

Senator BRUNT: Not to the calendar year but to the fiscal year.

Senator MACDONALD: Do you say the results last year were due entirely to a decrease in traffic?

Mr. GORDON: Well it is always very difficult to exactly find these things. In 1956, as I said, we had a surplus of \$26,077,000.

In 1957 the deficit was \$29,573,000.

We had a very substantial decline in traffic in the year in addition to which our wage costs increased substantially. Those are the two major factors.

Senator MACDONALD: Does traffic include both passenger and freight business?

Mr. GORDON: Yes, I am taking traffic in the broad sense. But of our grand total of revenue only about 7 per cent to 8 per cent of the total gross revenue comes from passenger business.

Senator EULER: Do the end results not show the effect of more active competition?

Mr. GORDON: It is bound to be.

Senator EULER: Would that competition consist of rail competition or truck competition?

Mr. GORDON: I would say more trucking competition and intensification of passenger competition in the form of private automobiles and busses.

Senator SMITH (*Queens-Shelburne*): When was this budget prepared in which you estimate a deficit of \$55 million for the current year?

Mr. GORDON: It was prepared for our own purposes in January, it was revised in March, and when I appeared before the Parliamentary Committee of the House of Commons there was a further revision due to a technical matter of depreciation which we adjusted at that time, but the \$55 million is our current estimate subject to whether or not we run into further expenses in the way of wage increases or are able to get any further freight rate increases.

Senator SMITH (*Queens-Shelburne*): Is that the same estimate you made up on January 1, when you originally made up your budget? What has been your experience in the last six months with regard to freight traffic?

Mr. GORDON: Well, we were quite pessimistic in January and I am afraid our pessimism has been justified.

Senator SMITH (*Queens-Shelburne*): Are there any signs yet of a picking up of freight traffic?

Mr. GORDON: I would not want this to go out as an opinion, but I do see signs of an upturn but they are not sufficiently emphasized for me to see much likelihood of changing this figure for this year.

Senator EULER: Truck competition is increasing all the time is it not?

Mr. GORDON: I would say yes.

Senator EULER: Have you any idea how you can meet that?

Mr. GORDON: Yes, we have a number of plans in that respect. We have already produced a number of what we call incentive rates which are aimed directly at the matter of meeting truck competition where we give a lower freight rate in terms of volume or car loadings. We have also worked out a number of agreed charges. As members of the committee know, the agreed charge is a new weapon devised over the last few years whereby we will