Mr. BALCER: We have had correspondence, and the last correspondence we had was to this effect: that Mr. Beauchemin, the president of the company, stated very clearly that they were ready to go into operation the moment this branch line would be constructed.

Mr. FISHER: What would they be shipping? Concentrates, or ore? Where would they be shipping concentrates? Would it be to the new smelter which is going to be built?

Mr. SCOTT: Again, this is one of those cases, something like the Gaspe copper, which is not on the line. In order to get down to a basic tonnage figure which we thought would be justifiable, we only took into account the traffic we considered to be readily realizable, and which by the extension of the line would be economic. Everything else beyond this which we feel in the course of time could be developed would only serve to improve the position of this rail operation.

Mr. FISHER: We have to assume, Mr. Chairman, since the government is subsidizing this project, that the Canadian National Railways has decided that such a branch line is uneconomic in the short run. But we do not know what the short run is. If it is five or ten years, may I assume that your economists have made some estimation of the traffic which would be moving over here in this short run period? And if so, could we have this, Mr. Scott?

Mr. SCOTT: Yes, Mr. Fisher. We expect, that in the short run, outbound tonnage would be approximately 75,500 tons.

Mr. FISHER: A year?

Mr. SCOTT: Yes, and we expect that the inbound tonnage would be approximately 65,000 tons.

Mr. FISHER: Could we assume that the outbound tonnage would be at a much lower rate than the inbound tonnage?

Mr. SCOTT: The average revenue per ton, yes.

Mr. FISHER: Have you the year's average?

Mr. SCOTT: We think that for outbound it would be $1.50 per ton, and for inbound, $2, roughly speaking.

Mr. FISHER: Have you any indication of how many years it would take, in your estimation, to reach a revenue position which would begin to bear the interest on the capital investment?

Mr. SCOTT: Well, you mention that this would be uneconomic. The minister indicated it in his statement. That is true, on the basis of the Canadian National Railways appraisal which they apply to all these branch lines, in which they would amortize the investment, and recover the operating costs and all expenses involved; and if this gives a return which they feel would be economic to them, they could afford to put their own money into it. But this is not one of those things, because one of the big items is the capital investment. If you take out the capital investment, this is a contribution by the government, and a risk which the government runs on this project. This, of course, changes the economics of it, because the main criterion then becomes the operating revenue and the operating cost; so that, on this basis, certainly there are good grounds to expect that during the course of the first five years these would probably be a deficit on this new line. But after five years, we would certainly expect it to get up to a break-even position.

Mr. FISHER: Do you refer to operating expenses or to the whole investment?

Mr. SCOTT: To operating expenses.

Mr. FISHER: You refer to operating expenses alone?

Mr. SCOTT: Yes.

Mr. FISHER: What is your estimation of when you will begin to get some return to meet the interest charges on the project as a whole?