

The CHAIRMAN: I think it is pretty hard to expect the minister to give an answer about something that is being considered by the cabinet and not concluded yet.

Mr. CHEVRIER: But he does not change his answer anyway.

The CHAIRMAN: He has even more responsibility in that respect than I have to the committee.

Mr. CHEVRIER: Perhaps you could answer the question.

The CHAIRMAN: I would not even if I could.

Mr. HARDIE: From this reconnaissance survey can the railways give a fairly close estimate of the cost of constructing the railway?

Mr. GORDON: I have expressed my view to the minister.

The CHAIRMAN: Is number 7 agreed to?

Agreed.

Number 8, "Capital obligations including equipment principal payments during the year ending December 31, 1958."

Agreed.

"Operating budget, 1958", page 9. Would you like the president to make a short statement?

Mr. GORDON: Again, I would like to make a short statement of introductory comment on our 1958 operating budget.

The operating budget for the C.N.R. is at best an informed guess which actual events can easily alter. The figures involved are so large and the operating margin so narrow that a small percentage variation in any of the numerous revenue or expense items can produce a considerable variation in the predicted net result.

In common with other North American railways the Canadian National has been experiencing a persistent decline in carloadings with a resultant decrease in revenues. This decline began to show in the early summer of 1957 and has persisted through the first half of 1958. Although it is too early to be sure that this decline has been halted, recent figures give some reason to believe that the Canadian National's revenue position will strengthen during the second half of 1958. Consequently, the actual results to date, coupled with our estimate of revenues for the remainder of 1958, lead us to the expectation that if revenues total \$700 million the deficit for the year will be around \$55 million based on freight rates, material prices and wage rates prevailing at the end of 1957. Any increase in the cost factors will inevitably add to the deficit now forecast.

So, with that in mind, you can now examine the detailed figures.

The CHAIRMAN: Are there any further comments?

Mr. CHOWN: Is it possible for you to make a comparison between the net position of the Canadian Pacific Railway in 1957, and in the years 1956 to 1957 indicating to the committee the standard of the private line basis in those two years?

Mr. GORDON: Yes. Yesterday I dealt in some detail with the difference between the Canadian Pacific organization as compared with ourselves, and I pointed out at that time that there were a great number of factors which were not comparable.

One specific factor is that the Canadian Pacific Railway has other income included in their revenues to an extent that we do not have...

Mr. Crump himself pointed out that it amounted to about 60 per cent.

The CHAIRMAN: You were not here when the president explained this yesterday, Mr. Chown.