

Mr. HAMILTON (*York West*): You will need the full increase to cover that additional \$40 million, will you not?

Mr. GORDON: That is our presentation to the board and indeed I doubt if it will be enough. Even the full 15 per cent would not cover it. I think I said in paragraph 21 that these settlements will add about \$40 million. My recollection is that it will not be enough to cover the actual cost increases including the health and welfare scheme.

Mr. HAMILTON (*York West*): Should that be taken into account in this application or have you in mind already making another application?

Mr. GORDON: When we argue the case with respect to the 4 per cent, we will have an opportunity to present evidence on a current date basis.

Mr. HAMILTON (*York West*): Even this four per cent would not be sufficient?

Mr. GORDON: I am doubtful if it would be enough to cover it.

Mr. HAMILTON (*York West*): On the basis of the interim increase you have been allowed, are you running ahead of your increases with your wage contracts, or are you already behind?

Mr. GORDON: I have said in the report somewhere that—where is that paragraph—that the increase in our wage costs was more than in the freight increase we have. Where is that?

If you will look at paragraph 9 it says:

The additional revenue which these rate increases produced in 1956 fell substantially short of meeting the additional costs of higher wages and other benefits and increased material prices incurred during the year.

Mr. HAMILTON (*York West*): In other words, you have answered my question that this interim increase which you have been granted is already behind the "escalating" clause of the agreement.

Mr. GORDON: That is right.

Mr. HAHN: Mr. Gordon has said that the actual increase is established on the freight rates as a percentage basis so that the more freight we carry, the more those two things are going to equate themselves, are they not, or the more closely they will be knit. But suppose the gross national product should increase to \$32 billion, what then?

Mr. GORDON: That is why we cannot be precise. But when we appear before the Board of Transport Commissioners with respect to our application covering this four per cent, we will be given an opportunity then to present evidence on a current basis and to forecast with respect to our own position, our revenues, our material costs, and wage settlements.

Mr. HAHN: I would not want the impression to get abroad that we are automatically expecting an increase in freight rates and that we can balance it with an actual percentage increase so as to offset one with the other.

Mr. GORDON: You can depend upon the Board of Transport Commissioners for that.

Mr. HAHN: We find the public becoming acclimatized to these things ahead of time and I thought this might provide a sounding board for this particular item.

Mr. HAMILTON (*York West*): I did not think that I was becoming part of a sounding board.

Mr. BYRNE: You are always sounding off!

Mr. HAMILTON (*York West*): If my assumption is correct that we are already behind in our interim amount here, our increase by the Board of