIVIL AVIATION POLICIES OF SELECTED POWERS

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CIVIL AVIATION POLICIES OF SELECTED POWERS

FOREWORD

The documents comprising this report analyze a cross-section of the world's civil air establishment from the standpoint of government policies and procedures. The studies were prepared at the request of the President's Air Policy Commission, for the purpose of ascertaining the salient aspects of civil aviation abroad as related to national policy under the widest possible range of conditions.

The survey, as expected, has encountered civil air operations under extremely varying conditions. The countries covered include great powers (UK and USSR),* as well as small nations (Netherlands), some with primitive economies (China, Peru). The survey has observed the development of civil aviation under totalitarian governments (USSR, prewar Germany) and under governments which have maintained an unblemished democratic tradition (Sweden). Some of the countries are enjoying prosperity (Canada), while others (UK, France) struggle for their very existence to overcome the enormous dislocations of the war. Many of the countries are situated advantageously across the natural arteries of world air traffic, while others (Argentina, Brazil) must attune their civil air policy to a more regional primary interest.

These conditions, as the survey confirms, exert a profound influence on the varied objectives being pursued throughout the world in the development of civil aviation. Civil air policy in a given country is dictated by a combination of political, economic, and strategic factors, and by the country's geographical position. Advantages of innate aptitude and enterprise, therefore, can only begin to operate after these basic conditions have set the stage.

Regardless of the limitations under which every country operates, almost universal recognition of the significance of civil aviation prevails. There is scarcely a country which would not immediately expand its civil air activities if this were possible. Policy makers everywhere appear to recognize that civil aviation is the most dynamic force in drawing the countries of the world physically closer for better or for worse, and that the total potential of civil aviation, including its ultimate military application, far transcends its strictly peacetime importance. As early as 1930, an official League of Nations report contained the statement that state participation in European civil aviation was an act of politics rather than of economics. By 1938 the British had clearly understood the military significance of civil aviation, as evidenced in the Cadmon report, which stated that the problem of the air is like "two sides of a single coin," that is to say, "the military aspect of aviation cannot fundamentally be separated from the civil aspect." In 1940 the Germans were employing civil aviation as a geopolitical instrument; a German geopolitician stated that "the airplane's speed and radius of action makes thinking possible in terms of continents."

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* See ORE 18-48 (secret) for British Military and Civil Aviation Policies, and ORE 19-48 (secret) for Soviet Military and Civil Aviation Policies.

Note: The Library of Congress has available a report on Civil Aviation in Prewar Germany, prepared by its Aeronautics Division.

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SUMMARY

There is full realization by countries fearful of invasion, as well as by those which know that they may one day be forced to engage in large-scale military operations, that the men who are organizing civil air transport today are establishing the means of carrying tomorrow's armies. The keen interest displayed by military authorities of many countries in the progress of civil aviation in their own and other countries appears to be explained by such considerations. The eight studies in this survey indicate that civil air policy is either directly controlled by the military or strongly affected by military considerations in five of the countries, while only in three countries is no military control exercised. In this connection it is noteworthy that all of the countries having powerful military establishments permit them a measure of control over civil aviation.

It might be assumed by an observer acquainted only with civil air transport in the US, that this advance in transportation is being developed primarily for the benefit and convenience of the private citizen who wishes to travel fast on errands of his own choosing. The fact remains, however, that for a variety of reasons a considerable part of the world's traveling population is unable to make use of existing air transport. In the Soviet Union, for example, which operates, or at least owns several thousand transport aircraft, few "average citizens" travel by air, except on government business. Civil aviation is used as an important instrument of the state to further its extensive development plans. (The USSR, however, sometimes chooses to move groups of workers ostentatiously by air to recreational centers, and occasionally transports a special mercy case on humanitarian grounds, with appropriate propaganda treatment.) In many other parts of the world the high cost of air transportation is in itself sufficient to place it beyond the reach of large sections of the population.

Surprisingly little private flying is being done in any country, and what little there is results primarily from government aid to flying clubs and training programs.

The civil aviation establishment in most cases is not what a country would like to have, but what it can afford to support. The principal limitations are: (a) lack of tradition in air transport operations; (b) inability to develop a manufacturing industry; and, (c) inability to maintain unprofitable air transport operations. International operations are limited chiefly by: (a) the absence of empire interests or prestige requirements; and (b) the sovereign right of other countries to control their own air space.

There are certain countries, Sweden, the Netherlands, and Belgium, which have succeeded in maintaining substantial positions in the field of international civil air transport, because their efficiency, coupled with a tradition in this activity, has enabled them to achieve profitable operations in spite of their obviously limited resources.

The USSR occupies a peculiar position in civil aviation. While it possesses vast and varied resources to support long-range international operations and has political

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objectives far beyond its borders, it has seen fit to adopt a policy which has resulted in the containment of its large civil air establishment within the USSR and Soviet-controlled areas. (There may be military significance in the fact that the USSR has been unwilling to assign more than a negligible number of its large fleet of air transports to its badly equipped satellite air lines.) While the rapid expansion of civil aviation within the USSR may be considered certain, its emergence into the field of international air transport will depend upon future developments which cannot now be predicted.

The survey discloses a wide difference in the degree of subsidization by governments of their civil aviation programs. The general conclusion to be drawn is that most countries recognize that financial support of civil aviation is justified to the extent required by (a) the unwillingness of private capital to underwrite national-interest air developments; or (b) the inability of the country's air lines to pay their own way. Some countries are unable, however, to finance extensive subsidization, and, therefore, the degree of support in a given instance may indicate no more than the liquidity of a country's treasury.

The survey does not confirm any superiority for particular methods of establishing and implementing civil air policy. While a wide range of efficiency and a corresponding diversity in organizational methods are disclosed, a comparison of methods as they affect efficiency would be almost meaningless. It is evident, for example, that the most ideal organizational charts could not produce efficiency in a country like China which has existed for years on the verge of collapse; whereas, the resources of the US might permit a preeminence in civil aviation in spite of a certain degree of inefficiency of governmental organization.

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FRANCE

A. CIVIL AIR POLICIES.

1. The basic French policy toward civil aviation is reflected in nationalization of the principal French air carrier and the major manufacturers of aeronautical equipment. French external air policy has been comparable to that of the US in that bilateral air agreements have been patterned on the principles established between the US and the UK at Bermuda in February 1946. Civil aviation is regarded as an instrument of national policy. Since the major French air line is nationalized, as well as the principal aeronautical equipment manufacturers, the government may be said to exercise complete control in the shaping of aviation policies.

2. (a) Scheduled air transport except for secondary lines is performed by the government-owned corporation, *Air France*. Development of this company's service is promoted to the extent required by empire considerations, national prestige, and on self-sustaining routes to the extent indicated by traffic demands. In this connection, it should be pointed out, however, that the Minister of Transport has on occasion restrained expansionist tendencies on the part of *Air France* until convinced that the organization has gained sufficient experience to assume the increased service in a safe and satisfactory manner. The government promotes the development of *Air France's* services through the granting of subsidies when necessary to meet deficits.

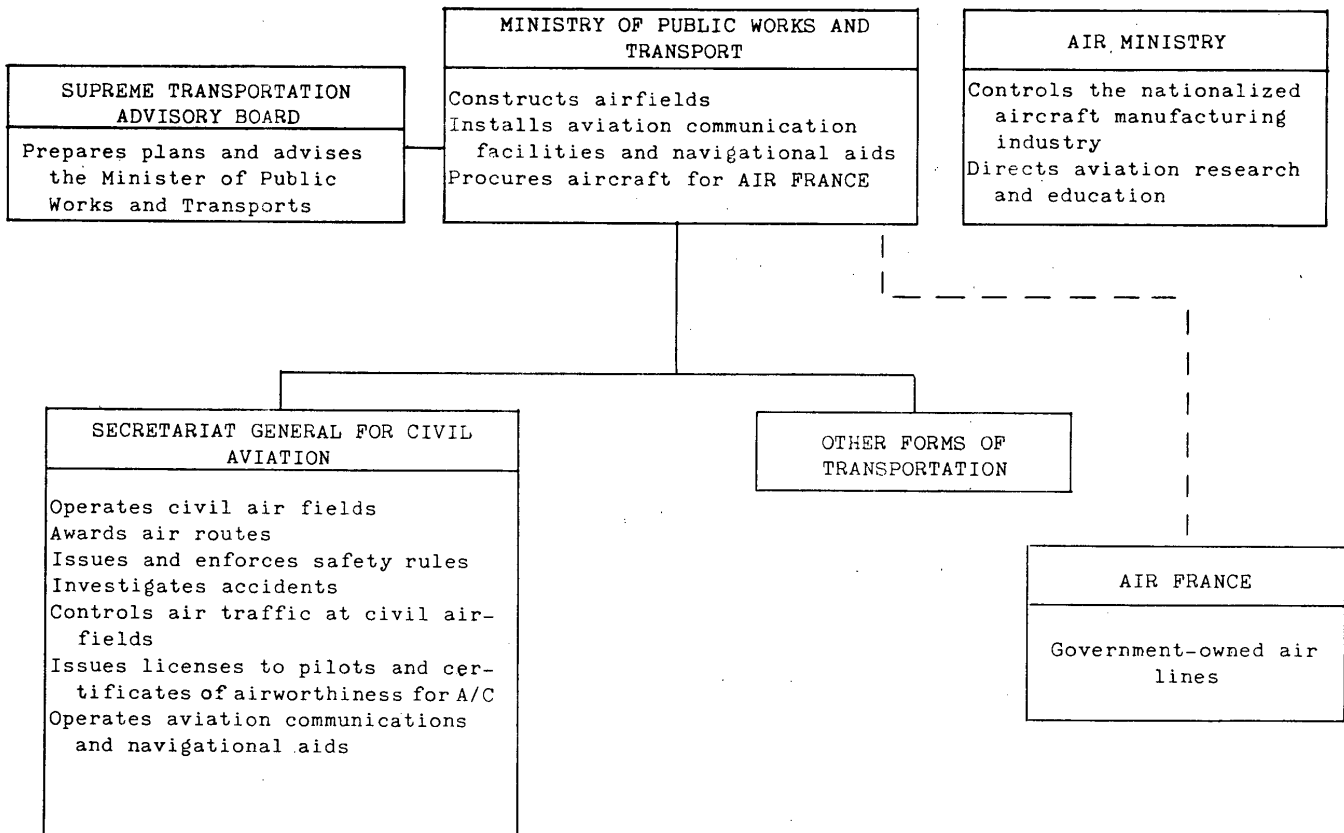
(b) Nonscheduled air transport services are not financially supported in any way by the government. These private operators must secure permits from the Secretary General for Civil Aviation and are permitted to operate as long as their services are not in conflict with the best interests of *Air France*. In most cases the permits are subject to cancellation on short notice.

(c) Private flying is virtually nonexistent. Private-owner type aircraft, produced in limited quantity, are very expensive and do not compare favorably with American types. The *Aero Club de France*, active before the war in promoting amateur flying, has had difficulty in reviving its activities. This has been due largely to lack of dollars to purchase light American aircraft such as the Piper Cub.

(d) Virtually the entire French aircraft industry has been nationalized since the war (except for a few privately owned concerns). The extent of government promotion of aircraft manufacture depends on existing budgetary limitations. Under the Communist Air Minister, formerly in control of the industry, the impression was created that the industry was more an instrument of party politics than a producer of aircraft. Since the elimination of Communist control of the Air Ministry early in 1947,

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an attempt has been made to stimulate production and remove the political influences that have dogged the industry in the past. These plans for increased production, however, probably will be seriously handicapped by the current campaign to reduce expenditures throughout the government in the face of the existing financial crisis.

(e) It is the policy of the French Government to promote aeronautical research through government-controlled and -financed institutions. The *Service Technique de l'Aeronautique* of the Air Ministry and the recently created *Office National d'Etudes et de Recherches Aeronautiques* (which enjoy a certain restricted autonomy) are the principal organizations engaged in aeronautical research. The extent of their activities depends on government appropriations. Much importance is attached to the development of aircraft prototypes, propulsion units, guided missiles, and helicopters.

(f) The government promotes aeronautical education to the extent possible under budgetary limitations. The *Ecole Polytechnique*, the *Ecole Nationale Supérieure d'Aeronautique*, and the *Ecole Centrale* are state supported and are the principal institutions giving instruction in aeronautical engineering.

(g) The government undertakes the training of civilian pilots, navigators, and other technical personnel at flight and ground schools, but only in sufficient numbers to satisfy the needs of the chosen instrument (*Air France*). The French Air Force has a large training establishment which provides a reservoir of personnel available for civilian employment upon conclusion of the period of military conscription. The government in the past has furthered advanced training through the employment of American and Canadian flight crews who have indoctrinated French crews in operating methods as well as in the use and maintenance of modern equipment. The government also recently authorized the training of French personnel by US technicians in airport management and traffic control techniques, in order to provide qualified operators to take over airports and installations built by US military forces during the war and acquired under a US-French Air Service agreement.

(h) The government, through its representatives abroad, actively promotes the export of French aeronautical equipment produced by its nationalized factories. In some cases it is believed that provisions for export sales of aviation equipment are included in trade treaties. The recent sale of four Languedoc French commercial transports to the Polish Lot Airline may be an example of this policy. In addition, the government maintains and finances the *Office Français d'Exportation de Matériaux Aeronautiques* (OFEMA). The import of aeronautical equipment is at a standstill except for spares for equipment already purchased. This is due to a lack of foreign exchange.

(i) Civil airport development is the joint responsibility of the *Direction des Bases* of the Secretariat General for Civil Aviation and the *Bureau des Ponts et Chaussées*.

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sées of the Ministry of Public Works and Transport. The extent of airport development is limited to such provisions as are made in the government budget for this purpose.

(j) Navigation facilities are installed and operated by the *Direction de la Navigation Aérienne* of the Secretariat General for Civil Aviation. These activities depend on budgetary considerations and the availability of foreign exchange. (Most navigational aids and radio communication equipment must be purchased abroad.)

3. (a) French air transportation was nationalized as of September 1944 by an ordinance which legalized the transfer of *Air France* stock ownership to the state. Approximately 4% of the stock is still held by foreign interests and approximately 36% by French private interests. Thus, *Air France* is in effect a government-controlled enterprise. Privately owned air carriers are permitted as long as their service offers no competition to *Air France*, but no government subsidy is available. Foreigners may own a minor interest in such concerns. Although no notable additions have been made to the list of the nationalized companies under the Socialist government, there has been no indication of a reversal in the nationalization policy.

(b) The government nationalized the greater part of the aircraft manufacturing industry after the liberation of Paris in World War II. There remain but two outstanding exceptions: the privately owned *Hispano-Suiza* and Breguet Corporations.

(c) There is only one national carrier.

(d) Air transport agreements have been concluded with several countries. These have followed the general pattern established in the US-UK agreement at Bermuda which provides a code of trade practices to allow a fair and equal opportunity for both parties to develop their services, but also provides certain conditions to safeguard their respective interests. The French, however, are fearful of competition from the Dutch and Swedes whom they regard as "the world's principal transporters of other people's traffic." In consequence, the French have not yet concluded air transport arrangements with either country for through services beyond Paris.

(e) See 2.

(f) See 2 (d).

(g) Before the shortage of foreign exchange became so acute, *Air France* was permitted to order 25 DC-3-type aircraft, 15 DC-4's, and 13 Constellations because no comparable French types were available and it was desired that the company not be placed at a competitive disadvantage. French transport aircraft are now operational and are being used to supplement the fleet.

(h) See 3 (d). At a tripartite meeting of French, British, and Americans in London, September 1947, the French and US positions with respect to the multilateral

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air transport conference which was held at Geneva were apparently reconciled. France is a member of the International Civil Aviation Organization (ICAO) and *Air France* is a member of the International Air Transport Association (IATA).

4. The armed forces do not influence civil air policy, although civil air transport is regarded as a reinforcement of the military air potential. Civil air transport is considered primarily as a commercial, economic, and political asset. While it is intended that eventually the manufacturing industry will supply all the needs of civil air transportation, its present inability to do so is not impeding the domestic or international operations of *Air France* which has gone into the foreign market (principally US) to acquire the most modern aircraft and facilities. *Air France* is, nevertheless, utilizing French aircraft production to the fullest extent possible. It has already taken delivery of ten twin-engine Languedoc Transports and has placed an order for thirty more.

5. Though not dominated by the views of any foreign power in the matter of air transportation, France has nevertheless shown considerable willingness to cooperate with the US. As a member of ICAO, France is committed to adhere to decisions of that organization.

6. Published figures concerning the combined French military and civil aviation budget (fr. 447,871,415,000), while indicating that a large percentage of the total amount has been allocated to civil aviation (commercial air operations, maintenance of airports and facilities, communications, civil aviation schools, and a small sum for the encouragement of private flying clubs), represent the extent of legal authorization for contemplated programs rather than the actual funds appropriated for expenditure. Funds for certain activities, furthermore, appear in the report to be dispersed in such a way that it makes difficult a realistic analysis. In short, the budget probably exceeds the maximum financial expenditures possible under prevailing economic conditions.

7. While there is no vested interest capable of exerting influence on the government's air policy, officials of the government-owned *Air France* naturally endeavor to prevail upon the government to accept their views. These views carry considerable weight.

8. See 2 (f) and (g).

9. See 2 (e) and 6.

10. Most aircraft manufacturing is nationalized and subject to direct government control and financing through the budget. Private companies such as Breguet are engaged in experimental work. This company, for example, has long been interested in helicopters and at the moment is receiving government assistance in the development of a large cargo prototype.

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RESTRICTED**B. CIVIL AIR ORGANIZATIONS.**

1. National Assembly (Supreme Transport Council);
Ministry of Public Works and Transports (Secretary General for Civil Aviation);
Ministry of Foreign Affairs;
Ministry of National Education;
Office Français d'Exportation de Matériaux Aeronautiques (OFEMA);
Air Ministry.

2. (a) *National Assembly* — shapes aviation policy through legislation, and implements that policy through appropriations.

Ministry of Public Works and Transport — is responsible through the Secretary General for Civil Aviation for policy-making, the economic and safety control of civil air transport, both scheduled and nonscheduled private flying, and in cooperation with the Air Ministry, is responsible for aircraft procurement for *Air France*. The Ministry of Transport is also responsible for the construction of airports and the installation and operation of communication facilities.

Supreme Transportation Advisory Board

The establishment of this Board by the National Assembly in August 1947 is the most important development in French transportation since the war. The Advisory Board is established under the Minister of Public Works and Transport and consists of 69 members, including representatives from various government agencies, members of Parliament, specialists from the large transport organizations, employee representatives from the operating companies and public organizations such as tourist travel agencies. Seven permanent commissions are established under the Board, charged with examining questions of transport coordination. These are as follows:

Rail	— highway
Rail	— inland waterway
Rail	— air
Rail	— sea
Highway	— air
Highway	— inland waterway
Sea	— air

The Board will advise the Minister of Public Works and Transport on all transportation matters submitted to it, but may also formulate recommendations on its own initiative. The Advisory Board's immediate mission is to present, within one year, plans for the coordination of rail, highway, inland waterway, air, and ocean transportation. It will include in its plans coordination of domestic transport with colonial and international transportation. The Board will study all social, technical, financial, and economic matters relative to the organization and functioning of the various modes

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of transportation; it will also study matters concerning stock and equipment, technical and commercial development, and the social, economic, and administrative problems arising therefrom.

The Supreme Transportation Advisory Board is financed by a special fund provided by the Minister of Public Works and Transport. The sum expended shall be reimbursed to the state by the various transportation operators under conditions to be set forth by decree of the Minister of Public Works and Transport and the Minister of Finance.

The Ministry of Foreign Affairs — deals with all civil aviation questions involving relations with foreign countries.

The Ministry of National Education—controls the state schools offering aeronautical training.

The Air Ministry — is responsible for the aircraft manufacturing industry and directs research activities and aeronautical education (see also 2 (e) and (f)).

The OFEMA — is responsible for promotion of export sales of aeronautical equipment.

3. (a) The statute on civil aviation has not yet been passed by the Assembly. Hence, some observers question whether or not current government decisions will endure. These, however, are in the minority. Former private manufacturers are prone to criticize the activities of nationalized factories and the theory of nationalization itself.

(b) As all forms of public transportation are nationalized, there is no competition between them.

(c) The principal political criticism comes from the Communist Party, which is apt to criticize almost any policy in the formation of which it plays no part. Some segments of the more conservative public, which are opposed to nationalization, have likewise criticized government policies with respect to the aircraft manufacturing industry.

4. There is little duplication between these agencies. The principal overlapping of functions has occurred on the question of transport aircraft procurement, where both the Secretariat General for Civil Aviation and the Air Ministry are concerned. Any conflicts are resolved between the Ministries concerned, or failing that, the question may be submitted to the Council of Ministers for final decision.

5. Because of the present delicate political situation in France, it is impossible to predict whether a reorganization of government agencies concerned with civil aviation is to be expected.

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C. PROCEDURES AND REGULATIONS.

1. *Air Routes.*

(a) The Secretariat General for Civil Aviation awards air routes.

(b) All major air routes are awarded to *Air France*. Secondary air routes are awarded to private operators on much the same basis as the Civil Aeronautics Board determines route allocations in the US.

(c) Carriers are required to conform to safety regulations which in the main are patterned on ICAO recommendations. With respect to *Air France*, a certain quality of service is expected and on its major routes the government's policy has been to restrict volume of operations until it is satisfied that the company's organization is equipped to render a satisfactory and safe service. Private operators are not authorized for service which would give any appreciable competition to *Air France*.

(d) *Air France* is required to operate certain empire and national prestige routes which are uneconomical and which the management of the company might well prefer to discontinue. This company operates all of the scheduled international services and has certain latitude in deciding the priorities to be assigned to new routes. Last August, for example, *Air France* inaugurated an air service from Paris to Frankfurt at the suggestion of American services in Europe, although this service would not normally be included in a list of high-priority services. New services may be inaugurated by *Air France* only with the approval of the Ministry of Transport. Since nonscheduled operators are entirely private in character, the government has no compelling interest in authorizing these services.

(e) See (d) above.

(f) All carriers may apply for any new route, but the well known policy of the government deters private operators from applying for routes which would clearly be allocated to *Air France*.

(g) In general, competition is not permitted over identical routes because of the current shortage of trained ground personnel and facilities; temporary authorizations, however, have been granted to private operators to parallel *Air France* services, particularly between continental France and North Africa.

(h) *Air France* is the national instrument; hence the revocation of this authorization would require a fundamental change in policy and legislation. The authorization for private carriers is normally of short duration — in many instances subject to revocation on one month's notice.

2. *Rates.*

(a) Since most services are international, rates are fixed by the government with due regard for minima established by the International Air Transport Association.

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(b) Rates are based largely on economic and competitive considerations.

3. *Safety.*

(a) Safety rules and regulations are promulgated by a Secretariat General for Civil Aviation. In the main, these are patterned after ICAO recommendations, although specific regulations may be promulgated as required to cover exceptional situations.

(b) In general, regulations appear adequate. Some criticism has been voiced on the question of enforcement. This has not been due to any lack of good will on the part of the French, but more to a lack of trained personnel and the lack of experience with regulations, based to a considerable extent on United States experience acquired in recent years, during the war, when the French were virtually out of touch with modern air transport safety problems.

(c) Safety regulations are impartially enforced.

4. *Inspection.*

(a) Standards for the inspection of equipment and personnel, formerly in accordance with *Commission Internationale de Navigation Aérienne* requirements, now conform to those of ICAO in all instances where the former have been replaced. Accident investigations are conducted under the direction of the Secretariat General and although not so formal as those conducted by CAB in the US, are approached with the same attitude of impartiality. The results, however, are not generally published. On occasion it has been suspected that efforts were made to quiet further discussion when it was indicated that the pilot was clearly at fault and it was feared that too much public discussion might give rise to political difficulties. Nevertheless, it should be emphasized that even in these instances high officials have made no effort to place the blame elsewhere.

(b) Since most of these regulations are modeled on ICAO recommendations, they are presumed to be adequate. They are enforced by the Secretariat General with all the vigor which a reduced budget and small organization permit.

5. *Airports and Communications.*

(a) Airport traffic control regulations are patterned on those recommended by ICAO. Large airports such as Orly and Le Bourget are restricted insofar as possible to transport aircraft.

(b) The military service operates military airports and the Secretariat General to Civil Aviation operates all civilian airports (except small private fields).

(c) ICAO procedures are followed for communications.

(d) The Secretariat General operates the communication system.

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~~RESTRICTED~~6. *Reports and Forms.*

Air France is required to submit all of the usual operating and financial statistics such as required by CAB in the US. Other reports required are principally those prescribed by ICAO. French civil aviation ceased to exist during the war and the government organization had to be almost entirely reconstituted after the liberation of France. As yet, the formal statute on civil aviation has not been passed. Therefore, technical requirements have been limited to those prescribed by ICAO. All reports on civil aviation are submitted to the Secretariat General where they are coordinated and utilized in the shaping of new policies, the modification of existing regulations, or additions thereto.

D. GENERAL EVALUATION.

1. French civil aviation has made a vigorous attempt to reestablish its prewar international position. In the early postwar stages it was handicapped by the direction of a Communist Air Minister whose staff in the main was selected more for party allegiance than professional ability. Since its transfer to the Ministry of Public Works and Transport, government civil aviation has made considerable progress toward achieving its immediate goal. To this end several missions and various important individuals have visited the US and the UK. Active participation in ICAO is an established French policy, and sincere efforts are made to follow the recommendations of that organization.

The Secretariat General is honestly administered but the handicaps of an insufficient budget and the lack of adequate trained personnel have made it difficult for the Secretariat to discharge all of its obligations in accordance with the high standards which the US is accustomed to expect. In view of the shortage of equipment, funds, and personnel, the government does a creditable job although on occasion American carriers, accustomed to CAA standards, have criticized the results. Even the critics of the Secretariat General have not, however, impeached the good intentions or sincerity of effort of that organization.

2. The greatest single factor impeding the development of French civil aviation at this time is the shortage of dollars, a circumstance over which the country has no control. Another important source of weakness is a shortage of skilled personnel adequately trained in current techniques. This latter is being overcome by sending groups abroad for training, improving the training techniques in France, and studying new developments, regulations, procedures, etc.

The manufacturing industry has long been known to be weak with respect to the production of aircraft engines. While France is attempting to remedy this deficiency, steps have been taken to purchase American engines and arrangements have been made to manufacture the British Rolls Royce "Nene" jet engine under license. General criticism of the industry has been on the basis of inadequacy of production and inadequate promotion of the development of new types. Most of these critics are in-

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clined to take the position that all these ills could be cured by denationalization and the return of factories to private ownership.

Air France recommenced operations after the war, on 1 January 1946. Until comparatively recent months, that company's aircraft maintenance left much to be desired. More recently, however, the introduction of new personnel into the organization and the tightening up of maintenance procedures in consultation with American factory representatives have brought about a substantial improvement to the point where it is believed to be entirely compatible with the requirements of safe air-line operation. Financially, the company has made remarkable progress considering the recent increases in wages paid plus the fact that the company is required to operate many route miles of uneconomical services to the colonies and dependencies.

Factors favorable to French commercial aviation are: a long tradition as a pioneer in the field and as a leading air power prior to World War II; considerable prewar experience in long-range international aviation; an aircraft industry, which in the past has demonstrated its competency under conditions providing competitive incentive; a heavy investment in colonial and dependent areas, making the maintenance of rapid communications both politically and economically desirable; and lastly, France's geographical position. Within three hours' flight of Paris are twenty-three European cities having a population exceeding 500,000. A large traffic potential is thus apparent.

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THE NETHERLANDS

A. CIVIL AIR POLICIES.

1. The basic policy of the Netherlands is to foster civil aviation as a national industry important to the over-all economy of the country. This is in keeping with the economic tradition of the Netherlands as a leader in world transportation. Being a country of small area, the Netherlands considers civil aviation as an important contributor to national prestige, and the government has shown willingness to underwrite any deficits which arise in operational costs and is prepared to relegate to a secondary position the question of profits. In the present European currency crisis, civil aviation acquires a greater importance through its production of foreign exchange. A basic policy for some time to come will be the limitation of commercial air operations to a single "chosen instrument" (KLM-Royal Dutch Airlines). In the field of international civil air policy the Dutch strongly support the most liberal international policy. Civil aviation is not used as an instrument of national policy to obtain other political objectives. The government has the controlling stock interest in KLM and is in a position to determine long-range policy; however, in practice, the present managing director of the KLM actually has a dominant voice in the determination of Netherlands civil air policy. In all other ways the company is operated as a private enterprise.

2. (a) The government promotes scheduled air transport for purposes of national policy through the provision of capital investment funds which amount to more than 95% of the corporation's outstanding stock. (Pending legislation for a reorganization of the company allows for the government's holding 51% of capital stock.) Because KLM is a source of foreign exchange, it is accorded a privileged position by the government in questions of allocation of materials and foreign exchange.

(b) All important nonscheduled air transport is conducted by KLM. The government has licensed one other carrier for nonscheduled operations, but this activity is presently limited to local air taxi service in one-engined aircraft.

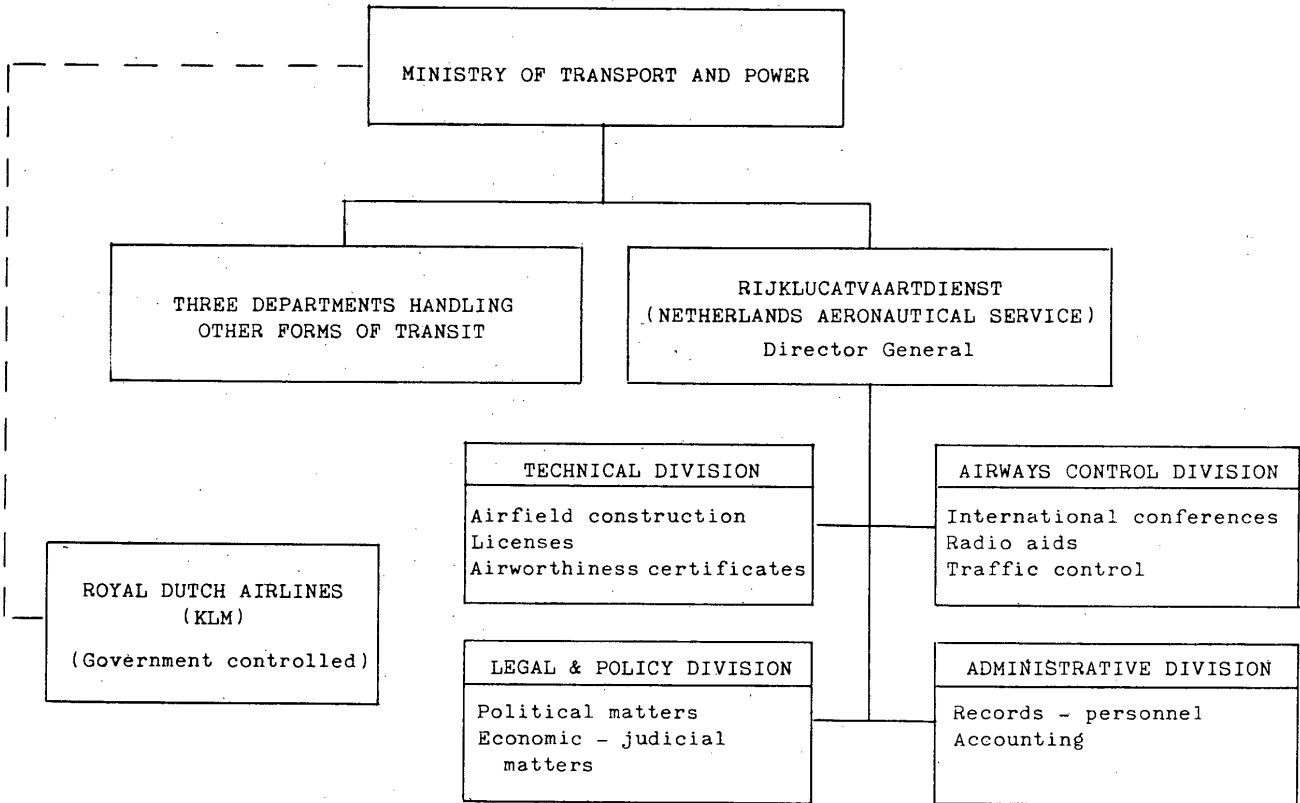
(c) Because of the limitations of local aircraft manufacture and currency for the purchase of foreign aircraft, the government cannot give as much assistance as it would like to individuals interested in private flying. It does promote the manufacture of gliders for private flying.

(d) The government gives limited support to aircraft manufacture through subsidies and the allocation of raw materials and foreign exchange in an attempt to recreate a manufacturing industry; all attempts are limited because the greatest need — transport aircraft — is not likely to be produced locally for many years, and consequently American aircraft will be relied upon to fulfill KLM needs.

(e) The government promotes research through subsidies and loans to government-supported research laboratories with a view to benefiting the manufacturing industry.

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(f) The government includes aeronautical engineering courses in its curriculum at the State University of Delft to develop engineers; approximately 100 students are pursuing these studies.

(g) The government provides for the training of transport pilots through a government-operated school with an enrollment of approximately 100 students. Aviation technicians are trained in government technical schools. No grants to foreign students are currently being made because of the expensiveness of this training. The schools mentioned above are separate from military aviation training and are supported to assure KLM a sufficient staff for expanding operations.

(h) The government does not promote the export and import of aeronautical equipment except as is consistent with KLM needs and the needs for the development of necessary air ground facilities. The government authorizes Fokkers (the sole air manufacturing concern) to convert military surplus Dakotas and Skymasters for foreign aviation companies.

(i) The government promotes the development of airports, as is consistent with KLM and foreign operators' needs, through direct subsidies. Most airfields are still controlled and operated by the military.

(j) The government attempts to maintain standards established by the International Civil Aviation Organization.

3. (a) Private ownership is favored by KLM, but it is believed that the majority participation of the present government in the ownership of KLM is motivated not only by the avowed desire to provide KLM sufficient capital for its postwar reconstruction and expansion, but also to retain a guiding hand on long-range policy. Foreigners are not permitted to own controlling or minority interests.

(b) Private ownership is favored for the aircraft manufacturing industry although the present Fokkers combine, which comprises the existing manufacturing industry, was formed under the recommendation of a government commission and receives limited financial support. Combined industrial resources under centralized direction and with government support is favored in order to recreate and help revive an industry that was destroyed by the war and has limited opportunities for development.

(c) There is only one national carrier, hence no competition. The government avows that it does not believe in monopoly practices, but has been forced to establish a virtual monopoly in KLM in order to achieve the maximum development in operational efficiency.

(d) Inasmuch as the Netherlands has most to gain in the international field for its own flag carrier by a liberal policy, no restrictions are imposed on foreign air lines in competition with KLM other than the normal reservation of the rights of cabotage.

(e) As stated elsewhere, the government's policy is to subsidize air carriers, manufacturing, airports, education, and training to the extent necessary to support its flag carriers in achieving and maintaining a dominant position in world air transport.

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(f) Government policy would favor development of transport aircraft if it were not presently rendered impossible by the limitations of the manufacturing industry.

(g) Foreign aircraft, predominantly American, are used.

(h) As stated elsewhere, the Netherlands has most to gain by a liberal international civil aviation policy; therefore, it cooperates fully in granting facilities to foreign air lines, is a strong advocate of international organizations, and approves bilateral and multilateral agreements which are sufficiently liberal.

4. Armed forces exert no control over civil aviation. Civil air transport is regarded primarily as a commercial activity of economic and political value. Only slight consideration is given to the reinforcement of the military air potential.

5. The Netherlands pursues a policy of freedom of the air and as such is most closely related to the Scandinavian countries which are pursuing the same objectives. Government policy has been, in the past, influenced by, and closely associated with, that of the US. There are currently, however, important differences of approach since the US has found it desirable to adopt certain reservations and restrictions.

	<i>Government</i>	<i>Private</i>
6. (a) Scheduled air transport	Government does not participate in direct expenditures of KLM but in capital investment (Fl. 51,000,000)*	KLM budget for 1947 Fl. 95,000,000
(b) Nonscheduled air transport	See above	See KLM above; Ypenburg air taxi service budget for 1948 less than Fl. 100,000
(c) Private flying	Fl. 100,000 to Dutch Glider Club	Estimate to be less than 100,000
(d) Aircraft manufacture	Fl. 2,000,000 to Fokkers in 1948	Fokkers budget unobtainable
(e) Research	Fl. 5,000,000 for investment; Fl. 800,000 for operation for 1948	Part of Fokkers budget above is for research
(f) Aeronautical engineering education	Ministry of Education provides 6-year course at University of Delft	Tuition from approximately 100
(g) Training for pilots and technicians	Fl. 4,000,000 for new buildings and aircraft; Fl. 4,200,000 for operation in 1948	Fl. 100,000 in tuitions in 1948. Approximately Fl. 4,000,000 of KLM budget above is for training

* Fl. 2.65=\$1.00.

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(h) Import of aeronautical equipment	Fl. 1,380,000 for all purchases of Air Traffic Control Division, a substantial amount will be imports	KLM authorized to spend 60,000,000 for equipment in 1947 and 1948
(i) Airports (not operated by military)	Fl. 5,000,000 for investment; Fl. 1,500,000 for operation in 1948. City of Amsterdam to invest Fl. 13,000,000 in Schiphol Airport	None
(j) Air navigation facilities	Fl. 3,800,000	None
Total budget of the Department of Civil Aviation (<i>Rijksluchtvaartdienst</i>), sometimes called the Netherlands Aeronautical Service (hereinafter referred to as RLVD) for 1948		
National Income (1946)		Fl. 16,963,000
National Budget (1948)		Fl. 8,400,000,000
Military Air Budget (1948)		Fl. 2,378,000,000
		Fl. 75,000,000

7. There are no vested interests exerting influence on civil air policy. KLM, however, which is principally government owned, as the single flag carrier dominates the government agencies and thus influences civil air policy.

8. The government sponsors, controls, and subsidizes aeronautical education. The RLVD in the Ministry of Transport directly operates its own National Flying School for pilots, the Ministry of Education operates the technicians' schools, and the State University of Delft provides aeronautical engineering training. All schools are optional. Students are fully self-supporting and pay a small tuition. The total enrollment at Delft and the flying training school is approximately 100 each, with enrollment in technical schools approximately 500. The government lays greatest emphasis on educating sufficient technicians and pilots eventually to fulfill all KLM needs. KLM operates schools for advanced pilots, technician and administrative training.

9. The government operates its own National Aeronautical Research Institute and subsidizes in full the Netherlands Institute for the Development of Aircraft, the board of which includes representatives from KLM, Fokkers, the above-mentioned institute, and various government departments. The Netherlands Institute has no laboratory but directs and gives financial support to Fokkers for the development of prototype aircraft.

The research program is not extensive because of a relatively small investment and a limited manufacturing industry. The National Aeronautical Research Institute has a laboratory consisting of material, stress, and aerodynamics section, and has two

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wind tunnels with speeds of approximately 90 mph and 180 mph, respectively. Plans are underway to make enlargements on the present plant including a subsonic wind tunnel but these enlargements will require an investment of approximately Fl. 9,000,000 and a number of years for completion. This laboratory was scheduled to receive a loan of Fl. 2,700,000 from the government's budget for 1947. The Netherlands Institute for the Development of Aircraft received an appropriation of Fl. 2,000,000 for 1947.

For all research, the budget for 1948 includes an appropriation of Fl. 5,000,000 for improvements and Fl. 800,000 for expenses; hence the trend is to increase slightly such appropriations.

Greatest emphasis in aeronautical research is given to theoretical aerodynamics in the laboratory and the development of prototypes of transport aircraft and small training planes. There are no private institutions capable of engaging in aeronautical research on their own initiative other than Fokkers, the manufacturing combine which is partially controlled and subsidized by the government, and the Philips Company at Eindhoven, which carries on intensive research primarily in electronics, some of which can be applied to aircraft operation. Philips may also be working on jet propulsion.

10. The development of new types of aircraft depends mainly upon the Fokker factory which is financed by government loans (Fl. 2,000,000 for 1948), and direct subsidies (Fl. 300,000 in 1947). The government exerts a degree of control over the manufacture by offering subsidies and by having one member of the five-man committee which supervises operations. Fokker engages in this development work under the supervision of the Netherlands Institute for the Development of Aircraft, a semiofficial agency.

B. CIVIL AIR ORGANIZATIONS.

1. All governmental agencies concerned with civil aviation are sections of the *Rijkvluchtvaartdienst*, one of four departments of the Ministry of Transport and Power, which is headed by a cabinet member. These sections are listed under (2) below. Civil airports are operated by municipalities under the supervision of the RLVD. The Ministry for Foreign Affairs has a transportation section which participates in civil aviation matters only to the extent of providing liaison with foreign governments. KLM, while not an agency of the government, is the monopoly air carrier and as such has its own judicial, procurement, training, and communications section. The Ministry of War and of Marine operate their own air departments. Decisions of great importance to civil aviation are often taken to the Council of Ministers for approval or decision.

2. The organizations of the RLVD are listed below with a description of the functions of each division.

(a) Director General.

- (1) Royal Netherlands Meteorological Institute Section.
- (2) Chief Inspector.

(b) Technical Division.

- (1) Section A — Airfield construction, maintenance, lighting, and use;
- (2) Section B — Examination of aviation personnel, aviation medical service, and licenses;

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- (3) Section C — Inspection aviation matériel, airworthiness certificates;
- (4) Section D — Testing of aviation matériel;
- (5) Under Sections C and D above comes the National Aeronautical Laboratory;
- (6) Civil Flying School.
- (c) Airways Control Division.
 - (1) Section A — Organization (preparation for international conferences, general organizations);
 - (2) Section B — Plans;
 - (3) Section C — Training;
 - (4) Section D — Purchases and projects;
 - (5) Section E — Communications;
 - (6) Section F — Radio aid to navigation;
 - (7) Section G — Production and development;
 - (8) Internal Service — General traffic control for the Netherlands, head office at Schiphol.
- (d) Legal Affairs and Aviation Policy Division.
 - (1) Section A — Political matters;
 - (2) Section B — Economic and judicial.
- (e) Administrative Division.
 - (1) Section A — Records;
 - (2) Section B — Personnel;
 - (3) Section C — Accountant.

The RLVD was brought into existence by an administrative action (Royal Decree) upon a decision of the Council of Ministers and was placed under the Ministry of Transport. Governmental problems in formulating, supervising, and administering civil air policy and programs have continued to be simple enough to allow for one government agency to deal with all matters. The Netherlands Aeronautical Service (RLVD) underwent minor internal changes until 1945. At that time, the Service was greatly expanded and reorganized (by an administrative Royal Decree) to cope with postwar developments in international aviation (particularly the Provisional International Civil Aviation organization after the Chicago conference of December 1944) and to keep step with KLM expansion as a world-wide air carrier. Since 1945 the only revisions in the organization of the service of any importance have been the addition of sections to deal with the National Aeronautical Laboratory, the National Flying School, and the Royal Meteorological Institute.

3. (a) Aviation interests, i.e. KLM, work very closely with the RLVD and consider the agency to be fulfilling a useful function in the public interest and with a degree of efficiency.

(b) These regulations are considered somewhat out of date and are in the process of revision, with the view of bringing them up to date and of making them conform to standards established by ICAO in the interests of international uniformity. The Netherlands Aeronautical Service relies on KLM's own inspections but makes occasional inspections to insure enforcement.

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- (c) It is believed that regulations are enforced impartially.
- 4. (a) Regulations and procedures are published by RLVD, but specific regulations are not available.
 - (b) See 3 (b).
 - (c) There are no established penalties.
- 5. (a) Regulations issued by RLVD. Details are not known.
 - (b) The military operates most airports; others are operated by the municipality under supervision by the RLVD.
 - (c) Aviation communication procedures are designed to conform with standards established by ICAO.
 - (d) RLVD or military authorities.
- 6. (a) Airport clearance forms.
 - (b) KLM rate schedules and financial statements.
 - (c) Periodic reports from laboratories — no special forms at present but National Advisory Committee for Civil Aeronautics (NACA) forms are to be adopted.
 - (d) School certificates and air crew log books.
 - (e) Pilots and air crew members are examined physically once every six months for general health and fitness (similar to US Air Forces Medical Form 63, but not as exacting as Medical Form 64 for US pilots).
 - (f) The government requires no special forms; KLM maintains extensive personnel files.
 - (g) The Netherlands Government requires:
 - (1) In accordance with ICAO standards and procedures, the filing of flight plans, the reporting of departures, arrivals, and positions and, in certain circumstances, of meteorological observations;
 - (2) The presence on board of the documents specified in Art. 29 of the Convention on International Civil Aviation (Chicago 1944).
 - (h) The Netherlands Government requires the testing and inspection of aircraft and aircraft equipment required for airworthiness certificates and radio station licenses.
 - (i) No special forms; accidents are investigated by RLVD according to ICAO procedures and requirements. Reports are submitted to RLVD, where they are studied by the interested sections of the agency.

C. PROCEDURES AND REGULATIONS.

- 1. (a) RLVD.
 - (b) There is only one carrier.
 - (c) None other than those required by conformity to ICAO standards.
 - (d) KLM works very closely with the government.
 - (e) Both, primarily KLM. The government might require KLM to operate an uneconomical route for political purposes.
 - (f) There is only one carrier which may initiate new routes.
 - (g) No, as applies to Dutch carriers. Yes, as applies to foreign carriers where the Netherlands is in a position to grant such permission.

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- (h) Unknown.
- 2. (a) Proposed by carrier, approved by government.
- (b) Primarily competitive.
- (d) It is believed that no discriminatory rates are permitted.
- 3. (a) RLVD issues rules and regulations concerning safety by ministerial order, and enforces the rules and regulations by inspections.
- (b) Competitive forms of transportation respect the work of the agency but certain shipping companies are inclined to disagree with the policy of a single commercial air carrier, chiefly, because they would like to enter the air transport business themselves.
- (c) There is no information available to imply that the political parties have any complaint against the agency.
- (d) The armed forces are believed to consider that it would be more efficient and more in the public interest to combine civil air administration with the military.
- (e) Same as (c) above.
- 4. If there is any duplication or overlapping within the RLVD, it is of minor extent. As all phases of civil air administration are located in one agency with a Director General who in turn operates with all of the transport department heads under the Minister of Transport, conflicts can be resolved by a higher authority and coordination is achieved.
- 5. Efforts have been made to set up a separate Ministry for Air to coordinate all air matters, civil, naval, military, and commercial, but there is no indication that this will be done. RLVD objects to such proposals partially for fear it would be subordinated to the military.

D. GENERAL EVALUATION.

- 1. The government's air organization, policies, rules, and procedures are generally considered to be sound and well administered. The only marked differences of opinion concern the policy of using a single flag carrier which is objected to by shipping companies which would like to enter the air transport field. The majority opinion approves the present policy because of its success in the past and the economic and operational difficulties to be encountered in establishing new air carriers.
- 2. The strength of the Netherlands' civil aviation lies in the transportation and air-mindedness of the country, its excellent leadership and good operating record, its strong government backing, its liberal, progressive policies, and its possession of a good international airport (Schiphol) occupying a central location in Western Europe. The weakness of the Netherlands' civil aviation program is due to lack of foreign exchange, aircraft manufacturing facilities, and building materials, conditions for which the country is not responsible and which may be expected to improve. There is weakness compared to some other countries in the lack of important internal air transport because of the small size of the country, which in turn does not give the Netherlands a strong bargaining position in international negotiations over the exchange of routes; there is also weakness in the small area of the country in that an active internal air service is not required and thus there is no domestic market for air transportation.

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SWEDEN

A. CIVIL AIR POLICIES.

1. Sweden's basic policy with regard to civil aviation is to "fly everywhere." The impelling motives for this policy are to promote commerce and to maintain national prestige. Because Sweden is a small country having limited resources, it has cooperated with Norway and Denmark in forming Scandinavian Airlines System in order that the equipment, personnel, and facilities of the three countries may be pooled to further their mutual civil aviation interests. Negotiations at a government and intercompany level are now going on to enable AB. Aerotransport (ABA) to fly to certain Balkan countries on a reciprocal basis.

The government naturally desires that Swedish air lines operate as far and as frequently as is economically possible. Civil aviation in Sweden, however, cannot be considered an indispensable instrument of national policy for the reasons that the country has no outlying territories with which it must maintain contact, has a sizable merchant marine for trade purposes, and has land and sea connections with the Scandinavian countries with which it is most closely associated geographically and culturally.

After the merger of the Swedish air transport companies, ABA and SILA, the government may determine civil aviation policy with respect to scheduled air carriers to a greater degree than formerly, but the company's working committee, of which the chairman will be elected by the private stockholders, will actually direct policy. Up to the present, Swedish air lines have flown without hindrance or pressure from the State wherever foreign politics, available equipment, and air-line economy have permitted.

2. (a) & (b) The Swedish Government promotes the development and expansion of scheduled and nonscheduled air transport by making air agreements with foreign governments, by protecting the interests of Swedish companies in other countries, and by granting loans from the Aviation Loan Fund for the purchase of aircraft.

(c) The government does not concern itself with private flying except to regulate it for safety reasons under the CAB (the Board of Civil Aviation).

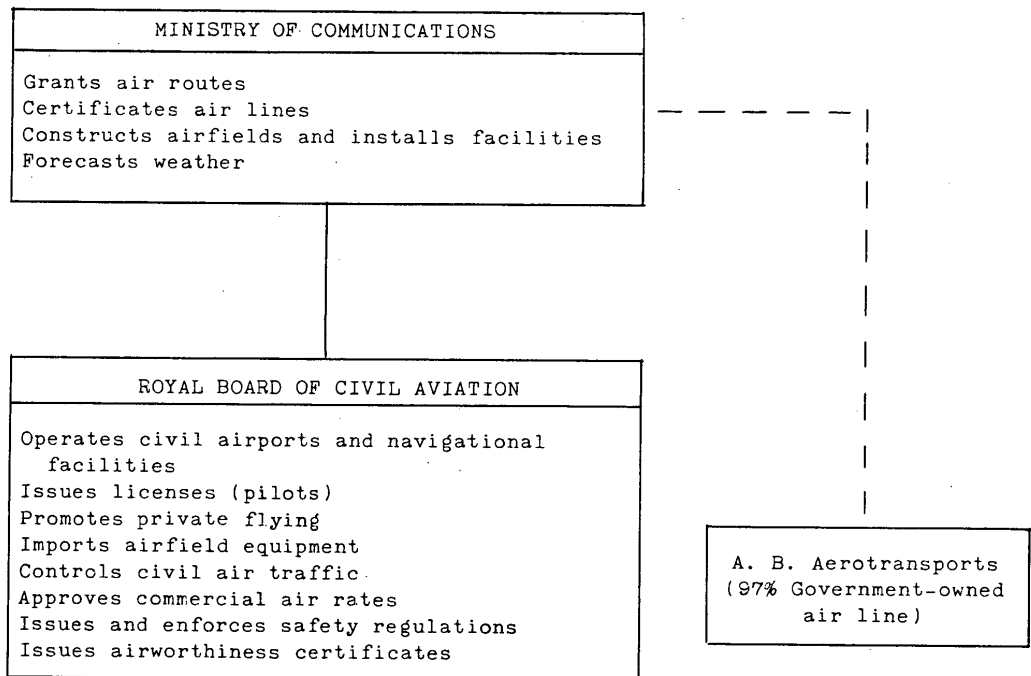
(d) The government does not manufacture aircraft, but military planes are manufactured in Sweden under government contracts. ABA, 97% government-owned, has ordered a number of commercial plants from *Svenska Aeroplan AB. (SAAB)*, Sweden's only aircraft factory.

(e) Aeronautical research is carried on by the Aeronautical Engineering Research Institute (*Flygtekniska Forsöksanstalten*).

(g) The government is not concerned with the training of pilots except by the Swedish Air Force. The technical universities of Stockholm and Göteborg, as well as technical schools which are run by the state, give courses in aeronautical engineering.

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**CIVIL AIR POLICY
SWEDEN**



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(h) The government does not directly export or import aeronautical equipment although ABA, the government-owned air line, imports the equipment it needs and the Board of Civil Aviation imports airfield equipment. Sixteen obsolete Swedish B-17 two-seater light bombers were recently exported to Ethiopia by the Air Force.

(i) & (j) Airports and air navigation facilities are operated by the government through the Board of Civil Aviation.

3. (a) The question of ownership of air carriers in Sweden has recently been subjected to an investigating committee of the Riksdag which has not yet officially announced its decision. The Embassy has learned, however, that a merger of ABA, which is 97% government-owned, and SILA, which is owned by private interests, has been proposed. Fifty percent of the stock of the merged company, which will be known as ABA, will be held by the government and 50% by private interests. The chairman of the board will be elected by government shareholders. Seven members of the board will be elected by the government and seven by private interests. There will also be an operations committee of which the chairman will be elected by private interests, two members of the committee by government shareholders, and two members by private shareholders. This does not clearly indicate whether government ownership or private ownership is favored as the above-inscribed compromise has resulted from much discussion and investigation of the problem.

Foreigners are not allowed to own controlling or minor interests in Swedish aviation companies.

(b) The aircraft manufacturing industry in Sweden is privately owned.

(c) The government's policy regarding competition among national carriers is theoretically one of free competition, but ABA has practically a monopoly on flying regular routes within Sweden.

(d) The government protects national air lines against competition with foreign carriers through the principle of reciprocity.

(e) There is no subsidization of air carriers and aircraft manufacturing. Subsidies are sometimes granted to private flying clubs for gliding purposes.

(f) The development of transport aircraft is left to private initiative and is carried on only by *Svenska Aeroplan AB*. (SAAB).

(g) Foreign transport aircraft are used exclusively by Swedish air lines.

(h) Sweden participates actively in international aviation organizations such as ICAO and IATA.

Although Swedish air lines operate abroad on bilateral air agreements, multilateral air agreements are favored.

4. Civil aviation in Sweden is not influenced by military air requirements but is regarded as a commercial activity of economic and political value. The armed forces do not control Swedish civil aviation. In time of war, civil aviation pilots and personnel would undoubtedly be used as a reinforcement of the military air potential.

Civil air transport is not regarded as a justification for the maintenance of a manufacturing industry since foreign aircraft are used exclusively and airplane manufacturing in Sweden is primarily military.

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5. Swedish civil air policies are not dominated by any foreign power. Sweden is, however, associated with Norway and Denmark in forming Scandinavian Airlines System, a company in which the personnel and equipment of *Svensk Interkontinental Lufttrafik AB.* only (SILA, Swedish Intercontinental Air Lines, Inc.), *Det Danske Luftfartselskab* (DDL, The Danish Air Lines), and *Det Norske Luftfartselskab* (DNL, The Norwegian Air Lines) are pooled to operate air lines to North and South America. Sweden is a member of IATA and ICAO. Although Sweden's civil air policy is not related to, or influenced by the US, Sweden closely follows aviation developments in the US and endeavor to profit by American experience and methods.

6. Sweden's national income in 1946 was estimated to be approximately Sw.cr. 19,617,000,000 (Sw.cr. 3.6 equal \$1.00). The 1947/1948 national budget is Sw.cr. 4,174,873,200. The budget for the national defense amounts to Sw.cr. 798,646,400, of which Sw.cr. 251,990,000 is the military Air Force budget and Sw.cr. 1,225,000 the Air Force Administration budget.

Following agencies receive the amounts specified from the government:

<i>The Ministry of Communications:</i>	<i>Sw.cr.</i>
For the subscription of new shares in AB. Aerotransport	14,055,200
For investment in the Aviation Loan Fund	17,000,000
For acquisition of grounds for airports	700,000
For airport construction	12,620,000
For hangars and administration buildings	1,300,000
For radio beacons	2,000,000
For lighting installations	175,000
For vehicles, machines, and tools	300,000
Civil aviation emergency allocation	1,000,000
To the Swedish Meteorological and Hydrographical Institute:	
For investigations related to aviation weather forecasting service (tentative appropriation)	629,000
Subsidy to a weather reporting station in the North Atlantic (tentative appropriation)	900,000
Extra inspection of aircraft, etc. (tentative appropriation)	15,000
<i>The Ministry of Defense:</i>	
Subsidy to private flying (included in Air Force budget) (appropriation with reservation)	390,000
<i>The Ministry of Ecclesiastics:</i>	
Aeronautical Medical Research	181,600
Technical Universities of Stockholm and Göteborg (including aeronautical engineering education)	9,655,200
Technical schools	4,127,000

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Contribution for the establishment of special sections for flight engineers at trade schools (tentative appropriation)	100
Subsidy to the school for flight engineers at Mölndal (tentative appropriation)	215,000
<i>The Ministry of Commerce:</i>	
Aeronautical Engineering Research Institute	818,400

7. No vested interests exert influence on Swedish civil air policy.

8. The government sponsors and subsidizes aeronautical education, insofar as it operates the technical universities of Stockholm and Göteborg as well as technical schools at which aeronautical engineering education is obtainable. The number of students is left to the initiative of the students themselves, with the exception of Air Force personnel. In needy and worth-while cases government support can be obtained by students.

Sw.cr. 215,000 is appropriated by the government for the training of flight engineers at a special school at Mölndal.

9. The government operates its own aeronautical research and development facilities but does not subsidize private organizations. Sw.cr. 818,400 is appropriated to the Aeronautical Engineering Research Institute and Sw.cr. 181,600 for aeronautical medical research. Appropriations are increasing. Aerodynamics and tenacity are given the greatest emphasis. *Svenska Aeroplan AB*. (SAAB, the Swedish Aircraft Company, Inc.) conducts its own aeronautical research but uses the wind tunnel of the Aeronautical Engineering Research Institute. The Institute primarily conducts research on military problems but occasionally gives advice to commercial air lines on special problems.

10. The development of new types of military aircraft and equipment is financed by the government through the Aeronautical Engineering Research Institute.

B. CIVIL AIR ORGANIZATIONS.

1. The following agencies are concerned with civil aviation:

Government agencies:

- Swedish Meteorological and Hydrographical Institute
- Ministry of Foreign Affairs
- Ministry of Communications
- Royal Board of Civil Aviation
- Ordnance Survey Department
- Royal Telegraph Service
- Royal Post Office Department
- Custom House
- Air Force
- Aeronautical Engineering Research Institute
- Aeronautical Medical Research Board

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Technical University of Stockholm
Technical University of Göteborg
Technical Institutes
Stockholm Technical Institute
School for Flight Engineers at Mölndal
AB. Aerotransport

Private agencies:

Svensk Interkontinental Lufttrafik AB. (SILA, Swedish Intercontinental Air Lines, Inc.) (Scandinavian Airlines System /SAS/)

Nonscheduled Air Transport Companies:

Skandinaviska Aero AB. (Scandinavian Airways, Ltd.)
AB. Norrlandsflyg (The Norrland Air Service, Inc.)
Svensk Flygtjänst AB. (Swedish Air Service, Inc.)
AB. Trafik-, Turist-, Transportflyg
AB. Nordisk Aerotjänst (The Nordic Aero Service, Inc.)
AB. Aero Service
AB. Ahrenbergsflyg
AB. Smålandsflyg
AB. Skåneflyg
AB. Värmlandsflyg
Aerotoxin AB.

Manufacturers and Suppliers of Aircraft and Aircraft Material:

Svenska Aeroplan AB. (Swedish Aircraft Company, Inc.)
Svenska Flygmotor AB. (Swedish Aircraft Engine Company, Inc.)
Kockums Mekaniska Verkstads AB. (Kockum Mechanical Workshop, Inc.)
AB. Nordiska Armaturfabrikerna
AB. Aero-Behör
Aero Material AB.
AB. Flygleveranser
The Royal Swedish Aero Club and associated aero clubs all over the country
About 30 flying schools

2. The Royal Board of Civil Aviation was established in 1945 under the Ministry of Communications. Previously, matters regarding civil aviation were handled by a section of the Highway and Waterway Board (*Kungliga Väg- och Vattenbyggnadsstyrelsen*). At present the Board of Civil Aviation is organized as follows:

ROYAL BOARD OF CIVIL AVIATION

Inspection Division:

Operations Standards and Accident Investigation
Airworthiness Section
Personnel Licensing Section
Medical Section

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Division for Ground Organization:

Administrative Section
Electrotechnical Section
Radio Section
Planning Section

Air Traffic Division:

Air Traffic Navigation Section
Air Traffic Control Section

General Administrative Division:

Organization and Budget Section
External Relations Section
Legal Section
Statistical and Economic Section
Accounting Section

Airport Administrations:

Stockholm - Bromma
Malmö - Bulltofta
Göteborg - Torslanda
Norrköping - Kungsängen

C. PROCEDURES AND REGULATIONS.

1. *Air Routes.*

(a) The Ministry of Communications grants permission to air lines to operate the air routes which they desire.

(b) Economic conditions and the standing of the company concerned determine the granting of a concession to operate a route to a particular carrier. In the case of *Svenska Lloyd*, which desired to operate the route between Göteborg and London, the government refused permission for the alleged reasons that the company was not equipped to handle such traffic, that ABA was already flying the route, and that the traffic did not warrant the granting of a concession to another Swedish company. In this case, the Board of Civil Aviation had recommended to the government that the concession to *Svenska Lloyd* be granted.

(d) Carriers are not forced to fly any given route, but they are sometimes denied the privilege of flying routes they wish to operate. All carriers are entitled to apply for any proposed new route. There is, however, an agreement between ABA and SILA that the former will fly internal and European routes whereas the latter will fly intercontinental routes.

(h) A carrier's certificate could be revoked for failure to comply with CAB regulations, but such a case has not occurred.

2. *Rates.*

(a) Rates are fixed by the carrier subject to the approval of the government.

(b) Internal rates are based upon Swedish second-class railroad fares, plus charges for sleeping accommodations.

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(c) Applications regarding changes of rates are submitted to the Board of Civil Aviation.

(d) In principal, no discrimination is permitted among carriers. Government officials and company employees are sometimes permitted to fly free of charge or at a reduced rate.

3. *Safety.*

Rules and regulations concerning safety are issued and enforced by the Board of Civil Aviation. National regulations are not completed, and those in effect are complemented by international regulations. Safety regulations are enforced impartially.

4. *Inspection.*

Regulations and procedures governing the inspection of equipment, personnel, and accidents are in accordance with ICAO principles. These regulations are revised from time to time. They are enforced by the Board of Civil Aviation. Penalties for failure to obey regulations conform to international practice.

5. *Airports and Communications.*

(a) & (b) Regulations governing the use of airports are those issued by the Board of Civil Aviation effective from 1 August 1947 to 30 June 1948. Airports are operated by the Board of Civil Aviation.

(c) & (d) ICAO procedures are followed with regard to civil aviation communications. Civil air communications systems are operated by the telegraph service and by the Board of Civil Aviation.

6. *Reports and Forms.*

The Board of Civil Aviation requires carriers to submit traffic reports, operations reports, and disturbance-of-operations reports. All carriers must submit annual reports on operations. Monthly reports of a general character are required from the carriers. Special reports were required in 1946 in order to fix rates.

The government does not require periodical reports on research activities and technical developments.

Commercial pilots are subjected to medical examination prior to every flight.

Aircraft flight operations are controlled by the Traffic Management and the Air Traffic Inspection Division of the Board of Civil Aviation. Aircraft inspections are of two types, aircraft type examinations and supplementary examinations.

Accident investigation committees are appointed to investigate every accident and a report is submitted to the Board of Civil Aviation.

D. GENERAL EVALUATION.

1. The Royal Board of Civil Aviation is generally considered to be honestly and sincerely administered and maintains standards as high as, if not higher than, the US in regard to safety. Shortage of personnel and lack of experience handicap the administration of the Board.

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There has been considerable discussion in Sweden on the question of government ownership of air carriers, and the proposed merger of ABA and SILA is an attempt to compromise on this problem which has confronted many other countries.

In general, the Swedish Government's civil air organizations and policies are well adapted to the requirements of the country's commerce.

2. A point of strength in Swedish civil aviation is the cooperation with Norway and Denmark. This enables Swedish air carriers to operate, in conjunction with Norwegian and Danish carriers, greater distances with greater capacity and frequency.

A point of weakness in Swedish civil aviation is the dependence on foreign aircraft which in view of Sweden's dollar shortage, may seriously limit Sweden's ability to purchase planes. Another point of weakness is the lack of trained pilots and flight personnel, which requires SAS to employ approximately thirty American citizens and some British subjects to operate and maintain aircraft.

Swedish civil aviation is at a further disadvantage in that Bromma, Sweden's principal airport, will probably not be able to receive DC-6's and Boeing Stratocruisers if fully loaded. The construction of an airport which will be much superior to Bromma has been started at Halmsjön, but it is not expected that this airport will be completed within five years.

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CANADA

A. CIVIL AIR POLICIES.

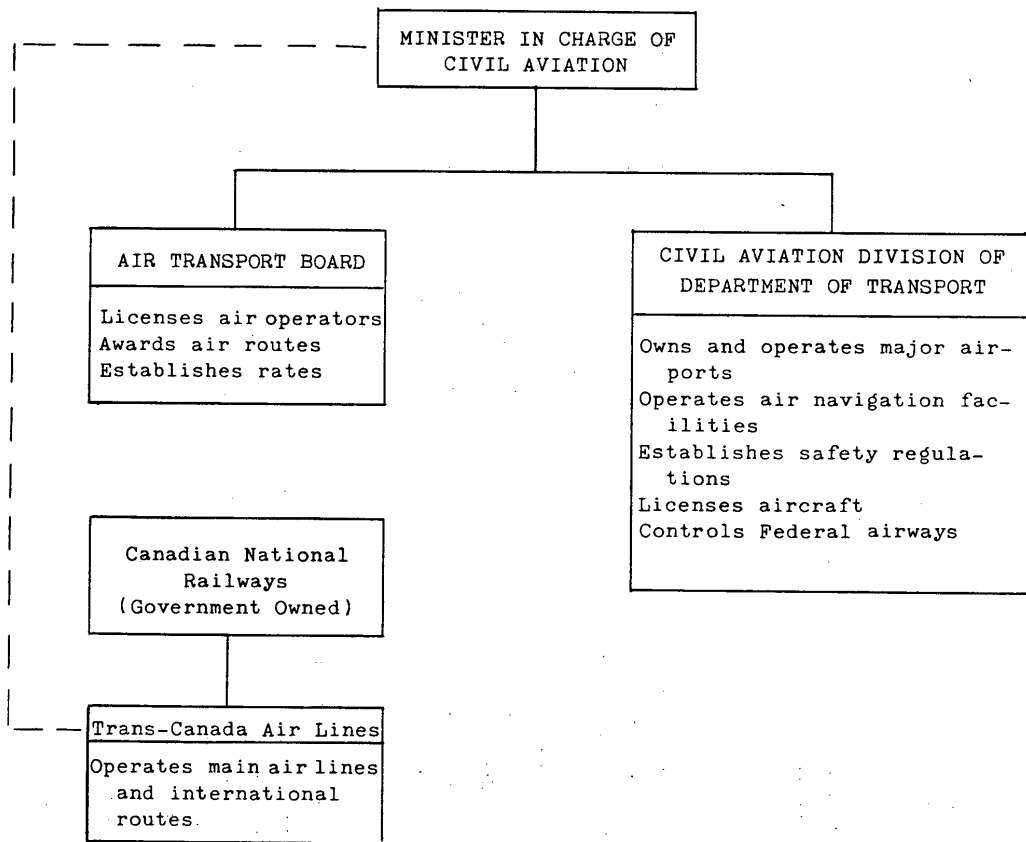
1. The basic policy of the Canadian Government is to develop aviation in Canada, for economic, political, and military reasons. Civil aviation, which cannot be wholly divorced from the military, is regarded as an instrument of national policy, particularly since the government owns and controls Trans-Canada Air Lines which operates all main-line services within Canada as well as all international routes. The state determines all major policy with respect to the chosen instrument. It is emphasized, however, that the corporation is run as a private enterprise, and that the personnel are not civil servants.

2. (a) Scheduled air transport is divided between the government's chosen instrument on the one hand, and the privately owned Canadian Pacific Air Lines, a subsidiary of the Canadian Pacific Railway System, on the other. There are other privately owned scheduled air-transport enterprises, but they are all so small as to be of no particular consequence. From the purely civil point of view, the government completely controls the development and expansion of this type of enterprise. This is done by means of several acts of Parliament, notably the Trans-Canada Air Lines Act of 1937, as amended, and the Aeronautics Act of 1927, as amended. The reasons for government promotion and control are not only Canada's great size and small population, but also the desire to eliminate in air transportation the wasteful duplication experienced by the two transcontinental railroads. Canada feels that her resources and requirements are not sufficient to support open competition in this field.

(b) There have been perhaps more nonscheduled air transport operations in Canada, over a period of years, than anywhere else in the world. To a large extent, Canada is a "natural" for nonscheduled operators because of the fact that there are many small communities which lie north of the main-line rail, air, and highway systems and which are almost inaccessible except through the medium of air transport. These small communities cannot support scheduled operations and, when large-scale prospecting activities are added, the market for nonscheduled air services expands considerably. The Canadian Government is anxious to see these services continue and, since the creation of the Air Transport Board in 1944, there has been a serious attempt at regulation and control not only to prevent the market from being glutted, but to stabilize the industry and prevent uneconomical price cutting. During the past two years, over 200 licenses have been granted to nonscheduled fixed-base operators whose combined activities extend across the Dominion. The board has about reached the point now where it believes that a moratorium on licensing for a period of six months or a year would be very beneficial in that it would permit the government to study and evaluate what has so far taken place. Under Air Transport Board regulations the nonscheduled operators are required to submit periodic reports of their activities to the Air Transport Board. The Canadian Government does not subsidize any of these carriers. However,

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**CIVIL AIR POLICY
CANADA**



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the government is anxious that their activities continue because it realizes that without them any real development of the north country will be retarded by many years because of lack of adequate transportation.

(c) Many people believe that the Government of Canada looks upon private flying as the stepchild of aviation, and to a certain extent, this may be true. Much of Canada's private flying takes place within the Royal Canadian Flying Clubs Association, which is Dominion-wide in scope and now has approximately 50 clubs in the organization owning perhaps 200 to 300 small aircraft, and with a membership of over 6,000 individuals. The association is chartered by the Dominion Government. The government pays the association a direct subsidy of \$5,000 per year and also aids the clubs in various other ways. For example, it turned over to them approximately 200 Tiger Moths at the end of the war, for which the clubs paid approximately \$250 per unit. In addition, where ground facilities exist, these have in many cases been turned over to the clubs to use at the nominal fee of \$1.00 a year for hangar and other installations. On the other hand, the government appears to have no program for the expansion of small landing fields which in itself would greatly stimulate private flying. Last year the Air Cadet League, which is a semicivilian arm of the Royal Canadian Air Force, and which supplies approximately one-third of the annual enlistments to the Air Force, undertook a program of preliminary flying instruction for selected cadets. This instruction has been turned over to the flying clubs and they receive payment for their services. The Canadian Government certainly does not wish to have the flying club organization disbanded because it found during the war that the association was extremely valuable in providing flight training for the Air Force.

(d) The Canadian aircraft manufacturing industry may be divided into three phases: (1) large transports and military types; (2) small transport; and (3) private aircraft. Canadian Government policy covers only the first category; the other two are allowed to develop as private enterprises and without government support or assistance, and are controlled only by the economic laws of supply and demand.

Before the close of World War II the Canadian Government, which had been forced to develop certain wartime aircraft manufacturing facilities of its own, came to an important decision. It is believed that the official thinking went somewhat along these lines: When war broke out in 1939 we had no aircraft manufacturing industry of our own and were forced to rely on the US and the UK for our aircraft. This, in many respects, was an unsatisfactory arrangement. We do not wish to be caught in this position again; hence, we must have a manufacturing industry of our own. We have plant facilities now, but we realize that our market will be small and our resources limited, and that these plants will be extremely costly for us to maintain. Therefore, let us encourage manufacturers from the UK and the US to take over and run these plants for us on a peacetime basis.

Something like this must have happened because it is known that at least a part of this reasoning is correct, and the balance may be presumed in the light of what has since taken place. Late in 1945 the Canadian Government made an arrangement with A. V. Roe of the UK whereby that firm would take over and operate the aircraft manufacturing plant at Malton Airport, just outside Toronto. The Cana-

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dian Government rented the plant to Avro on the basis that if the company made a profit, 50% of that profit would be paid to the Canadian Government for rental; if there were no profit, no rent would be paid. This was followed up by the government placing orders for a new type of turbo-jet fighter, and the company, with government encouragement, is also developing a turbo-jet transport which, if satisfactory, may be used by Trans-Canada Air Lines. It should be noted that Avro imported many technicians from the UK, which itself was interested in the dispersal of strategic industry, and that the program has resulted in the development of Canada's first aircraft engine manufacturing industry, namely, turbo-jets.

Late in 1946 the Canadian Government entered into a contract with the Electric Boat Company of New York, whereby the latter acquired the inventory, work-in-process, and existing orders of the Canadair plant outside of Montreal. This firm was engaged in building the DC-4M1 and DC-4M2, under license from the Douglas Aircraft Company of Santa Monica, California. The RCAF had placed orders for 24 DC-4M1's, and TCA for 20 DC-4M2's which is a pressurized aircraft. All are powered with Rolls Royce Merlin 620 in-line engines. Both of these orders will be completed early in 1948. So far as is known, the Electric Boat Company pays no rental for either the plant or the equipment, although it does hold an option to purchase them. Briefly, the foregoing is the extent of Canada's aircraft manufacturing industry with respect to which the government has any policy whatsoever.

(e) The National Research Council, with headquarters in Ottawa, has an aircraft and radio branch which engages in aviation research and development.

The Canadian Government, having placed orders for RCAF fighters with Avro, is stimulating research and development in the turbo-jet fields, as outlined in the preceding paragraph.

(f) So far as is known, the University of Toronto is the only institution in Canada offering courses in aeronautical engineering, and these may not be complete. Other institutions may offer similar courses, but if so, they must be very limited. It is believed that most Canadian youth seeking aeronautical engineering training attend colleges, universities, and private schools in the US. Naturally, the Royal Canadian Air Force trains personnel in this field. There is, therefore, no government promotional program in the field of education.

(g) While there is no broad over-all program for the training of pilots and other technicians, aside from the RCAF, there are two active groups who play an important role in this field. The Royal Canadian Flying Clubs Association offers flight instruction to all its members as almost a purely civilian enterprise. Reference has already been made in paragraph (c) above to the Air Cadet League, which has a membership limited to 15,000, and which supplies approximately a third of the annual enlistments to the RCAF. During the last year not more than 100 air cadets were given flying instruction, but the League hopes to expand this number considerably during 1948. While there are no direct grants to foreigners, the Air Cadet League has embarked on a summer program of exchanging certain cadets with the UK, and the League is anxious to enter into similar arrangements with other commonwealth coun-

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tries, and with the US, provided comparable organizations can be found. Preliminary investigations are now being made with this end in view.

Aside from these two organizations, there is an indeterminate number of privately owned flying schools which are not affiliated with the Royal Canadian Flying Clubs Association. There is also a number of small schools, privately owned, which train technicians in other branches of aviation.

(h) Apart from the sale of war surplus aircraft, there has so far been little or no export of Canadian aeronautical equipment for civilian purposes. There is no question but that the Canadian manufacturers, such as Canadair, De Havilland, and Canadian Car and Foundry, are anxious to find markets abroad for such aircraft as the DC-4M2, the Chipmunk and the Beaver, and the Norseman, respectively, but so far without much success due primarily to exchange restrictions. However, these are regarded as private business enterprises and are not subject to government interference except insofar as they reflect the Canadian general desire for an export market.

The government may be said to restrict the importation of foreign aircraft through the existing tariff. This may be considered discriminatory in that the UK enjoys special advantages for its products imported to Canada due to Empire preference arrangements. There is a great deal of sentiment in Canada, both among aircraft manufacturers and air transport operators, for a reduction of this tariff on US aircraft and engines. The operators complain bitterly about it and have made their views known to the Canadian Government. There is as yet no indication that any change will take place. It is interesting to note, however, that of the thousand civil aircraft registered in Canada as of the end of 1946, American aircraft accounted for 39% of the total, which included all of the large transports, as well as many medium transport and private aircraft types. Canadian types, such as the Norseman, Piper Cub, and Fleet, accounted for 33% of the total, while British aircraft, mostly Tiger Moths, made up the balance.

(i) All the major airports in Canada, with the single exception of the one at Edmonton, are owned and operated by the Department of Transport. The Canadian Government has a policy only with regard to main-line airports excepting, of course, installations which are necessary principally to the RCAF. With the curtailment of the budget following the war, the funds available for airport construction have been cut to a minimum. All of these funds have been earmarked for improvements and extension to main-line airports — in other words, those which benefit Trans-Canada Air Lines principally, and foreign carriers secondarily. The Dominion Government has been endeavoring to turn over the airports to the municipalities and has offered to do so at the nominal fee of \$1.00. In addition, it has offered grants of 5c per square foot of runway for snow removal, plus offering to make funds available for airport expansion. Aside from Edmonton, none of the municipalities has yet taken advantage of the government's offer.

There is one exception to the above-mentioned governmental program: the Department of Transport has been engaged for the past two or three years in building a large airport at Yellowknife, on the north shore of Great Slave Lake, Northwest

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Territory. This is intended for use as a basing point for the many operators of non-scheduled services who cater to the needs of miners, prospectors, and trappers.

Almost all other airport development is done either by local communities, or by Canadian Pacific Air Lines which has developed many landing areas of its own in the Canadian Northwest. It is believed that the Canadian Government will not have sufficient funds available in the foreseeable future to build many new airports, but that it will continue to confine its activities to an expansion and improvement of existing facilities, almost all of a main-line character.

The Canadian Government, through the Department of Transport, owns and operates all air navigation facilities in Canada. The reasons for this are largely those which prompt the Civil Aeronautics Administration to control the Federal airways in the US.

3. (a) The Canadian Government has two stated policies with regard to the ownership of air carriers. First, and as noted above, all main-line and international routes are to be operated by Trans-Canada Air Lines, a wholly owned subsidiary of Canadian National Railways, which in turn is owned by the Canadian Government. Secondly, the Canadian Government has stated that it desires to foster the development of other than main-line and international operations, through the medium of private enterprise.

The reasons for government ownership are due primarily to the fact that risk capital was not available; the country needed a transcontinental air-line system; Canadian Pacific Railway and other private capital were not willing to share in the development with the Canadian National Railways and hence, in 1937, the government decided to go the whole way in ownership and control. There is perhaps another reason, namely, the transcontinental line could not be self-sufficient for a number of years to come and, since this meant a subsidy, the government decided to take full responsibility and control. Foreigners are not permitted to own controlling interest in Canadian air transport enterprises. In this connection, it should be noted that Canadian Pacific Air Lines is wholly owned by Canadian Pacific Railway, which in turn is 60% owned by UK investors, with US citizens owning 27%, Canadians 9%, and the balance widely distributed. Since control rests with the UK, whose citizens are not regarded as foreigners, there is no problem. However, before licenses are granted by the Air Transport Board to foreigners, it insists on a complete disclosure of the ownership setup.

(b) The ownership of the aircraft manufacturing industry has been discussed under paragraph 2 (d) above. Manufacturers of small and medium aircraft are all privately owned.

(c) There is no competition between Canadian-scheduled air carriers, nor is this permitted by the Air Transport Board. There have been a number of instances in the past where Canadian Pacific Air Lines has ceased operating over routes after they were declared a Trans-Canada Air Lines "main-line" operation.

The Air Transport Board has licensed numbers of nonscheduled operators, many of whom base at a common point. However, they are not permitted to operate between two points on a scheduled route. The Board now desires to study the effects

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of the licenses granted, and will naturally examine the question of competition among operators based at a common point.

(d) Canada does not permit foreign air carriers to indulge in cabotage traffic within the Dominion. In addition, the Canadian Government has so far not entered into any Fifth Freedom agreements, largely to protect its own carriers by reserving Canadian traffic for them. For example, the Peruvian Government has been anxious to conclude a Fifth Freedom agreement with Canada whereby Peruvian International Airways would be able to operate into Montreal on its route from Lima via Panama, Cuba, and New York City. The Canadian Government has indicated its willingness to conclude a Fourth Freedom agreement with Peru, but, since the Canadians themselves are anxious to obtain the Montreal-New York route for TCA, they are not willing to discuss a Fifth Freedom arrangement with the Peruvians.

(e) The Canadian Government does not admit that it subsidizes its air carriers, except in one minor instance. That exception (M & C Aviation Company) is a very small scheduled operator in Saskatchewan, for which Parliament, during the last few years, has voted a \$12,000 annual subsidy. That company has since been absorbed by the Saskatchewan Government Airways, owned by the government of that Province. The subsidy will probably be discontinued after this fiscal year.

The Canadian Post Office Department, contrary to American practice, has succeeded to a large extent in freeing itself from being used as a vehicle for subsidy payment. Last year the Post Office entered into contracts with the carriers by which it agreed to pay one and one-half mills per pound-mile, on a decreasing yearly scale, for the transportation of mail. Although this rate is some four or five times higher than that paid in the US for similar services, it is nevertheless not regarded as a subsidy because postal revenues exceed the payments. However, the Post Office has been forced, in a number of instances, to revert to the old system of payments per mile for a guaranteed minimum. One or two of the routes of Maritime Central Airways, and at least one route operated by Canadian Pacific, are paid for at the rate of 50c per mile flown with a guaranteed minimum. The two large Canadian air carriers are in a very favorable position, however, in that they each have parent companies who absorb their losses. In the case of Trans-Canada Air Lines the operating losses are made good by the Canadian Government, while Canadian Pacific Airways, by means of unsecured loans to Canadian Pacific Air Lines, absorbs any loss its subsidiary may have.

The only subsidization of aircraft manufacturers which occurs in Canada is discussed under paragraph 2 (d).

The extent to which the Canadian Government subsidizes airport construction is discussed in paragraph 2 (i).

Such subsidization of education and training as is done in Canada was discussed under paragraph 2 (c) and (g).

(f) The development of transport aircraft in Canada must be divided into two categories, namely, large transports and small, or "bush" transports. Canadian Government policy, and the reasons therefor, is outlined in paragraph 2 (d).

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(g) Until mid-1946 all large transports used in Canada were imported directly from the US. This statement should be qualified with the observation that all DC-3's currently in operation in Canada were war surplus C-47 aircraft which were converted in Canadian plants, and mostly by Canadair of Montreal.

Medium-sized and small transport types, which are used largely in "bush" flying, are generally of Canadian manufacture, although some American types are being used. Of the Canadian product, most are Norseman, although recently both De Havilland and Fairchild have produced their own small transports, namely, the Beaver (which is just now coming into production and is a 4-5 place aircraft), and the Husky, which is a somewhat larger and more versatile machine, although considered to be underpowered. There are some converted Avro-Ansons and a few De Havilland Dragon Rapides in service. The Canadian Government has no particular policy with regard to the use of foreign aircraft except that since the war ended, its general policy has been to prohibit the importation of second-hand aircraft in excess of 6,000 lbs. The current shortage of dollars, of course, acts as a deterrent but the tariff, generally speaking, does not.

(h) Although Canada has bilateral air transport agreements with the US, the UK, Australia, New Zealand, Ireland, Newfoundland, Portugal, and Sweden, only American, British, and Australian air transport companies presently operate into the Dominion. The air carriers operating services into Canada are as follows: Northeast Airlines, Colonial Airlines, American Airlines, Northwest Airlines, Western Air Lines, United Air Lines, Pan American Airways, British Overseas Airways, and Australian National Airways, which is soon to become British Commonwealth Pacific Airlines.

All Canadian air transport agreements are bilateral in nature and cover Four Freedoms operations only. Canadian Government officials have indicated privately that Canada will conclude a limited number of Fifth Freedom arrangements, but only where this is to her advantage. Canada is not interested in exchanging Fifth Freedom rights on a multilateral basis.

Canada is the headquarters of the International Civil Aviation Organization and the International Air Transport Association, both of which have their main offices in Montreal. The Dominion Government has ratified the Chicago Air Navigation Convention. It is also a member of the loosely drawn Empire Air Conference which, in general, exchanges views on empire civil air problems but is without power of action.

4. Canadian civil air policy is influenced, to some extent, by military air requirements. Not only is civil air transportation of vital importance to any Canadian wartime economy, but the civil establishment is capable of providing a considerable number of trained personnel to meet wartime demands. That Trans-Canada Air Lines and the Royal Canadian Air Force should both order the same general type of four-engine transport is an indication of the integration of civil and military air policy. The fact, also, that the ground establishments and facilities of Trans-Canada Air Lines are in many instances former, or still existing, RCAF stations, is yet another indication of this

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integration. Naturally, the aircraft maintenance establishments of the civil air carriers are available to the RCAF in time of national emergency.

The military establishment does not, in a precise definition of the term, control civil aviation. The Canadian Government does not operate in that fashion, but all matters of national policy are determined by the Cabinet in the light of the over-all existing facilities and requirements of the nation.

5. It might be said that Canada has always attempted to work out her own civil air policies, but nevertheless these have been influenced considerably by the diverse developments which have taken place in the US and in the UK. In many respects, the example and success of the former has had a greater influence on Canadian developments than that of the latter. This is no more than natural in view of the proximity of Canada and the US and the fact that so many of her present air transport operators received much of their early training in the US. The relationships which exist between US and Canadian operators have always been close and cordial. Again, this is no more than natural in view of the many transborder routes which have been in operation for the past ten years or more. British carriers, of course, have not had the same advantage as their American colleagues. The British have never understood the Canadian civil aviation problem, whereas the Americans have had similar experiences and problems and, therefore, can meet Canadian requirements.

In addition, there has been very close and effective liaison between the various government departments handling aviation problems in the US and in Canada. As a matter of fact, the Canadian Air Transport Board, which was created in 1944, was patterned very closely after our Civil Aeronautics Board. The Civil Aviation Branch of the Department of Transport is a small counterpart of our Civil Aeronautics Administration. Despite these similarities, and despite the close relationships which exist in almost all fields, Canada has evolved her own methods of meeting her civil aviation problems. Actually, Canada cannot at present support more than one transcontinental operator and, in view of factors already cited, it is not surprising that this happens to be a government-owned chosen instrument. Similar instruments already exist in Canada's rail and ocean transport, so that air transportation conforms to a general pattern. Government ownership of transport facilities existed in Canada long before it was seriously contemplated in the mother country. While it does represent a degree of socialization, it is only moderately so, and was the most expeditious method of accomplishing a desired result. To state it briefly, Canada's civil air policies have, in recent years, followed a "middle-of-the-road" course between the complete free enterprise which exists in the US and the state socialism which presently exists in the UK. In most civil aviation conferences which have taken place since 1944, Canada has striven to reconcile the conflicting views which have generally existed between the US and the UK.

6. The Canadian national income for 1946 was approximately 9.5 billion dollars. The national budget for the fiscal year ending 31 March 1948 is approximately \$2,110,000,000. The total appropriation for national defense in Canada for the current year is about \$240,000,000, with the Air Force being allotted about \$60,000,000 of that sum. The total appropriation for civil aviation development for the current fiscal year is \$16,280,500.

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During 1946 scheduled air transport operators in Canada spent \$21,171,229. This was \$774,159 more than their income. The entire loss was attributed to Trans-Canada Air Lines and was absorbed by the Canadian Government. Mail revenue for scheduled air-line operators was \$5,262,101, although this is not regarded as a subsidy but rather in the nature of payment for services rendered.

Statistical information on nonscheduled carriers is only fragmentary. However, according to the published statistics, nonscheduled operators had expenditures totaling \$1,305,354, which was \$5,115 more than their receipts. Reported mail payments to nonscheduled carriers amounted to only \$5,759.

The Canadian Government pays a nominal subsidy to the Royal Canadian Flying Clubs Association, which amounted to only \$5,000 this year. Details as to expenditures of the Flying Club are not available.

So far as is known, there are no government expenditures for aircraft manufacturing other than orders placed with Canadair and Avro. The DC-4M-1's, 24 of which are being purchased by the RCAF, are contracted for at the fixed price of \$640,000 each. Twenty DC-4M-2's, ordered by TCA, are contracted for at \$660,000 each. There is no information that the Canadian Government has made any advances to Avro in connection with its order for turbo-jet fighter aircraft for the RCAF, although it probably has done so. Neither is there any information as to the expenditures of the several aircraft companies themselves, since they have never published any statements.

The Civil Aviation Branch of the Canadian Government makes a grant of \$25,000 to the National Research Council for civil aviation research. The only other grant, aside from that given the Flying Clubs and Air Cadet League, is a small sum to the University of Manitoba for an unspecified purpose, which may be, however, to foster aeronautical engineering education.

The Canadian Government makes a grant of \$25,000 to the Air Cadet League of Canada. Actual annual expenditures of the League are not known. As pointed out in paragraph 2 (c) and (g), the League undertook a program of flight training for a selected group of not more than 100 cadets during the last year. This program is to be expanded as time goes on.

The budget estimates for the current fiscal year covering the construction, maintenance, and operation of Department of Transport airports total \$7,783,876, or approximately half of the entire appropriation for civil aviation purposes. There is no information as to how much may have been spent by municipalities or private enterprises, such as Canadian Pacific Air Lines, in the construction and maintenance of airports other than those owned by the Department of Transport.

The civil aviation appropriation for air navigation facilities, that is, the Meteorological and Radio Divisions of the Department of Transport, amounted to \$4,227,910 and \$3,141,626, respectively. There is no information as to private expenditures, if any, for air navigation facilities.

7. Since Trans-Canada Air Lines is government owned and controlled, although operated as a private company, it exerts considerable influence on Canadian civil air policy. The Minister in charge of Civil Aviation regards Trans-Canada Air Lines as his

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special project. He leans heavily for advice on the president of Trans-Canada Air Lines in all matters of domestic and foreign civil air policy. For example, the Air Line can and does make its desires known to the Air Transport Board, the Department of Transport, the Post Office and External Affairs and very often gets its way in such cases, but only insofar as such desires do not conflict with over-all government policy or contravene the air regulations. An instance of such pressure came to light last year when American Airlines had a charter to transport the pea crop from Toronto. TCA, if it had had the spare aircraft, could have prevented American from being given a charter permit by the Air Transport Board, in order to carry the crop itself. There are other examples in which the wishes of the Canadian carrier have been taken into consideration when traffic originating in Canada was involved.

In the broad sense of the term, there is no aeronautical education in Canada. There are, of course, a number of exceptions. Some of the universities give aviation courses, but so far as is known none of them grants degrees in this field. Reference has already been made to the activities of the Royal Canadian Flying Clubs Association and the Air Cadet League of Canada. The annual grant of \$5,000 to the Association, which now has very close to fifty member clubs, can hardly be called a subsidy. The enrollment in the Association is made up entirely of private citizens, most of whom engage in flying activities for purposes of sport.

The Air Cadet League has a semiofficial status in that it is sponsored by the Royal Canadian Air Force and most instruction is provided by RCAF officers. The peacetime membership of the League is confined to 15,000 individuals, all of whom are young boys of high-school age. Their league activities are extracurricular and do not form a part of the high-school course. The annual grant of \$25,000 a year may be considered a subsidy, as well as the fact that instruction is provided free of charge by RCAF officers. The League is a movement very similar to the Boy Scouts, complete with uniforms and summer camps. The greatest stress so far has been in ground school activity and preflight training. The League has just embarked on a program of flight training which it hopes to expand in the future. As already indicated, and except for odd courses, there is little or no aeronautical engineering education in Canadian colleges and universities.

9. The Canadian Government and private industry both operate aeronautical research and development facilities. In the former case, the National Research Council of Canada is the arm of the Canadian Government engaged in this type of activity. According to the 29th annual report for the fiscal year 1945-46, the National Research Council expended \$1,582,111.58 in research activities, of which approximately \$1,200,000 was supplied to the Council by Parliamentary appropriation. However, of the total expenditure the amount attributable to the Aeronautical Research Committee was only \$38,250.23.

During the past year the Council engaged in wind-tunnel tests, experimented in aerodynamics, balancing of aircraft control, did a large amount of work on the aerodynamic design of a tailless glider, and conducted a variety of tests for the RCAF, and other government departments and industry on such things as rain, snow, and

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wind gauges, tests on axial flow compressor blade sections, and tests on new aircraft of Canadian design. Tests were also made on aircraft and allied instruments, for wing flutter and for electrothermo de-icing of aircraft, wings, and propellers. The Council also did some experimental and testing work on radio aids to air navigation, but there is no indication as to the cost of this activity.

In the private industry field both Canadair and Avro manufacturing plants have aeronautical research facilities of their own. The latter is said to have imported a considerable number of experts in the field of aeronautical engineering from the UK, while Canadair has been drawing on the American market for experts in this category. However, there is no indication as to how many are employed, the extent of the research, the facilities available, or the cost of the activities. Avro, as noted, is working on a turbo-jet fighter and a turbo-jet transport, but no detailed information is yet available.

The tendency is to reduce governmental expenditures for all types of activity from their wartime peak. This applies also to funds available to the Research Council. There is no way of knowing whether the manufacturers are increasing or decreasing their expenditures for research and development. Avro is probably receiving financial as well as technical assistance from the Hawker Siddeley group of aircraft manufacturers in England, with whom it is affiliated. If this supposition is correct, then Avro is at least semi-independent of Canadian Government orders and the research and development connected therewith. In any event, aeronautical research and development activities in Canada are on a small scale when compared with those in the US.

10. The use of government-owned plants by both Avro and Canadair may be termed a subsidy. As indicated earlier in this report, the development of the new turbo-jet aircraft by Avro is dependent largely on orders placed by the Canadian Government, although the company may be doing work also for its affiliated companies in the UK. So far as is known, Canadair has no new types of aircraft under development, but the DC-4M-1 and 2 were developed and financed by the Canadian Government. Since Canadian Government orders are important to both companies, it seems safe to assume that the Dominion Government carries some weight with the respective managements.

In the small and medium aircraft field it is believed that the manufacturers are independent and do not receive any subsidy or financing from the government. Such research and development as they do engage in appears to be on their own initiative and is done to meet existing conditions and demands.

B. CIVIL AIR ORGANIZATION.

1. Cabinet (including the Privy Council)
 - Department of External Affairs
 - Department of Transport
 - Air Transport Board
 - Department of National Defense for Air
 - Air Cadet League
 - National Research Council
 - Royal Canadian Flying Clubs Association

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Soaring Association of Canada
Air Industries and Transport Association

2. (a) The Cabinet (including the Privy Council) determines all national policy with regard to Canadian civil aviation. Inasmuch as the Cabinet represents the government in power, its decisions may be regarded as final even though it may be obliged to go before Parliament for authority to implement the decision.

The Department of External Affairs, as may be supposed, handles all matters of a foreign relations nature as they affect civil aviation, and hence corresponds to our Department of State.

The Civil Aviation Division of the Department of Transport corresponds to our Civil Aeronautics Administration. As such, its activities embrace the entire physical side of aviation. For example, it owns and operates most of the airports; it controls the federal airways and the facilities attached thereto; it registers and licenses aircraft and grants licenses to airmen, etc.

Air Transport Board is patterned after our Civil Aeronautics Board. Thus, its functions are economic and judicial. It operates under the terms of the Aeronautics Act of 1927, and came into being in 1944 when the act was amended. It grants licenses to carriers to perform all scheduled and nonscheduled flying in Canada provided these services are, in its judgment, in the public convenience and necessity. Carriers file operating statistics, tariffs, and schedules with the Air Transport Board.

Department of National Defense for Air, of course, means the Royal Canadian Air Force, whose functions are believed to be self-explanatory.

Air Cadet League, as stated above, is a semicivilian and junior arm of the RCAF. Its primary function was to train young men as a junior volunteer reserve which would act as an aircrew feeder. Its peacetime function is to make available a basic training in aviation that will better fit Canadian youths for careers either in the Service, in civil aviation, or in other walks of life.

The National Research Council and its functions have been described in paragraph A, 9.

Royal Canadian Flying Clubs Association has already been mentioned in paragraph B, 2. Its activities are centered in the field of private flying, where it conducts fairly extensive private instruction.

Soaring Association of Canada is a new and very small organization which, to some extent, is associated with the Air Cadet League, and therefore with the RCAF. Its purpose is to acquaint and instruct the youth of Canada in the operation of motorless aircraft.

Air Industries and Transport Association is an industry group composed of both manufacturers and operators. Its main purpose is the solution of common industry problems and to act as an industry liaison with the various branches of the Canadian Government.

(b) Obviously, all the departments and agencies of the Federal Government came into being by reason of acts of Parliament, and some of them many years ago. The newest governmental agency is the Air Transport Board which was established

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when the Aeronautics Act was amended in 1944. The National Research Council was also created by an act of Parliament and was established just after World War I.

Air Cadet League was formed in 1941. It was authorized in November 1940 by means of an Order in Council, and was granted a Dominion charter on 9 April 1941.

Royal Canadian Flying Clubs Association was established about twenty years ago and operates under a Dominion charter.

Soaring Association of Canada did not come into existence until the spring of 1944. It also operates under a Dominion charter.

Air Industries and Transport Association was formed in 1934. It is a private association, unincorporated, and, therefore, does not operate under a Dominion or Provincial charter.

(c) The establishment of civil air agencies in Canada has followed a fairly logical pattern, with one important exception. The Minister in Charge of Civil Aviation is Mr. C. D. Howe who was formerly Minister of Transport, but for the last three or four years has been Minister of Reconstruction and Supply. Since Mr. Howe is a very strong figure in the Canadian Government, he was powerful enough to take the civil aviation establishment of the Department of Transport, as well as the Air Transport Board, with him when he joined the Department of Reconstruction and Supply. That has created an anomalous situation and the Deputy Minister of Transport reports to the Minister of Transport on all matters except aviation, on which he reports to the Minister of Reconstruction and Supply who, for such purposes, is referred to as the Minister in Charge of Civil Aviation. The Air Transport Board, which is semi-independent, reports directly to Mr. Howe.

Mr. Howe has taken a great personal interest in civil aviation ever since he first became a member of Mr. King's government. He has been largely instrumental in the creation of Trans-Canada Air Lines and also in the development of all national and international civil aviation policies during the past ten years. Mr. Howe has powers which are much broader than those held by any civil aviation official of our government.

Originally, what is now the Civil Aviation Division of the Department of Transport was a Branch of the Department of National Defense. However, in 1936, when civil aviation was commencing to be well established, particularly in the Canadian Northwest, and when serious consideration was being given to creating a trans-continental air route, it was found that the civilian problems confronting the Civil Branch were becoming so great as to justify a transfer from the military to a strictly civilian department of the government. It was then that the Department of Transport was created with civil aviation as one of its functions and no change, except as noted above, has taken place since that time.

3. So far as is known, there has never been any serious public criticism of the aviation setup of the Canadian Government except that which is directed against Mr. Howe, his policies, and the power which he exercises over civil aviation in Canada.

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Public opinion in Canada is not well informed on civil aviation matters. Mr. Howe's political opponents, namely, the Progressive Conservative Party and the CCF Party, are not only uninformed, have no civil aviation program of their own, or are split within their own groups as to what policies should be followed. The Progressive Conservatives are the largest minority party and, while they are opposed in general to government ownership and to the type of broad powers which Mr. Howe wields, they lack direction and cohesion, with the result that their opposition is completely ineffectual. The CCF Party, which is small, has a program which calls for the complete nationalization of all air transportation in Canada. The Liberal Government has adopted the CCF plan to the extent of creating a government-owned chosen instrument.

(a) The large aviation interests appear, on the surface at least, to be satisfied with the present government policies and the way in which the government agencies function. The smaller aviation enterprises are so widely scattered and so generally lacking in funds that most of them are not even members of the Air Transport Association, which does occasionally engage in lobbying to promote aviation.

(b) Competitive forms of transportation in Canada mean primarily the railroads, and both of these own air-line subsidiaries. There has been a conflict of interest between the government-owned chosen instrument and Canadian Pacific Air Lines. This arose in 1944 when the government declared its policy that TCA would engage in all main-line and international operations. Canadian Pacific Air Lines, through its management, declared publicly that it had every intention of participating in international operations and that it would fight the government on this issue. The government thereupon passed a law requiring that the railroads divest themselves of air-line ownership within a specified period after the termination of the war. While this had no effect on TCA, except as a paper transaction, it was vital to Canadian Pacific, particularly since the government announced that it intended to divide that carrier into several small operating companies. It is reasonably certain that the government was not anxious to carry out this policy, but it did use it as a means to force Canadian Pacific into submission to the government's program, which was finally accomplished in the spring of 1947. At that time a completely new management, acceptable to the Canadian Government, took over the operations of Canadian Pacific Air Lines. Since then, on the surface at least, relations have been cordial, although there is some reason to believe that CPA has not yet completely given up hope of securing international and main-line routes.

(c) The attitude of the political parties has already been discussed earlier in this paragraph.

(d) There has never been any public expression on the part of the armed forces that the other agencies of the government are not fulfilling a useful function efficiently, and in the public interest. Since, by its very composition, the Canadian Government is a well knit unit and one department does not take action to which another interested agency is opposed, it is safe to assume that the armed forces are in agreement with the government's general program and conduct since they have a voice in its determination.

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(e) The Canadian public is woefully uninformed on civil aviation matters and policy. It is but seldom that there is even any editorial comment on this subject. The most air-minded newspaper in Canada, the *Montreal Gazette*, is perhaps the only vocal instrument in the country which constantly goes on record as being opposed to the government's whole civil aviation policy. There are no indications that the *Gazette's* one-man crusade is bearing any fruit.

4. There is little overlapping or duplication in the Canadian Government, largely because it is a small and relatively closely integrated organization. Occasionally, there is some overlapping, for example, between the Privy Council and the Department of External Affairs. This is due primarily to the fact that Mr. Howe is very close to the Privy Council, whereas he is rather remote from the Department of External Affairs. Usually these two agencies keep each other well informed and up to date, with External Affairs adapting itself on civil aviation matters to Mr. Howe's decisions. If there is any conflict, and this applies also to all other agencies handling civil aviation, it is resolved at the Cabinet level.

5. So far as is known there is no consideration being given at present to abolishing, reorganizing, or combining existing agencies or creating new ones.

C. PROCEDURES AND REGULATIONS.

1. *Air Routes.*

(a) The Air Transport Board, after hearing, awards air routes to designated carriers in accordance with the terms of the Aeronautics Act, as amended. Decisions of the Board must be approved by the Minister in charge of Civil Aviation.

(b) In general, public convenience and necessity, fitness, willingness, and ability are the guiding principles which determine the granting of a route to a particular carrier. Main-line and international routes are awarded in almost a routine and *pro forma* manner to the government's chosen instrument, Trans-Canada Air Lines, and public convenience and necessity are presumed to exist. Other Canadian scheduled and nonscheduled operators must show public convenience and necessity, except that the Board has power to waive this showing in the case of certain nonscheduled operators, provided they satisfy the Board that the proposed commercial air service would be in the public interest. Foreign air carriers may operate into Canada provided a bilateral agreement exists between Canada and the carriers' respective country setting forth a specified route, and provided also that the carrier has been designated by its government to operate the route and that it has applied, through diplomatic channels, to the Air Transport Board for a license. In such cases, the existence of a bilateral agreement presupposes public convenience and necessity and the carrier is required merely to show that it is owned and controlled by nationals of the designating country and that it is fit, willing, and able to perform the service.

(c) The carrier must abide by the terms of its license. In general, these specify routes to be operated, the type of service to be performed, and the duration of the license. The license must conform to the provisions of the Aeronautics Act and to such rules, regulations, etc. issued thereunder. It must obtain an operating cer-

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tificate from the Department of Transport without which it cannot commence the service. It must file schedules with the Board, as well as any subsequent amendments thereto, and also its tariffs and charges. The Board has the right to reject these if they are considered to be unjust or unreasonable, or if they are unduly discriminatory, preferential, or prejudicial. In general, licenses are not transferable and amendments may be made only by way of written endorsements, duly signed and sealed by the Board. All licenses are required to provide security, by insurance, bonds, or otherwise to the satisfaction of the Board, respecting liability to passengers and risks of public liability and property damage.

(d) Except with respect to main-line and international routes, carriers are free to apply for any scheduled route or to operate nonscheduled services from any particular base.

(e) New routes are established, when they are of a main-line or international nature, by consultation and agreement between Trans-Canada Air Lines and the Canadian Government. Other routes and nonscheduled operations are generally left to the initiative of the carrier.

(f) New routes are not proposed by the government, except in case of main-line and international services. Since these are reserved to Trans-Canada Lines, no other carriers may apply.

(g) Competition is not permitted over identical or similar routes, nor are nonscheduled operators permitted to operate to two or more points on a scheduled route.

(h) The Aeronautics Act provides that, where in the opinion of the Board a carrier has violated any of the conditions attached to its license, the Board may cancel or suspend the license. Any air carrier whose license has been canceled or suspended may appeal to the Minister. The Board also has powers to suspend, cancel, or amend any license or any part thereof where, in the opinion of the Board, public convenience and necessity so require.

2. Rates.

(a) Under the terms of the Aeronautics Act, and "subject to the approval of the Governor in Council, the Board may make regulations . . . respecting traffic, tolls, and tariffs, and providing for the disallowance or suspension of any tariff by the Board, the substitution by the licensee of a tariff satisfactory to the Board or the prescription by the Board of other tolls in lieu of the tolls so disallowed." In other words, the Board has very broad powers with regard to the determination of tolls and tariffs, although their original creation is left to the carriers.

(b) Neither the Aeronautics Act nor the Board's regulations respecting commercial air services are specific as to the bases on which tolls and charges shall be determined. The regulations say: "The Board may determine and prescribe what are just and reasonable, individual or joint tolls, or may prescribe what is the maximum or minimum toll to be charged, and what individual or joint classification, rule, regulation, terms and conditions of carriage, or practice shall prevail in respect of the services performed or to be performed by air carriers." In view of these broad powers, it may

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be presumed that economic, competitive, political, and social considerations all enter into the determination of rates and charges, and as they are reviewed or finally established by the Board.

(c) While in the first instance rates may be determined by the carrier, they must be filed with the Board and, so long as they are deemed by the Board to be just and reasonable and not discriminatory and, so long as they conform to the Board's regulations, they will be approved by the Board in the light of the economic and other factors involved. In other words, the Board, while it has broad powers, does not fix the rate in most instances.

(d) Under the Board's regulations respecting commercial air services, discriminatory rates of any kind are prohibited.

3. *Safety.*

(a) The Department of Transport, in accordance with the Aeronautics Act, issues Air Regulations which govern and control aircraft operations, including safety requirements. These regulations are enforced by means of field inspectors and the Royal Canadian Mounted Police, who are familiar with the regulations.

(b) The Air Regulations, which follow very closely similar regulations of our Civil Aeronautics Administration, are believed to be adequate in the light of present standards and practices. While they are competently enforced, this can be done only by means of spot-checking in view of the large size of the country, the small and scattered population, and the limited number of enforcement officers.

(c) Safety regulations are enforced impartially.

4. *Inspection.*

(a) No aircraft may be flown in Canada unless it has been registered with the Department of Transport. It cannot be registered until it is certified as airworthy by the Minister in charge of Civil Aviation. The Department of Transport inspects and licenses all equipment, examines and licenses all operating personnel, and investigates all accidents in accordance with the existing air regulations. As noted above, these regulations conform to, or are identical with, those issued by the US Civil Aeronautics Administration.

(b) The regulations are believed to be adequate in the light of present experience and established practice, and they are fairly and adequately enforced by the Department of Transport.

(c) Licenses may be revoked or suspended and, in the case of flagrant or repeated violations, the individual may be arrested and prosecuted. Specifically, the Aeronautics Act states: "Any person guilty of violating such regulations shall be liable, on summary conviction, to a fine not exceeding \$1,000 or to imprisonment for a term not exceeding six months or to both fine and imprisonment." In such cases, cancellation or suspension of the license would be automatic.

5. *Airports and Communications.*

(a) Regulations governing the use of airports are issued by the Department of Transport in accordance with the terms of the Aeronautics Act as supplemented by

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the Air Regulations of 1938, amended. The regulations, in general, follow those in force in the US.

(b) The Dominion Government, through the Department of Transport, operates all main-line airports. There is one known exception, viz., the city of Edmonton operates its own airport which it has taken over from the Department of Transport. Some airports, particularly along the Northwest Staging Route, are under the control of the Royal Canadian Air Force, although they are used for some civil air purposes, principally by Canadian Pacific Air Lines. Smaller airports are sometimes operated by the municipalities, or by the carriers themselves.

(c) Canadian procedures with regard to communications follow established international practice and conform to those in effect in the US.

(d) The communication system is operated by the Radio Division of the Department of Transport.

6. *Reports and Forms.*

(a) & (b) The Air Transport Board requires air carriers to file with the Board returns with respect to their capital, traffic, equipment, working expenditures, and any other matters with relation to the operations of commercial air services. All scheduled air carriers submit such detailed reports monthly and annually. These reports are studied and evaluated and are published monthly by the Dominion Bureau of Statistics. Nonscheduled operators, because of the special conditions which surround this type of operation, report to the Board on a less frequent basis. Their reports are consolidated and published by the Dominion Bureau of Statistics in a monthly sum total. None of these reports are published in detail, nor is the material which any of the carriers file with the Air Transport Board open for public inspection. It is not believed that these reports play too great a part in administering civil air policy.

They have been established so recently that they can have had no great effect in the granting of direct financial aid, but this is due largely to the fact that most scheduled operators do not wish to be dependent on the whim of Parliament for a yearly vote of a direct subsidy. Neither do the reports so far play any great part in assuring adequacy of service.

(c) Both the Air Cadet League and the Royal Canadian Flying Clubs Association hold annual meetings at which their annual reports are made public. The government usually sends observers to these meetings and, where it is possible to do so, lends encouragement to the improvement of education and standards.

(d) The National Research Council publishes an annual report but since this is a government agency, it is a case of government reporting on one of its own activities.

(f) and (g), (h), (i), (j). The Department of Transport is responsible for all matters under these headings. As already noted, its regulations are closely patterned on those in force in the US.

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D. GENERAL EVALUATION.

1. Generally speaking, the government's civil air organizations, policies, and rules of procedures are considered to be sound, honestly administered, and fairly well adapted to the capacities, aims, and requirements of the country's commerce, security, and industry. There is some difference of opinion as to whether government rules of procedure are progressive enough and, in view of the favored special position of Trans-Canada Air Lines, they may not always be regarded as strictly equitable. As indicated earlier, the Canadians follow a middle-of-the-road policy with regard to civil aviation. That is to say, they have both government ownership and private enterprise. The middle course never satisfies the extreme right or the extreme left, and so there are some who criticize the government for having gone too far, and others for not having gone far enough. There can be no question, however, but that the average Canadian, so far as he is aware or interested, is satisfied that present policies and organization meet the Dominion's requirements.

Most government bureaus in Canada are understaffed. Certainly the Department of Transport and Air Transport Board could use more field personnel. Budgetary restrictions, however, do not permit this. In addition, most of the scheduled operators would like to see government assistance in the form of mail pay, but the Post Office Department objects to being used as a subsidy medium. While a governmental grant would make possible a considerable expansion of Air Services, on the whole the policies now in force seem to serve present needs reasonably well.

Naturally, Trans-Canada Air Lines, as a government-owned instrument, is in a favored position since the government is treating with itself. However, so far as meeting operating rules and standards are concerned, TCA is in the position of any other carrier and is not shown any favoritism.

2. The government's chosen instrument policy is largely responsible for the present strength of Canadian aviation. Certainly, the rapid expansion which has taken place during the last ten years could not have been accomplished through the medium of Canadian private interests. Speaking from the operational point only, TCA's performance is certainly as good as that of any first-class air line in the US. There is a definite tendency, however, toward "Empire building" and there seems to be no doubt but that the company is at present overstaffed. Furthermore, whether the government realizes it or not, there is a strong tendency within TCA to absorb more and more "main line" routes, thereby depriving private operators of their most lucrative routes which, in turn, tends to force them out of business. Eventually, and unless this tendency is curbed, there may be no private air transport enterprise left in Canada, except for small "bush" operations. At the moment, there is a reasonably happy balance between public and private ownership and operation. It is a delicate balance which could easily be upset, resulting probably in complete state ownership and operation of all scheduled routes in Canada. Such an action would be out of accord with Canadian tradition and temperament.

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In Canada, the policy of government ownership of air transport facilities resulted from lack of response on the part of private capital to a government proposal that it go into partnership with the government-owned Canadian National Railway in establishing a transcontinental air line. This reluctance was probably due to the fact that the government would have had a controlling interest (51%) in the stock with the balance distributed between the privately owned Canadian Airways and Canadian Pacific Railroad. It appears doubtful, however, that private interests under any circumstances would have been willing to put up the capital for a transcontinental air line, badly needed though it was.

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BRAZIL

A. CIVIL AIR POLICIES.

1. The basic Brazilian Air Code is contained in Decree-law No. 483, issued June 8, 1938. The preamble and first three articles of this Code state certain considerations and principles that may be considered basic policy, as follows:

Decree-law No. 483 of June 8, 1938

The President of the Republic of the United States of Brazil, in accordance with the powers conferred on him by Art. 180 of the Constitution:

Considering that it becomes necessary to establish for the country legislation capable of efficiently controlling civil and commercial aviation;

Considering that the Brazilian legislation must accompany the progress of civil and commercial aviation all over the world;

Considering that it is equally necessary that the Brazilian legislation be in accordance with the most recent conventions and with the present measures on air law:

Resolves to decree the following Brazilian Air Code, which is signed by the Ministers of State.

Brazilian Air Code

Art. 1. The United States of Brazil exercises complete and exclusive sovereignty over the airspace situated above its territory and respective territorial waters.

Art. 2. Air law is governed by the conventions and treaties to which Brazil has adhered or ratified, and by this Code.

Art. 3. Air law is exclusively under federal jurisdiction for legislative and administrative purposes.

Sole paragraph. There can only be delegated to the States of the Union powers of an administrative character provided they are exercised under inspection of the respective federal authorities.

As regards international air policy President Dutra stated in his annual message to the National Congress on 15 March 1947:

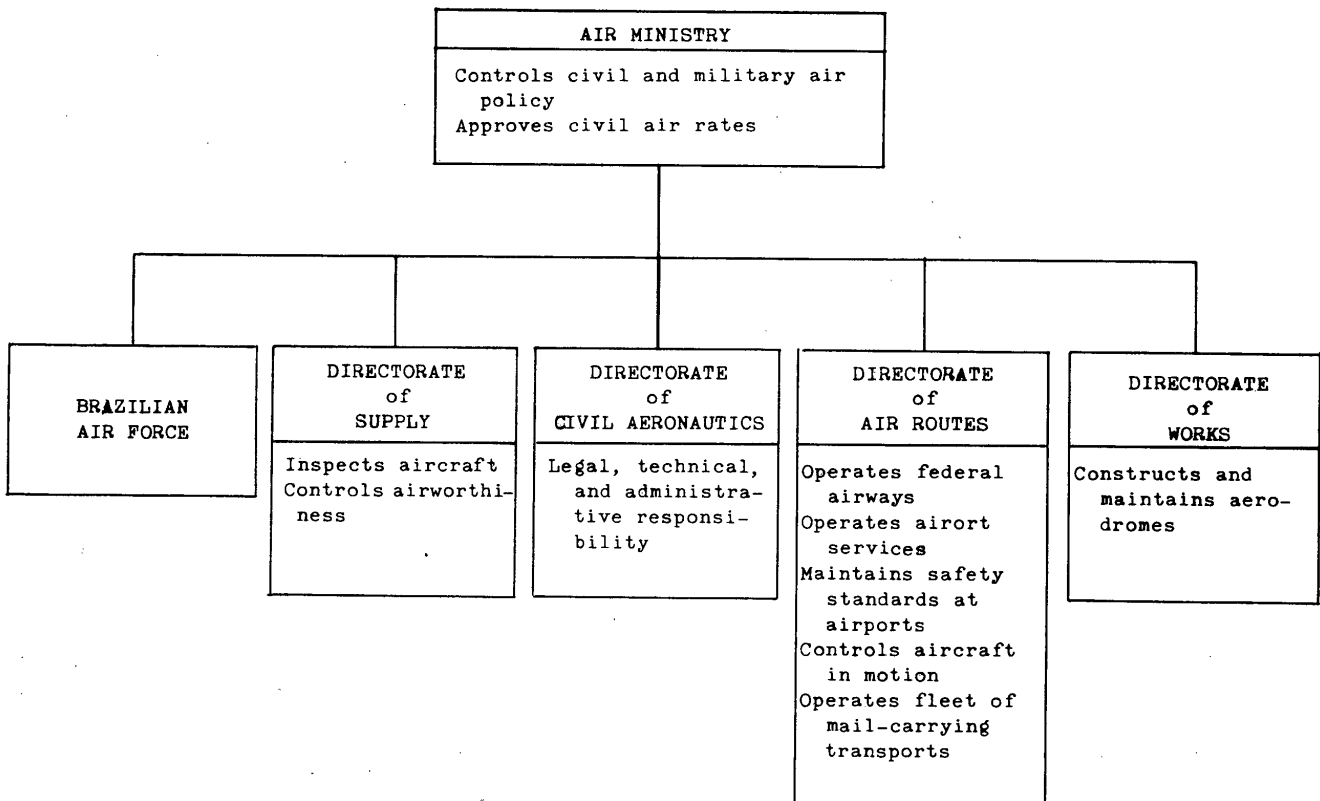
"In accordance with the principles established by the Chicago Conference in 1944, Brazil is beginning a new arrangement for its international air transport policy, comprising the agreements recently concluded with the United States, Great Britain and Northern Ireland, Portugal and France. . .

"At the above-mentioned Conference the conclusion was reached that the establishment of air lines should be done by direct negotiations between governments, thus doing away with the agreements which were made between governments and the interested companies.

"Such procedure has for its purpose the eliminating of discriminatory practices between the States and to establish uniform regulatory standards of air navigation between them."

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**CIVIL AIR POLICY
BRAZIL**



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An additional feature of the Dutra government's basic policy toward all aviation is economy, required, in his words, by "The economic, financial crisis confronting the country."

It appears that Brazilian air transport companies designated to operate abroad under agreements with other countries are regarded as instruments of national policy.

The Federal Government, through the Ministry of Aeronautics, assumes responsibility for determining policy with respect to all Brazilian aviation.

2. (a) Contracts are issued to air lines selected by the Air Ministry to operate scheduled flights along the routes considered important to the nation by that Ministry. These contracts carry varying amounts of pay on a kilometer basis and are issued for varying periods. A five-year contract dated 2 September 1947, for example, was granted *Panair do Brasil* for a route along the Amazon. This contract provides a subsidy of Cr\$5.00 a kilometer from Manáos to Belém, and Cr\$15.00 a kilometer from Belém to Porto Velho. The rates vary according to the economic possibilities of a route and the number of companies interested in operating it.

(b) Nonscheduled air transport is not officially promoted by the government and is restricted by regulations requiring that every revenue flight must be approved in advance by the Directory of Civil Aeronautics (DAC) of the Air Ministry in Rio. There is at present, however, a widespread development of air taxi services in process, which ignores these regulations, and the DAC has not the means nor has it apparently the inclination for enforcement.

(c) Private flying is encouraged through an extensive system of subsidized aero clubs. Despite considerable reductions in their subsidies because of the present government's policy of economy, the aero clubs are a very important factor in the development of private flying in Brazil. The location of these clubs is determined by the degree of interest and financial support shown by local sponsors, and is also determined by the DAC on the basis of the need for flying fields to enable small aircraft of limited range to fly from one inhabited sector of the country to another.

(d) There is very little promotion by the government of aircraft manufacturing. A small government factory is located at Galeao Airport which is still turning out a very few primary training planes of the Fairchild PT-19 type. This is primarily a plant for assembling prefabricated installations with parts shipped to Brazil from the United States. Final milling of parts and final assembly is done at Galeao, together with the necessary covering, doping, and painting.

The privately owned government-subsidized plant at Lagoa Santos near Belo Horizonte is inoperative at the moment due to litigation. This plant had a contract with the North American Aviation Company of the US for the assembly of a limited number of AT-6 training planes.

The government-owned and operated *Fabrica de Motores* near Rio de Janeiro, which was originally planned to produce Wright Whirlwind engines, is not a factor in the aircraft manufacturing industry, and it does not appear at the present time likely to become one. A very small number — less than 20 it is believed — of Wright Whirlwind engines were assembled from parts shipped from the US.

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A small, privately owned company, *Companhia Aeronautica Paulista*, is manufacturing the Paulistinha, a two-place high-wing cabin monoplane powered with a Franklin 65 hp engine, at the rate of 500 a year.

(e & f) The following statement was made in the President's message to which reference has been made above:

"In connection with the aeronautical industry there was created an Organization Commission of the Technical Aeronautical Center which, assisted by specialists from the Massachusetts Institute of Technology, established a plan for the construction of the referred to Center, where engineering courses with experimental laboratories will be given for training personnel."

Some research will be carried on at this Center, the first buildings of which are not expected to be completed before the end of 1948. It is believed that the main purpose of research projects will be to train aeronautical engineering personnel. The Center will also serve as a sort of Bureau of Standards to check the quality of aircraft and component parts used in Brazil. Until the first buildings of the Center are ready for use at Sao José de Campos, some 60 miles east of Sao Paulo, engineering courses are being given to selected Air Ministry engineering officers by an American staff of six experts recruited under the direction of Professor R. H. Smith of MIT. No other aeronautical engineering courses are available in Brazil at the present time.

(g) An extensive training program for civilians is carried on with government subsidy by the aero clubs. It is reliably estimated that there are at the present time some 7,000 persons in training. From this group of trainees private pilots are being licensed at the rate of approximately 1,200 per year. As this training is subsidized by the Air Ministry, persons are not eligible for it who do not meet minimum qualifications for the Brazilian Air Force Reserve. This reserve status is more comparable to that of trainees engaged in the Civil Air Patrol program in the US than to the reserve status of the US Army Air Force or Naval Training Service Reserves. It is rather a form of recognition by the Brazilian aero club pilots that they have an obligation to serve in the Brazilian Air Force in the event of a national emergency, if they are qualified by further training.

The Air Ministry flight training center at Campos de Afonsos is training flight personnel for the regular air force at the present rate of approximately 100 a year. The training of maintenance personnel for the air force, air traffic controllers, and other aviation personnel for the Air Ministry is being carried on at the *Escola Tecnica de Aviacao* in Sao Paulo. This school is reported to have a present enrollment of approximately 1,500 students. Upon the successful completion of specialist courses lasting from six to nine months, the students are graduated as sergeants in the Brazilian Air Force. No official program has been established for making training grants to foreigners, although from time to time it is understood that the Air Ministry invites limited numbers of students from neighboring countries such as Uruguay and Paraguay to attend courses at the government schools mentioned above.

(h) As Brazil has practically no aeronautical manufacturing industry, there is no official program for promoting Brazilian aeronautical equipment for export.

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Duties on imported aeronautical equipment are low, and when exchange restrictions were established on imports in June 1947, aeronautical equipment, both new and used, was given a preferred position in the allocation of foreign exchange.

(i) In the President's annual message he stated that "various (airport) construction works were carried out in various parts of the country, particularly in Sao Paulo and Rio de Janeiro; the airport of Santos Dumont and the bases at Afonsos and Santa Cruz and Galeao, the latter converted as the city airport. Nevertheless, in obeying the policy of economy, lavishness was prohibited, the superfluous was eliminated and the transferable was delayed; only the indispensable was carried out." At the present time there appears to be no organized government program for the promotion of airports for civilian use. Airport construction funds carried in the Air Ministry budget, the exact amount of which is difficult to determine, are reserved almost entirely for the maintenance and improvement of military fields.

(j) The Directory of Air Routes in the Air Ministry, a military organization, is charged with matters relating to the organization and operation of Federal airways and services in communications, meteorology, flight protection (i.e., traffic control), and airports. This Directory does not possess the means or the personnel to operate or maintain properly the air navigation facilities needed in Brazil at the present time. The Ministry has taken over the extensive facilities installed during the war by the US in Brazil, chiefly along the north coast and down the east coast as far as Rio, but the Directory of Air Routes is having difficulty in maintaining and operating these facilities with the exceedingly limited means and trained personnel at its disposal. Almost the only effective air navigation facilities are those installed, operated, and maintained at the expense of private companies, such as *Aerovias Brasil*, *Cruzeiro do Sul*, *Panair do Brasil* and *Varig*. In order to conserve radio frequencies and to eliminate wasteful duplication, the government has from time to time considered the operation of all air navigation facilities in Brazil by a single agency, either a government agency or a joint company supervised by the government, but no final determination in this regard has yet been made.

3. (a) Brazil appears to favor or at least to permit competition by privately owned air carriers. The establishment of an agency which would issue certificates of convenience and necessity to air lines was decreed September 1946. The decree has not yet been implemented and new privately owned air transport companies continue to be formed in the absence of definite government policy and regulation. From time to time a few of these new companies survive and become important air carriers.

The Directory of Air Routes in the Air Ministry operates a small fleet of transport planes as a national mail service, which flies an extended system of air routes carrying about 10% of the Brazilian air mail. A primary reason for its operation is Air Transport Command training for Brazilian Air Force pilots.

Commercial enterprises are allowed to operate in Brazil, provided that: (a) the owners are Brazilian citizens or Brazilian juridical persons (i.e., a company organized under Brazilian law); (b) they have their head offices in Brazil; (c) the company is fully managed by Brazilians; and (d) at least 1/3 of the capital stock is owned

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by Brazilians domiciled in Brazil. This applies to air lines as well as to other enterprises. As regards Brazilian air lines operating abroad, however, the Air Ministry and the Brazilian Foreign Office have determined that no Brazilian air line will be designated to operate abroad unless a majority of its voting stock is controlled by Brazilian nationals.

(b) The Brazilian aircraft manufacturing industry is negligible. Specific government policies affecting such ownership, other than the stock ownership rule mentioned above, are not apparent.

(d) Brazil reserves all cabotage privileges for its domestic air lines. It is negotiating with other countries air transport agreements similar to that concluded with the US, and looks to the provisions of such agreements to assure protection of its national air lines engaged in international services.

(e) There is no subsidization of the small aeronautical manufacturing industry in Brazil. The subsidization afforded air carriers, airports, education and training has been discussed in paragraph 2 (a), (f), (g).

(f) There is no current development of transport aircraft within Brazil.

(g) Brazil expects its air lines to use foreign transport aircraft and interposes no barriers to such use. To some extent it facilitates such use, as indicated in 2 (h).

(h) The first air transport agreement with a foreign country was concluded by Brazil with the US in September 1946. Brazil has used this agreement with the US as a model for its negotiations with other countries and proposes to continue to do so, as indicated by the words from President Dutra's annual message mentioned in paragraph 1 above. Brazil's policy with regard to a multilateral air transport agreement (while generally in accord with principles of the US-UK Bermuda Agreement) does not extend to the granting of Fifth Freedom rights on a multilateral basis.

Brazil's policy is one of caution in granting routes in the interior of the country to foreign air lines. The Directorate of Air Routes has maintained Brazilian supremacy on internal routes (except the Barreiras cut-off, which has become the international through route to Rio de Janeiro), and in exchange of reciprocal rights has granted only reasonably direct routes along the coast or through accepted gateways. Brazil appears interested in the eventual development, by both domestic and foreign air lines, of a route running through Manaus and Goiania to Rio de Janeiro but is unable to carry out such developments unless foreign financial aid and technical assistance are available.

Brazil is a member of the International Civil Aviation Organization, and it is the policy of the present government to support this organization. Brazil is represented on the ICAO Council.

4. The Air Ministry, which controls all aviation in Brazil, is essentially a military organization. The Air Ministry appears primarily concerned with security problems and the operation of the Brazilian Air Force. Few if any of its top policy-forming officials are acquainted with civilian aviation problems.

Although the Air Ministry is cognizant of the contributions which the civil air transport system can make to military defense in a national emergency, it does not

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appear to have taken definite steps in this connection to an extent that influences civil air policy. On the other hand military offices within the Air Ministry control civil aviation to a large extent. The Directory of Supply, a military office, inspects civilian aircraft, and the Directory of Civil Aeronautics issues airworthiness certificates on the basis of inspections performed by the Directory of Supply; the Directory of Air Routes, also a military organization, controls air traffic and determines whether airports are suitable for use by civilian aircraft.

Civil air transport is regarded primarily as a commercial activity of economic and political value. It appears to receive scant consideration as a reinforcement of the military air potential and is not regarded as a justification for the maintenance of a manufacturing industry.

5. Brazil is influenced in its international air transport policy by its desire to adhere in negotiations with other countries to the same type of agreement it negotiated with the US in September 1946. No other foreign influence appears worth mentioning insofar as Brazil's civil air policies are concerned.

6. Reliable figures for estimates of current government and private expenditures for each of the activities mentioned in paragraph (2) are not available in all instances, partly because Brazilian budgets, both government and private, often appear intended to conceal as much as to reveal. There are listed below, however, all available data which is considered reasonably reliable. There is no reliable estimate of Brazilian national income:

The national budget for the current year is Cr\$12,003,650,000 (approximately \$600,182,500);

The Air Ministry budget for the current year is Cr\$1,165,047,215 (approximately \$58,252,360 or 9.7% of the national budget).

The Air Ministry budget carries the following items:

Scheduled Air Transport.

For payments to air carriers of the type mentioned in paragraph 2 (a) Cr\$35,000,000 (approximately \$1,750,000).

Private Flying.

Aero club training program as mentioned in paragraph 2(g) Cr\$7,870,576 (approximately \$393,500). These payments are planned on an incentive basis which it is estimated will result in some 140,000 hours of flying, mainly in small ships of the Paulistinha, Aeronca, or Piper Cub type.

Research and Aeronautical Engineering Education.

Cr\$30,000,000 (approximately \$1,500,000) for expenditure by the Technical Aeronautical Center, mentioned in paragraph 2 (f).

Training of Pilots and Technicians, Including Grants to Foreigners.

For training of civilian pilots see (c) above. For training of technicians the *Escola Tecnica de Aviacao* mentioned in paragraph 2 (g) Cr\$70,000,000 (approximately \$3,500,000).

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For the maintenance and improvement of aerodromes Cr\$77,500,000 (approximately \$3,850,000).

7. Although a few of the principal air lines appear to exert influence on civil air policy, no agencies of the government seem dominated by these interests. The large air lines exerting such influence are *Aerovias Brasil*, *Cruzeiro do Sul*, *Panair do Brasil*, and *Varig*. A smaller air line, *Navegacao Aerea Sraeileira*, also exerts considerable influence. These companies, together with *Vasp*, influence very largely the Brazilian Air Transport Association (*Syndicato Nacional dos Aeroviaros*) through which standard rates for passenger and cargo fares are recommended. These recommendations are almost invariably adopted by the Air Ministry. All the scheduled air lines of Brazil and many of the other transport companies which sometimes operate virtually as scheduled air lines, though they have not applied for such classification, belong to the Brazilian Air Transport Association. Although many of the smaller lines fear the competition of the larger companies, they usually follow their lead in most matters because of their recognized superior knowledge of air transport operations.

In the absence of government economic regulations, the principal effort of these large companies appears to be directed toward an avoidance of difficult competitive situations. At the end of 1946 the Air Ministry established a new higher scale of air fares. In August 1947 it established again a higher standard of air fares, acting in both instances upon the solicitation of the Air Transport Association, and despite considerable protest by the public, newspapers, some members of Congress, and some smaller air lines which did not wish to raise their fares. The larger companies go to some lengths to avoid competition with others. *Cruzeiro do Sul*, for instance, underwent difficulties this year with the Uruguayan authorities because it declined to land at Montevideo since that city was already served by *Varig*. There appears to be a tacit agreement that *Cruzeiro do Sul* will not seek routes to Europe while *Panair do Brasil* operates such routes.

8. The extent of government sponsorship, control, and subsidization is indicated under 2 (e), (f), and (g).

9. Research is carried out only to the extent indicated in paragraph 2 (e).

10. The government does not subsidize aircraft development or research.

B. CIVIL AIR ORGANIZATION.

1. All agencies of the Brazilian Government concerned with civil aviation come at present under the jurisdiction of the Air Ministry. They are principally the Directorate of Civil Aeronautics, the Directorate of Supply, and the Directorate of Air Routes. The newly formed Congress has not yet established committees primarily concerned with civil aviation.

2. (a) Under Decree-law No. 9888, issued by President Dutra, 16 September 1946, the Director of Air Routes is charged with matters relating to the organization and operation of Federal airways and services in communications, meteorology, traffic control, and airports. The Director of Civil Aeronautics is charged with legal, technical, and administrative problems relating to commercial and tourist (private) aviation with

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the exception of the operational control of air traffic. The Decree states further that the Director General of Civil Aeronautics is a Brigadier for Air or a civil engineer of the Ministry of Aeronautics, who has authority with regard to the inspecting and coordinating of aero clubs, civil aviation schools, air transport companies, civil aircraft in general, and civil airmen in general. Notwithstanding the foregoing, inspections of civil aircraft are performed by the Directorate of Supply, and it is on the basis of inspections by the Directorate of Supply that the Directorate of Civil Aeronautics issues airworthiness certificates.

(b) The Air Ministry was created by the President's Decree-law No. 2961, 20 January 1941, to direct all aviation activity in Brazil, both military and civil. Up to that time there had been (a) a separate department of civil aeronautics in the Ministry of Transport and Public Works with responsibility for civil aviation, and (b) air services of the army and navy with responsibility for their aviation requirements. The Air Ministry is now organized on the basis of the above-mentioned Decree-law No. 9888, Chapter I, Article 1, which states that the Air Ministry is charged with all duties related to military and civil aeronautics, specifically "(a) to cooperate with the other agencies of the government in order to guarantee legal order and assure national defense; (b) to organize, equip and instruct the Brazilian Air Force; (c) to regulate, develop, and coordinate civil and commercial aviation; and (d) to coordinate and stimulate the aeronautical industry of the country."

(c) Many other countries have established an over-all government agency of cabinet rank with over-all responsibility for aviation. A desire to emulate these examples, coupled with the need to avoid duplication wherever possible in view of Brazil's limited financial resources, was probably basic to the formulation of the Air Ministry. Added to this there was evidence of a desire on the part of military influences, which are very strong in Brazil, to exercise control over all aviation particularly at a time when war clouds were gathering.

3. (a) While aviation interests are reluctant to criticize openly, the air lines do not appear to feel that the Air Ministry is functioning efficiently and in the public interest with respect to civilian aviation. In general, these interests are unhappy over the lack of attention and sympathetic interest in civilian aviation problems afforded by the leading advisers of the Air Ministry; in particular, they are dissatisfied with the operation of air traffic control and air navigation facilities by the Directorate of Air Routes, and each company to the largest extent possible operates its own air navigation facilities. They are dissatisfied, too, with the functioning of the Directorate of Civil Aeronautics, although they recognize this is due largely to the very limited appropriations, personnel, and authority assigned to it by the Air Ministry.

(b) It does not appear that competitive forms of transportation react particularly to the functioning of the Air Ministry.

(c) Political parties have not yet made a major issue of the functioning of the Air Ministry, although there has been considerable criticism in some opposition quarters of the continued trend for higher air fares, and of the lack of initiative in respect to the use of aerial means to combat the current locust plague in the south.

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(d) The armed forces appear satisfied with present arrangements.

(e) The general public has been critical of the trend toward higher air fares and appears inclined to blame the Air Ministry as well as the air transport companies for it. Those members of the general public, who own or wish to own personal aircraft, are dissatisfied with the functioning of the Air Ministry because of the maze of red tape which complicates the issuance of certificates of ownership and airworthiness, and of regulations which prevent the sale of aircraft on a time-payment basis.

4. Duplications and overlapping within the framework of the Air Ministry are resolved by appeal to the Air Minister.

5. No serious consideration appears to be given, by those in power to do so, to the abolishment, reorganization or combination of agencies, or to the creation of new ones.

C. PROCEDURES AND REGULATIONS.

1. (a) The Directory of Civil Aeronautics, with the approval of the Air Minister, awards air routes to designated carriers.

(b) Among the considerations that determine the granting of a route to a particular carrier are the interest of the carrier in operating the route, the demands of the community for service, and the degree of traffic congestion along the route. There appear to be no definite policy guides or directives, except possibly with respect to traffic congestion. In this latter connection, for example, it is difficult for new schedules to be established on the Rio-Sao Paulo route either by new companies or by companies already operating the route, because the authorities have determined that there should be a space of at least five minutes between each take-off at the Rio and Sao Paulo terminals in order to prevent unsafe traffic congestion. All permitted scheduled take-off times at five minute intervals at the most popular hours of traffic have been allotted out of Santos Dumont Airport at Rio, thus preventing the establishment of new schedules by any company unless an existing schedule is abandoned. This arbitrary separation interval is not, however, coupled with effective control of cruising altitudes and cruising power.

(c) A typical recent contract is that between the Air Ministry and the scheduled air line, *Linhas Aereas Brasileiras, S.A.*, for the operation of a route between Rio de Janeiro and Vitoria. This contract provides for: a minimum of two round trips a week; the type of aircraft to be used, specifying the number of motors, capacity, cruising speed, range, instrument flying equipment, radio communications, and fire extinguishers; a guarantee that the air line will place sufficient personnel and aircraft in operation to assure the carrying out of the services; an obligation that the line will establish and develop traffic with other air lines in the area under conditions approved by the Air Minister; a schedule of penalties for not initiating or completing schedules, for violation of the equipment requirements, and for any other provision of the contract, and respect for air fare rates approved by the government. The contract remains in force for a period of two years. It carries no monopoly privileges. The contract may be canceled without recourse by the air line if the operation of the services interferes with the public order or safety; if the service is not commenced within 60 days after registration; if the operation of the line is interrupted for more than one month;

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if the contract is transferred without government authorization, and if the fines are not paid within an established period. The line must submit for the approval of the Air Minister its operating and maintenance procedures within 90 days after the contract comes into force.

(d) It is not known whether any carriers are compelled to operate routes against their will. As indicated in paragraph (c), there are penalties imposed if they have agreed to operate certain schedules and fail to carry them out.

(e) Most routes in Brazil appear to have been established on the initiative of the carriers. In a few instances, however, as in the case of the Amazon route cited in paragraph 1-2 (a), the government has taken the initiative in determining that a route shall be operated.

(f) All carriers are entitled to apply for any proposed new routes.

(g) Competition is permitted over identical or similar routes.

(h) Carrier certificates can be revoked or revised under the circumstances indicated in (c).

2. (a) Rates are fixed by the government on the basis of rate schedules submitted by the carriers through the Air Transport Association. (See A-7.)

(b) Rates appear to be based on economic and competitive considerations as determined largely by the carriers themselves through the Air Transport Association.

(c) The establishment of rates is discussed in A-7.

(d) Discriminatory rates are not permitted, but rate-cutting practices are widespread, and neither the government nor the air lines themselves through their Association seem able to control rate-cutting effectively.

3. (a) As indicated in paragraph A-4, the rules and regulations concerning the airworthiness of aircraft are applied through the Directorate of Supply. Air traffic rules and the safety standards at airports are applied through the Directorate of Air Routes, although orders and certificates in both regards are often issued through the Directorate of Civil Aeronautics on the basis of directives received by the latter from the Directorate of Supply and Air Routes.

(b) The regulations are not adequate and they are not competently and strictly enforced.

(c) The enforcement of safety regulations does not appear to be used as a means of showing favoritism to certain carriers.

4. (a) Chapter II, Article 24, of the Brazilian Air Code Decree-law No. 438 of 8 June 1938, states that all aircraft must possess certificates of airworthiness and registration, and whatever other documents are required by administrative regulations. Chapter III, Article 28 of this same code provides that all airmen—pilots, navigators, mechanics, and radio operators—must possess licenses. Such certificates and licenses are issued by the Directorate of Civil Aeronautics after inspection or examination of qualified equipment or airmen by inspectors of the Directorate of Supply, or, in the case of airmen, by inspectors of the Directorate of Civil Aeronautics. All civilian accidents are to be investigated by a designated inspector of the Directorate of Supply and the DAC. No definite standards exist for such inspections, examinations, or investigation.

(b) The regulations are inadequate. Their enforcement is as indicated in

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paragraph (a) above.

(c) Fines are established on scales that vary from time to time for violation of regulations. Air-line companies are fined when their pilots are reported for breaches of regulations. Repeated or severe infractions of regulations result in suspension of certificates and licenses.

5. (a) Aerodromes designated for civilian use are open to civilian aircraft in compliance with air traffic regulations, as issued and revised from time to time by the Flight Protection Division of the Directorate of Air Routes.

(b) Nearly all airports used by civilian aircraft in Brazil are operated by the Air Ministry under responsibilities that are divided between the Directorate of Civil Aeronautics and the Directorate of Air Routes. When an aircraft is in motion on the ground or in the air, it is under the control of the Directorate of Air Routes. Other administrative and operating responsibilities, concerned with the installations and maintenance of passenger terminal buildings and the clearances of ship papers, etc., are the responsibility of the DAC. The construction and maintenance of aerodromes is the responsibility of the Directorate of Works in the Air Ministry. In a very few instances, such as the aerodrome at Barreiras, an isolated point midway between Rio and Belém along the cut-off route, the aerodrome is operated by one of the air lines using the aerodrome.

(c) Communications systems are operated by the Air Ministry and some air lines. Air-traffic controlled zones have been established around principal traffic centers, and aircraft entering those zones are required to give position reports and to comply with air traffic rules issued by the Directorate of Air Routes, which operates most of the control towers most of the time.

(d) The Directorate of Air Routes operates the Air Ministry network; some air lines, including *Aerovias Brasil*, *Cruzeiro do Sul*, *Navegacao*, *Aerea Brasileira*, *Panair do Brasil*, and *Varig*, operate their own communications systems. An informal survey made within the past six months indicates approximately 120 company-owned communications stations, of which approximately 100 are owned and operated by *Cruzeiro do Sul* and *Panair do Brasil*, the remaining 20-odd belonging to the other air lines named above.

6. (a) The Air Ministry requires the following traffic information to be submitted monthly by air carriers: kilometers flown on revenue flights and nonrevenue flights; the number of passenger kilometers flown; the number of seat kilometers flown; the load factor in percentage; the average number of passengers per flight; the average number of seats per flight; the total number of passengers carried; the average distance flown per passenger in kilometers; the average flight-length in kilometers; kilograms of mail transported; mail metric-ton kilometers carried; the average mail load carried; air cargo (express or freight); total kilograms carried; air cargo ton-kilometers; average load of air cargo per flight in kilograms; total kilograms of baggage carried; ton-kilometers of baggage carried; average baggage load carried in kilograms; average total weight of passengers, mail, cargo, and baggage carried per flight; revenue hours flown; registered aircraft in use; kilograms scheduled to be flown; kilograms actually flown; scheduled completions in percent; total subsidized kilograms to be flown; total

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subsidized kilograms actually flown; percentage of subsidized kilograms to be flown as compared with those actually flown; average number of daily flights; average flight utilization of equipment in hours per day; average kilograms flown per airplane per day.

(b) Before the advent of ICAO, no data on expenses, revenues, and rates were required of air lines by the Air Ministry. This year the Air Ministry began to obtain such information, as required by ICAO, from the Brazilian air lines engaged in international service, including *Cruzeiro do Sul*, *Panair do Brasil*, and *Varig*. *Aerovias Brasil* will also be required to submit such information.

(c) The aero clubs are required to submit periodic reports on the number of students in training and the number of hours flown.

(e) Pilots are required to submit to annual physical examinations by a designated medical examiner.

(f) Pilots are required to undergo a flight check with a designated examiner of the Air Ministry for each new type of airplane they propose to fly. The names of types of airplanes for which a pilot has been approved are written on his license by the examiner.

(g) Each six months every civilian aircraft must be inspected by a representative of the Directorate of Supply. The number of hours flown apparently has no bearing on the timing of this inspection; it is a regular semiannual affair, and is usually performed in a rather perfunctory manner, often by persons whose technical knowledge and experience are obviously inadequate. The inspection report covers one double-spaced page of a hectographed form which calls for the following information:

Type of aircraft

Date and place of examination

Factory number of aircraft

Owner of the aircraft

Classification (whether transport, private, or other)

Pilot in charge

Airframe Data

Airframe hours flown:

Total:

From last overhaul:

Power Plant Data

Motor make

Type

Number

Hours of operation since last overhaul

Propeller: Type:

Pitch:

Factory number:

Diameter:

Provisions for fire protection

First aid kits.

(h) After the initial inspection of each aircraft by an inspector of the Directorate of Supply for the issuance of an airworthiness certificate, the semiannual inspection mentioned in (g) is required.

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(i) No definite procedures or forms appear to be required in connection with accidents.

(j) All periodic special reports, examinations reports, or other forms applying to civilian aircraft are submitted to the Directorate of Civil Aeronautics. The traffic statistics mentioned under (a) are processed by a statistical unit in the Directorate of Civil Aeronautics and are then available to the Director of the DAC for the preparation of annual reports and for verification of amounts paid under contract to air lines receiving subsidies from the government.

D. GENERAL EVALUATION.

1. There appears no good reason to question the honest administration of the government's civil air organizations, policies, rules, and procedures within the exceedingly limited means and facilities available to the DAC, which bears the brunt of this responsibility within the Air Ministry. The civil aviation community as a whole, however, as well as competent non-Brazilian experts, do not consider the organizations, policies, rules or procedures to be sound, progressive, equitable or well adapted to the capacities, aims, and requirements of the country's commerce, industry, and security.

2. The principal strength of civil aviation in Brazil lies in the highly developed air-mindedness and in the wide acceptance among thinking Brazilians, of the need for air transport. A small group of vigorous and capable administrators, executives, and technicians, who have managed to develop a very impressive air transport system in Brazil, despite the government's lack of a definite policy and preoccupation with other matters, represents a further element of strength. (The civilian air lines in Brazil, for example, from 1 January to 30 September 1947 flew mileage and passengers in a volume probably second only in the world to that of the US, without a single accident involving serious injury or death to a passenger. A recent well informed estimate of air routes flown inside Brazil reached a total of approximately 75,000 miles.) The principal points of weakness in Brazilian civil aviation are a lack of a definite government policy with regard to the promotion and development of civil aviation and the lack of an adequate organization to implement properly such a policy if it were established.

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ARGENTINA

A. CIVIL AIR POLICIES.

1. Civil aviation is definitely regarded as an instrument of Argentine national policy. The state determines all policy with respect to aviation within the country. It is the stated policy of the Argentine Government that international operations should be limited as much as possible to Third and Fourth Freedom traffic. Since it is contended that every country has a proprietary interest in traffic which it generates, it is argued that traffic between two countries should be divided equally among the air lines of those countries. According to this policy, Fifth Freedom traffic should be permitted only in a country which either has no international air line of its own, or is unable or unwilling to handle all its own traffic. This policy is still maintained despite the exception made in granting the US Fifth Freedom rights in a recently concluded agreement.

2. (a) Development and expansion of scheduled air transport is promoted in the following manner: The "chosen instrument" air line, FAMA, is organized with the government holding 30%, and private interests, 70% of the stock. While private stockholders are devoid of authority in the organization, they have been encouraged to invest in this venture by the government's guarantee of a minimum five-percent yearly return. The same system is in effect with respect to domestic air lines. Government investment in the three domestic air lines, however, amounts to only 20%. The air lines are also encouraged by the operations of the *Lineas Aeros del Estado* (LADE) which is charged with developing new routes considered to be of national interest but which are not sufficiently remunerative to interest the regular domestic air lines. If such a route generates enough traffic to be commercially valuable, one of the mixed companies would be given the franchise.

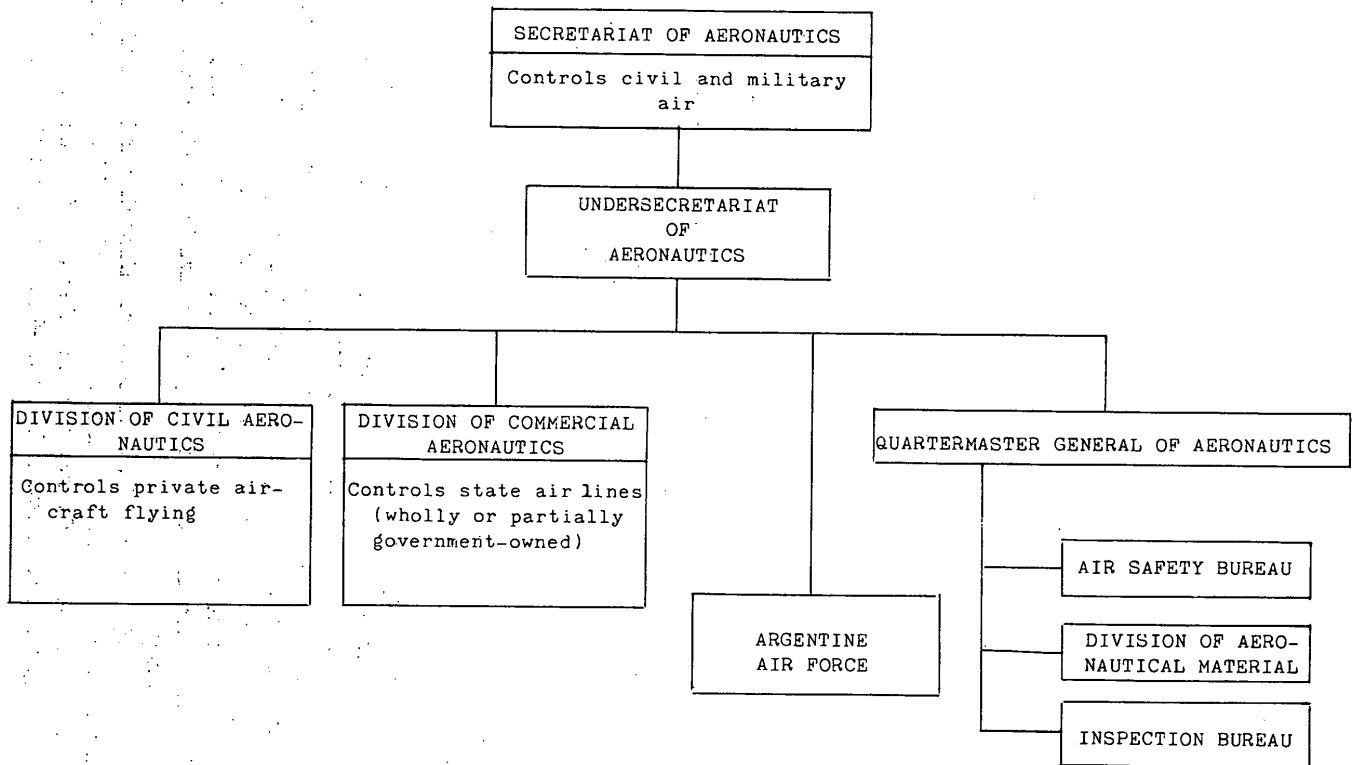
(b) Nonscheduled air transport is subject to restrictive regulations which discourage these operations to a considerable extent. Furthermore, it is the stated policy of the government to protect scheduled air carriers from all competition from nonscheduled air carriers. Both in the domestic and international field, no permits for nonscheduled operations are likely if these in any way compete with scheduled carriers, and such permits are given only when the services are of such a nature that they cannot be performed by the scheduled carriers.

(c) It is Argentine policy to give generous financial and technical aid to the various flying clubs, reducing the expense of flying training for the individual student to a figure which is approximately 20% of the actual cost. On the other hand, the State keeps strict and complete control over these operations, which are designed to fit into the pattern of military training rather than to serve the convenience of private aircraft owners.

(d) & (e) Practically all aircraft manufacturing and research are being carried out under the direction of the army at the Cordoba Military Institute. This Institute has already produced a twin-engine bomber and a jet trainer. There are only two private organizations known to be engaged in the manufacture of aircraft. One is

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working on a twin-engine five-passenger transport similar to the Cessna UC-78; the other has built a 150 hp. tandem trainer similar to the Miles Magister. One firm is licensed to manufacture Cheetah engines and another is licensed to build a German-type radial engine. Neither of these is believed to be in production. As far as is known, no private research of importance is carried out.

(f) There are no courses in aeronautical engineering offered in Argentina.

(g) The only aeronautical training offered in Argentina besides that given in the civilian flying clubs is under army supervision. There is a military aerotechnical institute having nine schools and a total of about 800 apprentice mechanics, a meteorological institute giving on-the-job training, and a medico-aeronautical institute which offers courses in this field. Grants to foreigners for aeronautical studies have been extended only to military cadets, and these are neither frequent nor numerous.

(h) Argentina has announced the intention of encouraging local production of equipment in every possible way and protecting domestic production.

(i) & (j) All airports and air navigational facilities are the property of the government and are controlled by the Secretariat of Aeronautics. Meteorological stations and cartographic offices are also under government auspices.

3. (a) It has been pointed out that air carriers are owned by mixed companies having minority government interest and majority private interest. The reason given for this policy by the highest aeronautical authority, the Secretary, is that in this way private capital will be attracted (under certain government controls) but that the participation of private interests will also serve to avoid the dangers of monopoly or statism.

Foreigners are not permitted to own interests in the mixed companies.

(b) The government has announced a policy of encouraging the development of the aeronautical industry by private individuals, as well as by the state, but in practice 99% of this industry is owned by the government.

(c) The policy of the government aeronautical authorities with respect to domestic operations is to divide the country into separate zones, each zone being allocated to a certain air line. This eliminates all competition within zones. While the carriers do not have actual monopolies of operations in their zones, they do have a prior right to offer any service. Theoretically long-distance domestic routes crossing more than one zone may be approved, but none has been offered as yet.

(d) Domestic air lines are protected against competition with foreign carriers by the barring of all cabotage operations by foreign lines. It has been the policy of the government to attempt to obtain international agreements whereby the international air line, FAMA, is protected against competition by requiring foreign carriers to limit flight frequencies (capacity) and routes.

(e) Air carriers are subsidized by guaranteeing all private stockholders a 5% interest on their capital. Air-line losses are covered by deficits in the national budget. It is stated in the Five-Year Plan that the government's policy with respect to manufacturing is to encourage it in every possible way, including restrictions on imports and exchange differentials, and also by favoring national production in all cases where it is possible to obtain domestic material. The reasons given for this policy

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are the necessity, from the military point of view, of establishing a basic aeronautical industry, and the importance from the social point of view, of encouraging industries which afford employment and private income. It is the government policy to own all airports as well as aeronautical services of all kinds. Aeronautical education and training are being encouraged very actively. School children are given texts and material for the construction of model airplanes; prizes are offered for competitions in design and construction of these models; and new courses are being offered in several of the government schools. In addition to the encouragement given to private pilots through the club program of training, cadets are offered military courses under extremely favorable circumstances, which in some cases include scholarships covering all the expenses of the training period. This encouragement is extended also to mechanics and other technicians. No advanced courses, however, such as the engineering courses at present offered in the US, are available in Argentina.

(f) It is the stated policy of the government as a feature of the Five-Year Plan, to develop transport aircraft, including twin-engine and possibly four-engine types.

(g) Foreign aircraft are being used by the Argentine air lines. There are no restrictions with regard to the nationality in such aircraft.

(h) Argentine policy insists on reciprocal treatment by any country with which it has a bilateral air agreement. This reciprocal treatment involves a mathematical division of the Third, Fourth, and Fifth Freedom traffics. In conformity with this policy, agreements have been reached with the governments of Great Britain, Portugal, and Spain. As a result of insistence on this policy, however, Argentina has failed to obtain agreements with Holland, the Scandinavian countries, France, Chile, Uruguay, Brazil, and Peru. Consequently, foreign air lines entering Argentina either operate in accordance with one of the three formal agreements satisfactory to Argentina, or under temporary air agreements which are also in accordance with Argentina policy. Argentina is in favor of a multilateral air agreement but does not believe such an agreement to be possible at the present time, in view of the great diversity of opinions held by the numerous possible signatories to such an agreement. Argentina is a member of ICAO and FAMA is a member of IATA.

4. Civil air policy is greatly influenced by military air requirements and the armed forces are in absolute control of civil aviation in Argentina. It is believed that civil air transport is regarded primarily as a commercial activity of economic and political value, although the military air potential is also very closely allied to these considerations. Economic considerations appear to outweigh the political aspects of civil air policy.

5. It has been Argentina's policy to sponsor the formation of a bloc of neighboring countries, making this bloc as large as possible, and within which the air lines of the member countries would have special privileges denied to operators outside the bloc. It was the intention of the Argentina authorities at one time to reserve all "regional cabotage" within this bloc to member countries. When this appeared impossible, Argentina attempted to impose such restrictions as, for instance, rate differentials and the arbitrary division of Third, Fourth, and Fifth Freedom traffic. Since this policy is directly opposed to the policy followed by the US and by a number of countries,

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including several which Argentina hoped to include in the Latin-American bloc, Argentina runs the risk of isolation in air operations. It appears, however, that Argentina's policy has been influenced to a certain extent by these developments because she has accepted an agreement with the US which is contrary to her basic policy, and now may find herself forced by circumstances to accept similar agreements with numerous other countries. If Argentina continued to reject such agreements, she would run the risk of being unable to operate at all in the international field of aviation.

6. Although current expenditures on Argentine air transport operations are not known, capital investments in the air lines may serve as an indication of expenditures in this field. They are as follows: FAMA, the international air line, is capitalized at 37.5 million dollars with government ownership of one-third, and private ownership of two-thirds of the capital. The three domestic air lines, ALFA, ZONDA, and AERO-POSTA, are each capitalized at 2.5 million dollars with a state participation of one-fifth and private participation of four-fifths of the capital.

Expenditures and capital investment in the government air line LADE are difficult to estimate, but it is known that LADE has frequently carried on more extensive operations than any single domestic air line.

Total capital investments in the Argentine air lines can be roughly estimated at 50 million dollars.

The government subsidy to private flying in powered aircraft for 1947, as advanced to the clubs up to 31 August, amounted to \$376,419 for expenses and \$104,436 for the purchase of new material (representing 50% of the cost). Subsidies to gliding clubs for the first three months of 1947 amounted to \$7,805. Total subsidies to the clubs for the first eight months of 1947 amounted to approximately \$500,000. During the first eight months of 1947 private expenditures by motorized flying clubs amounted to \$104,436, covering the purchase of new aircraft.

Private expenditures for training probably amounted through August 1947 to \$75,000.

While expenditures on nonscheduled transport, aircraft manufacturing and research, and the training of technicians are not known, it is known that the government has nine technical schools with 748 apprentices, besides the regular army cadet pilot training schools.

The government aircraft factories have produced to date:

- Approximately 500 "Boyero" 65-hp. trainers;
- 300 DL-22 (AT-6 type) trainers;
- 30 "Pulques" (light bomber, imitation of Mosquito);
- 2 single jet pursuits;
- 1 double jet pursuit (under construction);
- 30 "Indio" 600-hp. radial engines;
- Sufficient number of "Gaucho" 450-hp. radial engines for the DL-22 aircraft.

One private firm has produced a prototype trainer powered with a 125-hp. imported British engine. In the case of the "Boyero," the DL-22 and the "Gaucho" engines, it is likely that at least 30% of the total was produced prior to 1947.

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The total value of aircraft and parts imported in 1946, according to official Argentine statistics, was four million dollars, an increase of about one thousand percent over the imports for the previous year. In 1947 imports of aircraft and parts will far exceed imports for 1946. US exports of aircraft and parts to Argentina for the first five months of 1947, according to Department of Commerce statistics, total 7.3 million dollars, while orders placed in the US for eleven new air liners, said to be scheduled for delivery in 1947, will total approximately 6.4 million dollars exclusive of spares.

Data on imports from Great Britain for 1947 have not been available, but the cost of 20 "Vikings" alone is approximately 3.9 million dollars, while the cost of 20 "Doves," scheduled to be delivered during this year, is approximately 2.7 million dollars.

Expenditures on airports, cartographical and meteorological services are known to be increasing greatly.

Thirty radio communication units were purchased from the air lines in June for 2½ million dollars.

(a) The figures quoted below should be considered in relation to the 1947 national budget, which amounted to 1,099.2 million dollars, and to the national income, as computed for 1946 (last available data) which amounted to 1,256 million dollars.

(b) The national budget for 1947 provided for 38 million dollars to be expended on salaries and expenses of the Secretariat of Aeronautics, and this figure may have been exceeded by a large margin. (the same appropriation for 1946 amounted to 13.8 million dollars, but the actual expenditures finally amounted to 28.25 million dollars).

(c) Military aircraft on order from Great Britain are known to include 30 "Lincoln" bombers and 100 Gloster "Meteors," estimated to be worth, respectively, 15 million and 22.5 million dollars.

7. Private vested interests appear to exert no influence on civil air policy, which is apparently exclusively determined by the army. The conclusion of the US-Argentina air agreement, however, was contrary to army policy and only resulted after decision by the executive power.

8. The government sponsors, controls, and subsidizes all formal aeronautical education in Argentina. As of 31 August 1947, there were fifty-nine flying clubs having:

	1947	1946
Instructors	80	44
Mechanics	140	70
Aircraft	304	208
Parachutes	310	190
"A" pilot licenses issued	345	201
"B" pilot licenses issued	76	61
"C" pilot licenses issued	65	27
Total hours flown	44,572	28,695
Civilian pilots being trained	804	
Students being trained	540	

There were ten private gliding clubs as of 31 August, 1947, which issued 144 new licenses (in 1946 the total was 118) and completed 20,400 flights (in 1946 the

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total was 30,200). There were, as of 31 August 1947, 98 private model aircraft clubs. These private institutions are heavily subsidized and comply with programs determined by the government. In the case of motorized flying clubs this subsidy amounts to approximately:

- (a) 80% of the actual cost of flying instruction;
- (b) 50% of the purchase price of approved materials; and
- (c) full salaries of certain ground personnel.

As of 31 August 1947, there were nine military apprenticed schools having 748 students below the rank of officers. The students are encouraged to enroll in the schools by the assignment of salaries, which are determined by their ranks and classes. The courses offered by these schools are designed to qualify students as:

- Airborne radio operators
- Airborne photographers
- Bombardiers
- Aerotechnical mechanics
- Armorer mechanics
- Communications mechanics
- Aircraft mechanics

The amount of advertising for candidates for the apprentice schools indicates that the government is particularly interested in this phase of training. The number of students enrolled in these activities depends on their own desire to join. No courses in aeronautical engineering are presently offered in Argentina.

9. The government operates its own aeronautical research and development facilities, and in this respect, so far as is known, does not subsidize private organizations. The Military Institute of Cordoba is carrying on a research program which has resulted in the building of four different aircraft types and several different engines including a 650 hp. radial engine. It is understood that research work is being carried on for the development of a jet engine, and jet aircraft are actually being built. The extent of appropriations for these purposes is not known. The greatest emphasis is given by research in the direction of military material. Of the four types of aircraft and the various types of engines already developed, no purely civil model has been placed in production. Although it is true that the primary and basic trainers which have been developed are suitable for civilian use, these have to date been used only by military personnel. As far as is known, with the exception of two firms which are building aircraft, private institutions are not engaging at the present moment in aeronautical research on their own initiative.

10. The government is not extending any aid to private manufacturers or researchers at the present time, and all activities of this kind are conducted by the military institute.

D. GENERAL EVALUATION.

1. The government's civil air organization, policies, rules, and procedures are generally considered to be honestly administered. However, the civil air line FAMA has suffered from poor management and from conflict in authority between the Secre-

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tary of Aeronautics (an army general) and the company manager. On the whole, the civil air organization is well adapted to the requirements of the country's commerce, industry, and security. It supplements the railroad network, particularly in outlying sections such as Tierra del Fuego. The Argentine chosen instrument in its international operations is a source of national pride and is as efficiently operated as might be expected in view of the limitations imposed.

2. The Argentine air establishment is crippled by high-level differences on policy and by the delegation of authority to subordinates, usually foreigners. Qualified experts have been employed, but because of lack of organization, maintenance facilities, and radio aids, efficiency in air operations has been difficult to achieve. The problem has become increasingly difficult, because of the need for servicing the varied types of aircraft Argentina has recently acquired. During the war the only available sources of aircraft supply were the UK and the US. These countries, however, placed an embargo on the sale of aviation equipment to Argentina, which has only lately been relaxed. As a result of this situation, Argentina, determined to maintain its position in civil aviation, has bought a large number of assorted aircraft. This has complicated the problem of maintenance, and operating and maintenance personnel, although experienced, was handicapped by this diversification of types. When to this drawback is added the lack of authority to make its knowledge effective, even a competent body of well trained air and ground personnel finds itself powerless to strengthen Argentine aviation. Argentina did not share in the benefits of the American Republics Program (under the Hemisphere Defense Plan), either as to equipment or training of pilots and mechanics. All other Latin American Republics were given the opportunity to send students to the US under the Inter-American Training Programs or to participate in military and naval pilot and ground training in the US. This training, denied to Argentina, has furnished a nucleus of trained personnel to other countries.

Since Argentina has no such reservoir to draw upon, there are no civilian pilots or air crews capable of handling the modern planes acquired for use by FAMA, the Argentine national air line.

The strength of Argentine aviation lies in strong government support, ample capital available for investment in aviation, and potential mechanical talent. The latter was demonstrated during the war when, despite the lack of spare parts and new equipment, Argentina commercial lines succeeded in maintaining operations practically without accidents.

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PERU

A. CIVIL AIR POLICIES.

1. Civil aviation is not regarded by Peru as an instrument of national policy nor is there any indication that it might become such, other than possibly to increase the prestige of Peru in the American countries served by its one existing international air line. The state, to a very minor degree, determines policy with respect to civil aviation, the principal determinant being the requirements and best interests of its own air line as well as the US carriers currently serving Peru. Peruvian basic civil aviation policies closely parallel those of the US in strong support of Fifth Freedom rights, the early execution of a multilateral air transport agreement, and the standardization of regulations and practices through representation in and adherence to ICAO.

2. (a) The government has promoted the development of international-scheduled air transport by actively encouraging the formation of a Peruvian international air carrier and by the granting of reciprocal rights to two US carriers, a British carrier, and other Latin American flag carriers. Its policy has also encouraged development of domestic air carriers by the granting of duty-free importation and other special considerations without discrimination.

(b) Nonscheduled air transport will probably soon be barred from Peru, according to recent statements by Air Ministry officials, because of recent objections by the scheduled international carriers that nonscheduled services represent unfair competition.

(c) Private flying is officially promoted by the encouragement of the formation of Aero Clubs throughout the country and by the granting of small subsidies to these clubs. However, private flying has not yet passed the embryonic stage in Peru.

(d) Aircraft manufacturing is no longer carried on in Peru because of a recent government decree prohibiting the use of single-engine aircraft for commercial work. This act forced a shutdown in the production of Faucett single-engine monoplanes manufactured in Lima.

(e) There is no research in Peru.

(f) There is no aeronautical engineering education in Peru.

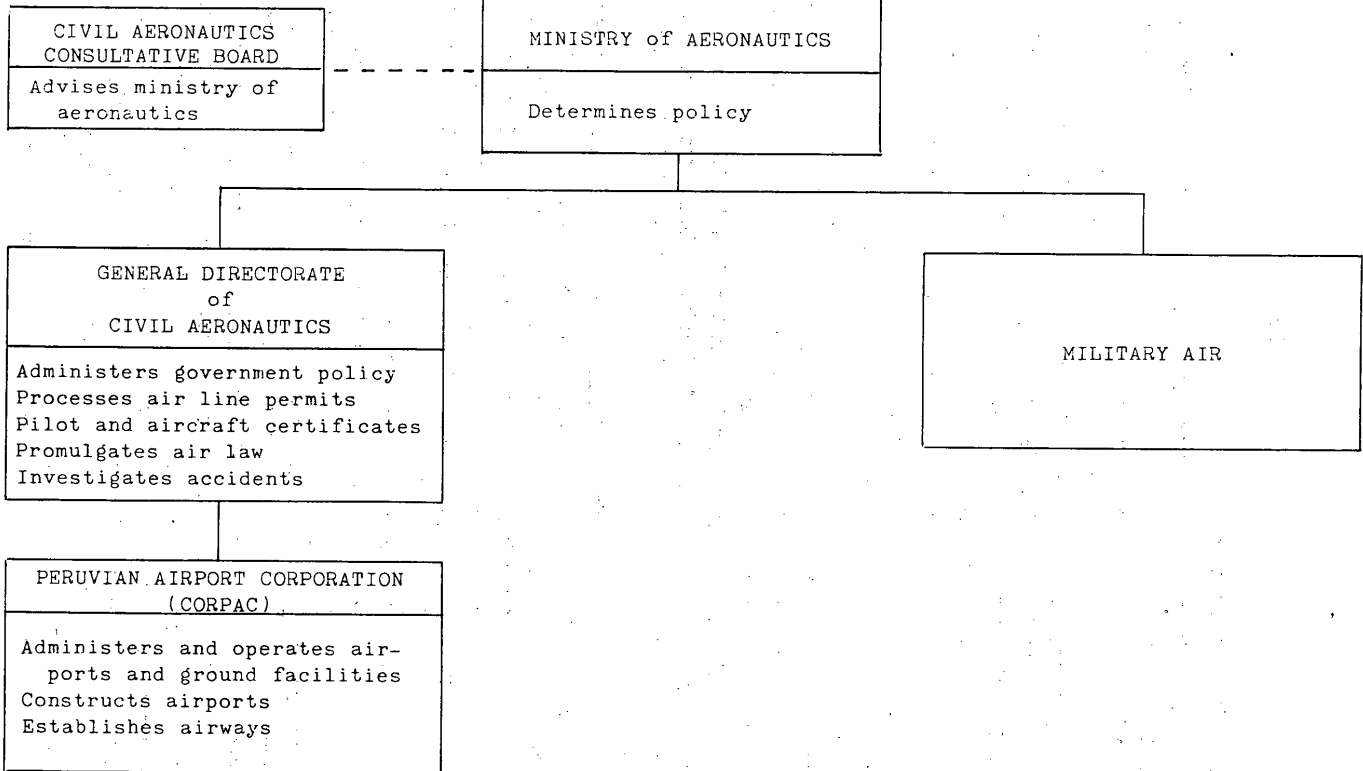
(g) There is no organized civil pilot training in Peru. The Peruvian Government Airport Corporation, however, recently inaugurated training courses for airport operation and administration, and an attempt has been made to encourage students from neighboring Latin American countries to attend these courses.

(h) The importation of aeronautical equipment is granted every possible facility. Almost all imports are from the US, enjoying free entry for all commercial air purposes. The government exchange control provides dollars, despite the tight foreign exchange positions, which are necessary for such purchases.

(i) Airports are being improved and additional ones built under a program by the governmental Peruvian Airport Corporation (CORPAC); air navigation facilities are also being expanded and improved by the same corporation.

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(j) Development of air navigation facilities is being carried on with the assistance of a CAA Mission from the US.

3. (a) Peruvian authorities favor private ownership of air carriers, acknowledging that only private entities have the necessary means and knowledge. Foreigners are permitted to own minor interests in Peruvian domestic and foreign air lines without discrimination. Although it is true that there has yet been no case in point, it is seriously questioned whether Peruvian authorities would approve majority control of a Peruvian air line by foreign interests. This was illustrated in the recently executed bilateral air transport agreement between Peru and the US, in which Peru insisted upon the acquisition of majority control by Peruvians within ten years.

(b) The aircraft manufacturing industry is no longer operative.

(c) Competition is permitted among domestic Peruvian carriers but is regulated to prevent ruinous competition over identical routes. The regulation that fare schedules must be approved effectively establishes uniform rates.

(d) No evidence of the protection or favoring of national air lines has been encountered in competition with foreign carriers.

(e) For budgetary reasons, the Peruvian Government does not subsidize air carriers or manufacturing. While it expends considerable amounts for the improvement and administration of airports and the training of personnel for their operation, the government expects to recoup its investment and thereafter continue on a non-profit basis by the expedient of charging the carriers for the use of their facilities.

(f) There is no development of transport aircraft in Peru.

(g) Foreign transport aircraft are used entirely in Peru. They have been exclusively of US manufacture.

(h) It is the policy of Peru to encourage the operation of foreign air lines but only after a bilateral agreement, patterned on the Bermuda formula, has been executed with the government of the applying air line. Peru expressed its support of a multilateral agreement embracing the Five Freedoms at the ICAO conference in Montreal in May 1947.

4. Civil air policy is not influenced by military air requirements although actually the armed forces control civil aviation, to the extent that the directors of civil aviation have always been officers of the Peruvian Air Corps. Moreover, all Ministers of Aeronautics have been air corps generals, with one exception. This staffing of civil aviation agencies with military rather than with civilian personnel is due to the absence of nonmilitary personnel with aviation training or background. There is no manufacturing industry whose needs might otherwise affect civil air policy.

5. The civil air policy of Peru is closely related to, and strongly influenced by, that of the US. This is illustrated by the Peruvian defense of Bermuda principles in its bilateral agreements with other countries, its support of the proposed multilateral agreement, and by its recent refusal to enter into a bilateral agreement with Argentina which would have sacrificed Fifth Freedom rights for a restrictive traffic exchange. Moreover, the presence in Peru of a US Civil Aviation Mission, which is making recommendations to Peruvian civil aeronautics authorities on development of policy, laws,

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regulations, and procedures, constitutes the strongest possible influence favoring the US air policies and against those of nations in opposition.

6. Current government expenditures for the civil aviation activities mentioned in paragraph 2 are limited to the administrative costs of the Directorate General of Civil Aeronautics, the budget for which is restricted information but, it is estimated, could not exceed the equivalent of \$50,000 per year. The government airport corporation is currently budgeting about \$100,000 in airport improvement activities, and is considering the expenditure of another \$100,000 in the acquisition and extension of radio communications and ground facilities. These amounts would correspond to considerably less than 1% of the national budget. They are not, however, actually a government budgetary expenditure but a corporate activity reimbursable ultimately by the collection of service fees.

7. Vested interests have influenced the Peruvian civil air policy in only one recent instance. This involved the establishment of a Peruvian international air carrier, wherein a bilateral air transport agreement was negotiated with the US so as to enable the carrier to be accorded rights as a Peruvian carrier, while the majority of its stock was not yet vested in Peruvian nationals. The execution of the agreement was to all practical purposes made contingent upon accepting the Peruvian viewpoint in this matter, and attorneys for the Peruvian air line appeared then to be dictating Peruvian Government policy. However, since the agreement was signed, there has been no further indication of influence on Peruvian air policy by this vested interest. Moreover, since the Peruvian carrier will continue to be managed and principally owned by US and Canadian interests for the next ten years, such influence will probably coincide with US interests.

8. The Peruvian Government has subsidized aeronautical education to a limited extent by conducting classes to train its communications and air traffic control personnel. This expenditure will also be ultimately reimbursed from operating fees. The government controls the airport corporation in which training is given. The number of students is determined by the government, but there is a scarcity of applicants with the necessary qualifications and initiative. The students are supported by the airport corporation with a small monthly allowance, barely adequate for subsistence purposes. As soon as a trainee becomes qualified, however, a modest salary is paid. About 90 students recently enrolled in day or night training courses but only approximately 25 qualified, and the training courses have now practically been eliminated since the personnel immediately required has been trained. Training has been limited to meteorology, operation of communications facilities, and air traffic control. There is no aeronautical engineering training offered in Peru.

9. The Peruvian Government does not operate aeronautical research facilities or subsidize private organizations. Private institutions do not engage in aeronautical research.

10. The development of new types of aircraft and equipment is not subsidized or financed by the Peruvian Government since there is no manufacturing in Peru.

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~~RESTRICTED~~**B. CIVIL AIR ORGANIZATIONS.**

1. The Ministry of Aeronautics determines policy for both military and civil aviation. Directly under the Ministry of Aeronautics and charged with the responsibility of administering government policy in civil aviation is the General Directorate of Civil Aeronautics. This office is responsible for recommending the issuance of air-line operating permits, both foreign and domestic, airman and aircraft certificates, and the promulgation of aviation law and regulations as well as the investigation and reporting on aircraft accidents. The Civil Aeronautics Consultative Board, made up of the Minister of Aeronautics and civil and military aviation officials, advises the Ministry of Aeronautics on important matters of air policy. The Peruvian Airport Corporation (CORPAC), a governmental corporation whose board of directors includes representatives of the Ministries of Finance and Aeronautics, administers and operates airports and ground facilities. Policy control of this corporation rests principally in the Ministry of Aeronautics.

2. (a) See 1.

(b) All the foregoing agencies were created and endowed with their present functions by recent appropriate legislation. The Peruvian Airport Corporation, for example, was founded in 1943. It was given an initial capital of 80 million soles, obtained by bond subscription, and is charged with the construction of airports, the establishment of airways, and all necessary facilities. It has authority to assess fees for its services with the hope of ultimately becoming a self-sustaining but nonprofit civil aviation service organization.

(c) The historical background of civil aviation with respect to the formation of the above organization, is as follows:

Pan American-Grace Airways inaugurated international service in 1928, and in pioneering the west coast of South America, made up its own rules and obtained the necessary government acquiescence. Formal blanket permits to cover its activities were obtained later. Similarly, the one important domestic air line pioneered internal air transportation in Peru, operating somewhat as a law unto itself. It was not until the onset of World War II that the government attempted to exert any control over civil aviation. Even then the control was only the minimum necessary to coordinate civil aviation with the Peruvian Air Corps, which was actively cooperating with the US Army Air Forces. Actually, until early 1946, the Directorate General of Civil Aeronautics consisted merely of a small office which issued identification documents and licenses and secured free entry for civil aviation supplies. In 1946 the Director General of Civil Aeronautics, who had just returned from six years as Peruvian Air Attaché in Washington and who is now the Minister of Aeronautics, announced his determination to make his organization a civil aviation organization rather than a military one. Since his elevation to Minister of Aeronautics he has attempted to develop Peruvian civil air policy along lines paralleling that of the US Civil Aeronautics Administration and Civil Aeronautics Board. At the same time he sponsored the present Civil Aviation Mission to Peru. CORPAC, the Peruvian Airport Corporation, was also further strengthened and expanded under his Ministry. It was given the necessary funds and authority

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to administer and improve all civil airports and to install up-to-date aids and facilities in line with CAA standards outlined by the Civil Aviation Mission.

3. The Directorate General of Civil Aeronautics and the Peruvian Airport Corporation are considered to be fulfilling a useful function in the public interest by fostering competitive but regulated civil air transportation.

4. The two above-mentioned agencies do not overlap but do complement each other. Their functions are coordinated by the Minister of Aeronautics, who would resolve any conflicts.

5. There are no present plans for reorganization or abolishment of these organizations, or the creation of new ones.

C. PROCEDURES AND REGULATIONS.

1. *Air Routes.*

(a) Air routes are awarded to designated carriers by supreme resolutions. These are issued by the Minister of Aeronautics and bear presidential approval.

(b) The granting of a route to a particular carrier is determined primarily by whether it would present unfair or ruinous competition to an existing carrier. The financial and technical ability of the petitioning carrier to furnish the service is also considered.

(c) Conditions imposed upon the operator of a given route include compliance with local air regulations, payment of reasonable and nondiscriminatory fees for the use of facilities, and the obligation to use only approved rates. Companies must also acquire from the Peruvian Airport Corporation sites at principal airports on their routes in Peru upon which services and maintenance establishments must be constructed within a specified time.

(d) International carriers must obtain permission from the Peruvian authorities to modify their routes, but domestic carriers have so far been able to extend or vary the internal routes at will with the apparent acquiescence of the Peruvian authorities—that is, once their initial operating permit has been granted.

(e) New routes are established entirely on the initiative of the carrier.

(f) All carriers are entitled to apply for any proposed new route.

(g) Competition is permitted over identical or similar routes to the extent that it does not represent a financial hazard to the continued operation of the existing service.

(h) The carrier's certificate may be revoked for serious infringement of the air regulations or may be revised upon application by the carrier and recommendation by the Director General of Civil Aeronautics. Application may also be made for new conditions or new routes upon the expiration of an existing five-year operations permit.

2. *Rates.*

(a) Rates are fixed by the carriers and approved by the government.

(b) Rates are based upon economic and competitive considerations.

(c) See (a).

(d) Discriminatory rates are not permitted, but special rates may be authorized upon proper justification by the carrier.

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3. *Safety.*

(a) The issuance and enforcement of safety rules and regulations is a responsibility of the Directorate General of Civil Aeronautics.

(b) Safety regulations merely include requirements for licensing of personnel and inspection and licensing of aircraft. Both of these functions are at present limited to a mere rubber-stamp approval. Additional regulations are under study.

(c) Any enforcement would be impartial.

4. *Inspection.*

(a) Regulations for the inspection of aircraft have been issued by the Directorate General of Civil Aeronautics, which also requires that all pilots operating Peruvian registered aircraft be licensed in Peru. While no regulations exist for accident investigation, the Directorate General is given investigative authority in its enabling statutes and conducts investigations according to its own discretion.

(b) The regulations are presently inadequate and are totally unenforced because of lack of personnel, either trained or otherwise.

(c) Fines can be imposed for failure to obey regulations but this authority has been used only as a threat.

5. *Airports and Communications.*

(a) Regulations for use of the various airports are prepared by the Peruvian Airport Corporation and approved by the Civil Aeronautics Consultative Board.

(b) The Peruvian Airport Corporation, CORPAC, operates all civil airports.

(c) Communications have thus far been operated by the carriers themselves, who will furnish communications and meteorological services to individual aircraft for a relatively large fee. They have expressed their willingness to serve even competitive air lines until CORPAC takes over and operates communications. It was scheduled to do this during 1947.

(d) Two communications systems are now in operation, the international airways system operated by Panagra and the internal system operated by Fancett air line.

6. *Reports and Forms*

(a) All carriers are required to file special forms reporting their flights. These include statistics on passengers and cargo carried.

No forms are required for items (b) to (j), inclusive. Traffic report forms are submitted in duplicate to the Peruvian Airport Corporation, which retains one copy and forwards one to the Directorate General of Civil Aeronautics. These are utilized to compile traffic statistics.

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CHINA

A. CIVIL AIR POLICIES.

1. It is significant to note that the Chinese Government has not promulgated a comprehensive body of laws and regulations for the control and regulation of civil air transport. The few laws and regulations which have been enacted are not policed or strictly enforced. Moreover, the Chinese Government has not yet developed a coordinated policy on civil aviation. The Ministry of Communications has attempted to support the development of civil aviation, but its efforts have been hampered by the civil war and unfavorable economic conditions. Also, because of the civil war, there has been a constant struggle between the Ministry of Communications and the Chinese Air Force for the control of civil aviation. This has resulted in a state of internal confusion under which civil aviation cannot thrive. The Chinese Air Force is in control of practically all the desirable airports and has been able, in many cases, to force the Ministry of Communications to direct the operations of the civil air lines in accordance with the desires of the CAF.

In matters concerning international air transport, the Chinese Government has exhibited a tendency to press for rate controls and limitation of frequencies and capacity, especially with regard to matters affecting regional international operations. This attitude has recently become more pronounced. It has been evidenced in the negotiation of agreements with France, Siam, the Netherlands, and the UK.

Civil aviation is regarded by China as an instrument of national policy. China is extremely jealous of its sovereign prerogatives.

All matters of importance affecting civil air transport policy are referred to the highest authorities for consideration and final approval. The largely government-owned civil air carriers must obtain from the State prior approval of proposed policies and procedures.

2. (a) The Chinese Government determines the routes which the largely government-owned air lines will operate and the tariffs they will charge. To a very limited extent the government regulates the carriers with a view to assuring safety. The government has established weather minimums and traffic procedures under which the civil air carriers will operate, but does not as yet police and actively enforce these regulations. Because of scarcity of competent personnel available to it, the Civil Aeronautics Administration has been unable to supervise directly the operations of the civil air carriers. Matters such as aircraft maintenance and supervision of flight personnel are controlled by the air lines according to their own standards and are executed without government supervision. In other matters of similar importance, the air lines determine standards of operation and implement these determinations.

The government, mainly because of the civil war, is unable to appropriate funds for the development and expansion of the scheduled carriers, and hence has not been able to develop a broad program of promotion, development, and expansion of scheduled

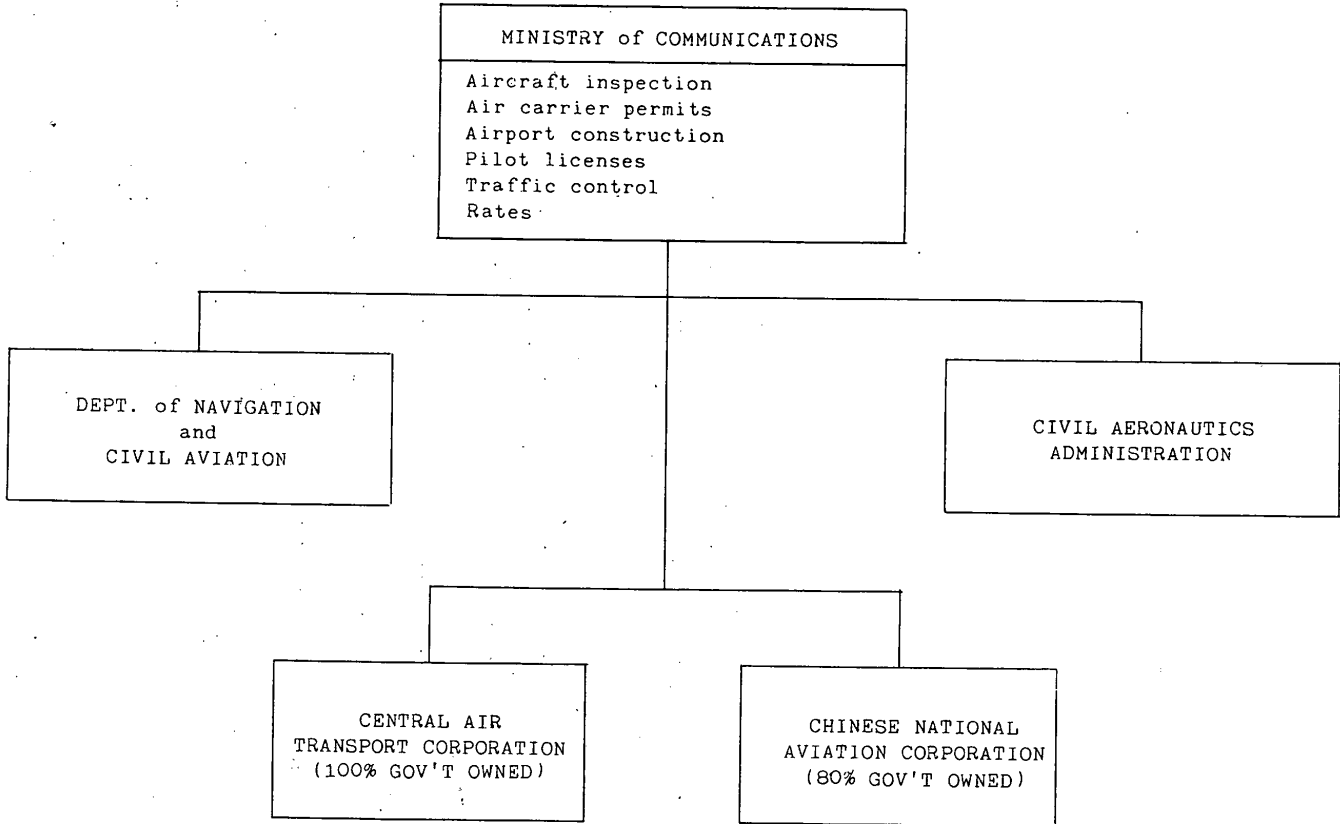
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CIVIL AIR POLICY
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air transport. Scheduled air transport in China is limited to two carriers, the China National Aviation Corporation and the Central Air Transport Corporation. The China National Aviation Corporation is 80% government owned with a 20% participation by the US carrier, Pan American Airways. The Central Air Transport Corporation is understood to be wholly owned by the Chinese Government.

Recently the Ministry of Communications has actively supported the civil air lines in their requests to other government agencies for sufficient foreign exchange to procure essential maintenance equipment and for increased allocations of gasoline. While the Ministry has been able to influence other government agencies to allocate to the civil air lines urgently required foreign exchange and gasoline, oil, etc., to maintain minimum operations, the needs of civil aviation are generally subordinate to government requirements for the prosecution of the civil war.

(b) The government does not promote, nor in any manner support, the development of nonscheduled air transport services. On the contrary, it would appear that the Chinese Government will not permit operations of this type, reserving all carriage for the two scheduled operators. An exception to this is the China National Relief and Rehabilitation Air Transport Company, largely financed by UNRRA-CNRRA, which is permitted to carry revenue passengers and cargo on its return trips from inland points, following inland movement of relief cargoes.

(c) While there is no law in China which prohibits private flying, the Ministry of Communications has not thus far approved any applications for permission to fly private aircraft. The newly formed Civil Aeronautics Administration has not yet drafted regulations to control private flying, or established a functioning division which could examine and license private pilots and planes and regulate private flying. The Chinese Air Force has in the past vigorously opposed private flying. Col. Tai, Administrator of the Civil Aeronautics Administration, is now engaged in drafting a regulation which will permit and control private flying. He plans to establish flying clubs under the direct supervision and control of the Civil Aeronautics Administration. While a Chinese citizen, under Col. Tai's proposal, could own a private personal plane, he would have to make it available to a Civil Aeronautics Administration club for the use of all of its members. Col. Tai has indicated dissatisfaction with this approach to the establishment of private flying within China, but has stated that under his proposals, private flying would at least get a limited start in China in spite of the civil war and the attendant unsatisfactory economic conditions.

(d) There are believed to be two small aircraft plants in China, in which the Chinese Government is manufacturing its own training planes for military purposes. These planes are constructed under the supervision of the Bureau of Aircraft Industries of the Chinese Air Force. The first plant, at Kunming, has thus far produced one prototype AT-6 under a license acquired from Boeing Aircraft. In another plant, located in Formosa, China expected to produce a Boeing trainer plane by late November. The aircraft produced at these plants will be used for military purposes.

(g) A large part of the training of pilots and other technicians is conducted by the Chinese Air Force, assisted by the US Army Advisory Group. Most of the chief pilots now flying planes on the civil air lines are foreigners (Americans or Canadians).

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Native Chinese fly as copilots. The Chinese technicians of Chinese National Aviation Corporation and Central Air Transport Corporation, the major Chinese civil carriers, are supervised by Americans. The government does not directly supervise the training of pilots or other technicians for civil pursuits, nor does it directly sponsor civil aviation training programs. No grants are believed to be made to foreigners.

(h) China does not export aeronautical equipment, and imports practically all of its civil air line equipment from the US. Because of the extensive requirements of the military, it is only with considerable difficulty that the civil air lines are able to obtain sufficient foreign exchange from government sources to import essential maintenance requirements.

(i) China has not developed a long-range plan for construction of essential airports. Practically all of the desirable airports in China are controlled by the Chinese Air Force. The Civil Aeronautics Administration, however, with limited funds, has been able to construct a stop-gap international airport at Shanghai. Recently there has been some evidence that the Chinese Air Force will relax its control of certain airports and that the government may make available to the Chinese Civil Aeronautics Administration sufficient funds to reconstruct these airports and render them suitable for civil operations.

(j) The air-navigation facilities of the country are inadequate to meet its present needs. Chinese National Aviation Corporation, Central Air Transport Corporation, CNRRA Air Transport, and the Chinese Air Force all have their own navigation facilities, and while the Civil Aeronautics Administration has attempted to coordinate the activities of the agencies operating these facilities and establish a network under its control, because of lack of funds and insufficient competent personnel it has been unsuccessful.

3. (a) The two domestic scheduled air carriers are largely owned by the government. The Central Air Transport Corporation is understood to be 100% government owned, and the Chinese National Aviation Corporation is 80% government owned. The US carrier, Pan American Airways, owns 20% of the stock of the Chinese National Aviation Corporation. It is thus apparent that government ownership is favored, while foreign participation is permitted. The nonscheduled relief carrier, CNRRA Air Transport Corporation, has been financed two-thirds by UNRRA-CNRRA and one-third by private capital.

It is a matter of record that the Great China Aviation Corporation, which purchased equipment with which to start scheduled operations in China, and received a license from the Ministry of Communications on 1 October 1945 to operate scheduled services, was not permitted to initiate operations. The permit which it had obtained from the Ministry of Communications was subsequently declared null and void by the Executive Yuan without explanation. It would thus appear that China will not permit, at least for the present, substantial private ownership of scheduled civil air carriers.

(b) The government, through the Bureau of Aircraft Industry of the Chinese Air Forces, owns the two small aircraft manufacturing plants which are known to exist. Because of lack of natural resources and skilled personnel—supervisory, admin-

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istrative, and technical—China will probably find it difficult to attract private capital and foreign experts to manufacture aircraft here.

(c) The competition between the two national carriers is as severe as could be expected between private air lines. Facilities, equipment, and stations are duplicated throughout the country.

(d) The government endeavors to protect the national air lines against competition from foreign carriers. (See 3 (h).)

(e) The only known direct subsidy extended to the national air lines has been granted to the Central Transport Corporation in the operation of its route from Lanchow to Tihwa. The government was forced to subsidize this operation for political as well as economic reasons because contact by air with this northern area must be retained, in the absence of an alternative mode of transportation. As all gasoline used on this route north of Lanchow must be flown in, the route could not be operated without the subsidy.

No subsidy is known to be extended to aircraft manufacturers.

Thus far, CN\$50,000,000,000 has been appropriated by the Civil Aeronautics Administration for its use, the major portion of which was expended in the improvement of one international airport at Shanghai. While the Civil Aeronautics Administration has requested of the government additional appropriations for the further development of civil airports, funds have not as yet been made available.

(f) There is no Chinese transport aircraft industry, nor does it appear that China contemplates such a development in the near future.

(g) Transport aircraft used throughout China are of United States manufacture. They have been obtained largely from US surplus sources.

(h) Philippine Airlines operates one schedule each week from Shanghai via Hongkong and Manila to the west coast of the US.

Air France operates a fortnightly service, Shanghai-Saigon-Paris.

Pan American World Airways operates two flights weekly east from Shanghai; one via Tokyo and Honolulu to San Francisco, and one via Guam and Honolulu to San Francisco.

Pan American World Airways also operates one flight in a westward direction via Hong Kong, Bangkok, Calcutta, London, to New York.

Northwest Airlines operates two flights weekly to the US over the northern route.

The Sino-Soviet Aviation Corporation operates intermittently between Alma-Ata, USSR, and Tihwa, Sinkiang Province, China. (See 5.)

In its relations with other countries in matters affecting civil air transport, China invokes what appears to be a policy of reciprocity. However, in one particular situation, the Chinese Government has embarked on a policy which might be classed as discriminatory. In the bilateral air agreement which China recently concluded with the UK, China unilaterally insisted that the UK restrict the capacity which its designated air lines would offer on the Shanghai-Hong Kong segment of its route to fifty passengers in each direction each week. China further extended this policy of discrimination in its negotiation of the draft agreements which it has initialed with

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Siam and with the Netherlands. It is provided in these initialed draft agreements that Siam and the Netherlands are precluded from carrying Shanghai-Hong Kong traffic unless another nation other than the UK is permitted to carry such traffic. This discriminatory policy vis-a-vis Hong Kong-Shanghai traffic may be explained by the fact that China regards Hong Kong as a part of China, and the Chinese Government intends to endeavor to reserve as much as possible of this traffic for its own carriers. In the agreement which it has concluded with the US, the Chinese Government has granted the right to the US to carry traffic between Shanghai-Hong Kong. This right which the US obtained through the Sino-American bilateral agreement, when exercised, will place the Chinese Government in a difficult and embarrassing position vis-a-vis the policy it is endeavoring to establish on Hong Kong-Shanghai carriage, because as soon as Pan American Airways commences regular movement of Shanghai-Hong Kong passengers, it would appear that the Dutch and Siamese will have the right to request the Chinese Government to permit them to engage in this movement.

Because of its weak position in international air transport, the Chinese Government appears to be developing a policy of protecting its own carriers, which becomes more pronounced in matters affecting regional international operations. In the bilateral agreement which the Chinese Government concluded with the US, no unusual restrictions were imposed on the operations of US international carriers into and through China.

However, in the agreement China has concluded with the UK, through an arrangement to be made between the designated air lines, it is provided that the number of passengers which the UK may move between Hong Kong and Shanghai shall be limited to fifty per week in each direction. The provisional agreement which China concluded with the French provides that China cannot embark passengers at Saigon for third country destinations, and reciprocally, the French cannot embark passengers at Shanghai for onward movement to third country destinations. The draft agreement which China has concluded with the Netherlands provides that the Dutch may not carry Hong Kong-Shanghai traffic unless a third country other than the UK is permitted by China to participate in this movement.

A similar provision has been inserted in the initialed draft of a Sino-Siamese agreement. The Sino-Siamese agreement also provides that frequency of operation over the route specified shall be limited to once per week in each direction by each of the two contracting parties.

The Chinese Government has indicated that it is not satisfied with the principles relating to capacity, rates, etc., which were established at the Bermuda Conference on 11 February 1946. China feels that these principles do not protect its own carriers adequately. It has been indicated that China would not be satisfied with a multilateral agreement which incorporated the Bermuda principles. As a reason for this position, it has been mentioned by Chinese officials that China is seriously considering the termination of its international services to the US, because of the effect of competition from foreign carriers and also the lack of traffic originating in China at international points. China cannot absorb the loss such an operation will involve.

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China will also not accept, in a multilateral agreement, an article permitting foreign carriers to import into China, duty free, equipment required for maintenance of their operations, as China is not a producer of such equipment and cannot reciprocally benefit from such an arrangement.

China has been a member of the International Civil Aviation Organization since its inception and has been actively represented therein. The government has evinced a keen interest in participating in the development of policies and procedures through the ICAO which will govern international air transport operations. The China National Aviation Corporation is a member of the IATA and representatives of the company actively participate in meetings, conferences, etc. The Central Air Transport Corporation has indicated that it intends to join the IATA.

4. Because of the civil war, civil air policy is unquestionably influenced by military air requirements. There has been some indication recently, however, of a limited relaxation of the influence which the Chinese Air Force exerts through its control of practically all airports. (See 2 (i).) Civil air transport is regarded as a commercial activity of economic and political value. The civil air carriers appear not to have been used extensively as a reinforcement of the military air potential, and cannot be considered as being primarily a reinforcement of the military. There is no manufacturing industry of importance.

5. China has thus far followed the US lead in the development of its civil air policies. The principles developed and supported by the US, which are not considered by China to be in direct conflict with or adverse to China's own national interest, receive Chinese support. There has been no evidence that any foreign power has exerted, or attempted to exert, its influence on Chinese civil aviation with the following exception:

Under the terms of the agreement governing the Sino-Soviet Aviation Corporation and under which this company established a regular air service between Hami in Sinkiang Province and Alma-Ata in the USSR, the Ministry of Communications of the National Government of China is permitted to nominate three members to the Board of Directors of this "joint company." The USSR nominates the other three members. This Board of Directors is empowered to elect the president and vice president of the company. Actually, the Board of Directors of this "joint company" has not convened since 1941, and it is understood that the Soviet Manager of the company has from its inception filled all positions except that of vice manager with Soviet personnel. While China was not in a position to object to this procedure until the end of the war with Japan, some time ago China informed the Soviet Government it wanted to have its appropriate representation in the operation of the line, as provided by the agreement. However, as the Board of Directors has failed to meet, nothing has been accomplished by China in this direction. It is understood that the only Chinese engaged in an administrative capacity in the company is the Commissioner of Foreign Affairs of the Provisional Government of Sinkiang. However, while holding the title of Chairman of the Board, he is not permitted to exercise any authority. The company, therefore, appears to be completely dominated by the Soviets.

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It is further understood that when China originally proposed that this Soviet air monopoly in Sinkiang be relaxed sufficiently to permit Chinese planes to operate to Tihwa and to South Sinkiang, the Soviets countered with a proposal that three Soviet-built transport planes of the Sino-Soviet company be permitted to operate south to Lanchow. In any case, the Central Air Transport Corporation now runs a bimonthly service to Tihwa which indicates some relaxation of the Soviet monopoly over air-line operations in the Sinkiang area.

6. There are no published or other readily available data regarding public or private expenditures devoted to the specific activities mentioned in paragraph 2 nor are there any reliable estimates of national income in China. Moreover, the concept of a "national budget" is almost meaningless under present conditions of constantly accelerating hyperinflation. Generally accepted statements assert that (a) 80 to 85% of the so-called budget expenditure is devoted directly to military uses; (b) the "budget" itself has been twice increased in 1947 (from 9 trillion to 15 trillion to 20 trillion); and (c) there are at all times substantial "extrabudgetary" expenditures.

7. Available evidence does not indicate that vested interests exert influence on civil air policy, or that any agency concerned with civil aviation is dominated by such interests.

8. China is not developing new types of aircraft and equipment.

B. CIVIL AIR ORGANIZATIONS.

1. The agencies concerned with civil aviation are:

- Executive Yuan
- Ministry of Communications
- Ministry of National Defense
- Legislative Yuan
- Law Courts
- Police Organs
- Customs House
- Post Offices
- Board of Temporary Imports

2. (a) The functions of each agency are:

The Ministry of Communications:

- The inspection of aircraft;
- Issuance of air carrier and flight permits;
- Designations, facilitation, and construction of airports;
- Issuance of pilots' licenses and examination of qualifications of flight and ground personnel;
- Establishment of air traffic control regulations, designation of routes, and fixing of rates;
- Registration of aircraft and flight personnel;
- Supervision of navigational and communication facilities;
- Supervision of trial and survey flights.

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According to law, all the foregoing functions shall be performed by the Ministry of Communications, but in fact, such as are performed are performed by its subordinate organs, the Department of Navigation and Civil Aviation, and the Civil Aeronautics Administration.

The Ministry of National Defense:

Designation of forbidden areas for aviation;
Granting of permission for the use of military air fields;
Search of civil aircraft when martial law is proclaimed.

Legislative Yuan:

Enactment of laws to control civil aviation.

Law Courts:

Adjudication of civil and criminal cases in connection with civil aviation.

Police Organs:

Maintenance of necessary protection;
Search of passengers, crews, and cargoes of civil aircraft when deemed necessary.

Customs House:

Search for contraband on board civil aircraft;
Determination and collection of customs duties on goods moving on civil aircraft.

Post Offices:

Despatch of mail carried by civilian carriers. (Under Chinese law air lines are required to render this service.)

(b) All of the above-mentioned agencies came into being in accordance with the respective organic laws which were promulgated when the National Government of the Republic of China was created.

(c) Because of the continuing expansion of civil aviation activities in the country, the Department of Navigation and Civil Aviation and the Civil Aeronautical Administration of the Ministry of Communications were established separately in January 1947 under the Ministry of Communications. Their establishment was designed to meet civil aviation requirements and demands which had developed since the war with Japan.

3. All of these agencies are working in the public interest, but because of existing conditions are not functioning efficiently.

4. The functions of the various agencies overlap one another. For instance, both the Police and Customs authorities search civil aircraft for contraband and smuggled goods. While the former endeavors to unearth contraband which might endanger the public safety, the latter conducts a search for smuggled goods or contraband which, according to the regulations set forth by the Ministry of Finance, are not permitted to be imported or exported. All the activities of the agencies interested in civil aviation are coordinated by the Executive Yuan.

5. There are no indications that existing agencies will be changed in the future.

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C. PROCEDURES AND REGULATIONS.

1. *Air Routes.*

(a) The Ministry of Communications awards air routes.

(b) Local air carriers may petition the Ministry of Communications, which can designate them to operate a certain route or routes. There are no extensive hearings, similar to the procedures of the US Civil Aeronautics Board. The initiative for the establishment of routes comes from the carriers. The government is inclined to accept the carriers' recommendations as to the economic necessity for routes as well as their economic feasibility.

(c) The Ministry of Communications, in general, imposes conditions only with respect to maintenance of schedules and submittal of monthly reports on operations.

(d) Air carriers must operate the routes designated by the Ministry of Communications. However, in practice they are permitted to determine the routes which they will fly, subject to the approval of the Ministry.

(e) New routes are established largely on the initiative of the carriers.

(f) As one carrier is wholly owned by the government and the other is 80% owned by it, both scheduled carriers are permitted to apply for any proposed new route.

(g) There is extensive operation by both carriers over identical or similar routes.

(h) Under Chinese law, when a carrier fails to follow the requirements of the Ministry, its certificate can be revoked. It is not likely, however, that this will occur, as most of them are government owned and thus are directly subject to control.

2. *Rates.*

(a) Rates are fixed by the Ministry of Communications. Because of the increasing inflation, continuing vigorous pressure is exerted by the carriers on the Ministry for the establishment of realistic and economic rates.

(b) Rates are based mainly on economic considerations.

(c) A table of rates is prepared by the Ministry of Communications, but a request for revision may be submitted by the carrier. The carriers, because of the inflation, are continually petitioning for upward revisions. No lengthy formal procedures and methods are followed.

(d) No discrimination is shown among carriers on rates or among classes of travelers or freight.

3. *Safety.*

(a) In principle, the Legislative Yuan is the only qualified organ to issue rules and regulations concerning safety. In practice, the Ministry of Communications either issues them independently or promulgates them in the name of the Legislative Yuan.

(b) Such regulations as do exist regarding safety are highly inadequate and are not effectively policed or enforced. In addition to the regulations issued by the Ministry of Communications regarding safety, the provisions of the Chinese Civil and Criminal Codes apply. While they are not strictly enforced, their legal force and effectiveness is evidenced whenever there is a specific action in a court of law.

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(c) The few safety regulations which are enforced are enforced impartially.

4. *Inspection.*

(a) The Chinese Civil Aeronautics Administration has not yet established adequate regulations and procedures to govern the inspection of air-line equipment, personnel, and accidents.

(b) Inspection of equipment and personnel is conducted by the carriers under standards and procedures established by them. Accidents are investigated by government personnel. Reports on accidents are also made by the carriers to the Ministry of Communications, but there are no known formal procedures which by law must be followed by the carriers in making these reports. Carriers are not supervised by government inspectors.

(c) There is practically no government enforcement of regulations of this type.

5. *Airports and Communications.*

(a) The Chinese Civil Aeronautics Administration has recently drafted a regulation on air traffic control. However, only one station has thus far been established (at Lughwa Airport, Shanghai). This is due to the fact that the Chinese Government lacks the necessary equipment and does not have competent personnel. The Chinese Air Force has its own regulations governing the use by civil air carriers of its airports. The Civil Aeronautics Administration has its set of regulations governing the use of Lughwa Airport, Shanghai. At other airports CNAC and CATC each have their own regulations.

(b) The Chinese Air Force operates practically all the airports in China.

(c & d) China National Aviation Corporation, Central Air Transport Corporation, and CNRRA Air Transport own and operate their independent communications system. The Chinese Air Force has its own communication system. The Civil Aeronautics Administration has recently acquired and is operating the SACO weather and communication system which was formerly operated by the United States Navy. There is no coordination in the use of these facilities.

6. *Reports and Forms.*

While there is no formal procedure which the air lines must follow, the air lines do submit monthly reports to the Ministry of Communications containing data on (a), (b), (g), (h), and (i). These reports are forwarded through channels to the Planning, Policy, and Business Division of the Civil Aeronautics Administration, which uses the data in annual reports on the operations of the Chinese air lines.

D. GENERAL EVALUATION.

1. The government's general civil air policies, rules, and procedures, while equitably and honestly administered, can be considered to be ineffective and inadequate and not adapted to the capacities and requirements of the country's commerce, industry, and security.

2. China's civil aviation has many points of pronounced weakness, brought about by the civil war. The main points of weakness are as follows:

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The aircraft which are flown on the civil air lines have practically all been obtained from US Army surplus sources. Many of these planes, because of shortage of spare parts and attendant lack of adequate maintenance, should soon be retired;

There are six different systems of air communication in China: China National Aviation Corporation, Central Air Transport Corporation, CNRRA Air Transport, US Army, Civil Aeronautics Administration, and the Chinese Air Force. These systems are not coordinated;

There are five agencies collecting weather data: Ministry of National Defense, Chinese Air Force, Central Weather Bureau, China National Aviation Corporation, and the Central Air Transport Corporation. While some progress has been made in the coordination and dissemination of weather data collected by these agencies through the efforts of the US Army, much still remains to be accomplished;

The Chinese Air Force is in control of practically all of the desirable airports in China. Only a limited number of these are made available for the use of the civil air carriers; and

There is no extensive government control of civil aviation. There is no close supervision and regulation of the civil air carriers to guarantee high standards of maintenance and operation.

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QUESTIONNAIRE ON CIVIL AVIATION

TO BE USED IN CONJUNCTION WITH THIS STUDY

A. CIVIL AIR POLICIES.

1. What are the basic policies of the country with regard to civil aviation? Is civil aviation regarded as an instrument of national policy? To what degree does the state determine policy with respect to it?
2. To what extent, by what means, and for what reasons does the government promote (or restrict) the development and expansion of (a) scheduled air transport, (b) nonscheduled air transport, (c) private flying, (d) aircraft manufacturing, (e) research, (f) aeronautical engineering education, (g) the training of pilots and other technicians, including grants to foreigners, (h) export and import of aeronautical equipment, (i) airports, (j) air navigation facilities.
3. Indicate policies, and reasons therefor, with regard to:
 - a. Ownership of air carriers: Is private or government ownership favored, and for what reasons? Are foreigners permitted to own controlling or minor interests?
 - b. Ownership of aircraft manufacturing industry;
 - c. Competition among national carriers;
 - d. Protection of national air lines against competition with foreign carriers;
 - e. Subsidization of air carriers, manufacturing, airports, education, and training;
 - f. Development of transport aircraft;
 - g. Use of foreign transport aircraft;
 - h. Operations of foreign air lines, bilateral and multilateral agreements, international organizations.
4. Is civil air policy influenced by military air requirements? To what extent do the armed forces control civil aviation? Is civil air transport regarded *primarily* as (a) a reinforcement of the military air potential, (b) a justification for the maintenance of a manufacturing industry, or (c) a commercial activity of economic and political value? If the answer is (c), to what extent do (a) and (b) receive consideration?
5. How are the country's civil air policies related to or influenced by those of other countries? Is the country closely associated with, or dominated by, any foreign power in matters of civil aviation?
6. What are the current government and private expenditures for each of the activities mentioned in (2), and what is the relationship of these expenditures to (a) the national income, (b) the national budget, and (c) the military air budget?

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7. What vested interests exert influence on civil air policy and what is the nature of such influence? Are any agencies of the government dominated by these interests?
8. Does the government sponsor, control, or subsidize aeronautical education? If so, does it operate or control the institutions in which the education is given? Is the number of students determined by the government, or left to the initiative of the students themselves? To what extent are the students self-supporting or supported by the government? What is the total enrollment in such studies? On what phases of aeronautical education does the government lay greatest emphasis? What is the situation with respect to aeronautical engineering education specifically from the foregoing points of view?
9. Does the government operate its own aeronautical research and development facilities, or subsidize private organizations? How extensive a research program does the government support? How much money is appropriated for such purposes? Are such appropriations increasing? To what phases of aeronautical research is greatest emphasis given? To what extent do private institutions engage in aeronautical research on their own initiative?
10. Is the development of new types of aircraft and equipment by manufacturers subsidized or financed by the government? If so, what control does the government have over manufacturers, and in what manner is the financial aid granted? To what extent do manufacturers engage in research on their own initiative?

B. CIVIL AIR ORGANIZATIONS.

1. List all agencies of the government concerned with civil aviation, including legislative and judicial, as well as executive and military agencies, and agencies connected with manufacturing, research and scientific development, exports and trade, procurement, education, training, airports and communications, and appropriations, as well as agencies related directly to scheduled and non-scheduled air transport and private flying.
2.
 - a. Describe the functions of each of these agencies as they relate to civil aviation.
 - b. Indicate when and by what legislative or administrative actions these agencies came into being.
 - c. Indicate the reasons for the establishment of civil air agencies in the manner in which they are now organized, and the circumstances under which civil air functions were assigned to, or assumed by agencies not directly or exclusively concerned with civil aviation. Show the influence of historical, political, and economic conditions and of vested interests (private, official, military) on the determination of the existing organizational structures, and indicate the reasons for the abandonment or revision of previously existing organizations.
3. To what extent are each of these agencies considered to be fulfilling a useful function efficiently and in the public interest, or the contrary, by (a) aviation

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interests, (b) competitive forms of transportation, (c) political parties, (d) the armed forces, and (e) the general public?

4. To what extent do these agencies duplicate or overlap each other? How are resulting conflicts resolved? Are their activities coordinated on a higher level by any central group?
5. Is any consideration being given at present to abolishing, reorganizing, or combining existing agencies, or creating new ones? If so, what are the objectives of such proposed changes?

C. PROCEDURES AND REGULATIONS.

1. *Air routes.*

- a. What agency (if any) awards particular air routes to designated carriers?
- b. What considerations determine the granting of a route to a particular carrier?
- c. What conditions are imposed on the carrier in the operation of the route?
- d. What freedom do carriers have to determine the routes they will or will not operate?
- e. Are new routes established on the initiative of the government or the carrier?
- f. Are all carriers entitled to apply for any proposed new route?
- g. Is competition permitted over identical or similar routes?
- h. Under what circumstances can the carrier's certificate be revoked or revised?

2. *Rates.*

- a. Are rates fixed by the government or the carriers?
- b. Are rates based on economic, competitive, political, or social considerations?
- c. If rates are fixed by the government, what procedures and methods are followed, and by what agencies?
- d. Are discriminatory rates permitted among carriers, or among classes of travelers or freight?

3. *Safety.*

- a. How and by what agencies are rules and regulations concerning safety issued and enforced?
- b. Are such regulations adequate? Are they competently and strictly enforced?
- c. Are safety regulations enforced impartially, or are they used as a means of showing favoritism to certain carriers?

4. *Inspection.*

- a. What regulations and procedures govern the inspection of equipment, personnel, and accidents?
- b. Are these regulations adequate? By whom, and to what degree are they enforced?
- c. What penalties are imposed for failure to obey regulations?

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5. *Airports and Communications.*

- a. What regulations govern the use of airports?
- b. What organizations operate airports?
- c. What procedures are followed with regard to communications?
- d. What organizations operate the communications systems?

6. *Reports and Forms.*

For the purpose of administering civil air policies, enforcing regulations, granting financial aid, and assuring adequacy, safety, and efficiency of operations, what types of periodic or special reports, examinations, or forms does the government require concerning:

- a. Traffic;
- b. Expenses, revenues, and rates;
- c. Educational standards and accomplishments;
- d. Research activities and technical development;
- e. Physical and mental condition of pilots and other employees;
- f. Technical qualifications of pilots and other employees;
- g. Aircraft flight operations (including required meteorological reporting);
- h. Aircraft inspections;
- i. Accidents;
- j. Others.

To what agencies are the reports submitted? How are they processed and what uses are made of them?

D. *GENERAL EVALUATION.*

1. Are the government's civil air organizations, policies, rules, and procedures generally considered to be sound, progressive, equitable, honestly administered, and well adapted to the capacities, aims, and requirements of the country's commerce, industry, and security? If there are marked differences of opinion in this regard, what is the nature of, and the reasons for disagreement?
2. What are the principal points of strength and weakness in civil aviation? To what extent are they due to conditions over which the country has no control, or to conditions for which the government and/or industry are responsible?

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