Mr. FULTON: It was not in any sense as a result of the use of re-financing?

Mr. GORDON: No, just a fortuitous item. You see, theoretically in any year if we divert enough cash we could pay off any security as it falls due and it so happens in doing our refunding arrangement there was a small amount we were able to take care of out of our own cash resources instead of re-financing it.

Mr. FULTON: Do you expect to have to re-finance any of these?

Mr. GORDON: Yes, except to the extent that we can write down our working capital and this year I do not think we will be able to.

Mr. FULTON: I notice you do not make any provision for acquisition of working capital whereas last year you had $15 million.

Mr. GORDON: The $15 million was the forecast, for working capital, $22 million was what we actually did.

Mr. FULTON: Well, you would actually purchase $22 million less $4 million. If you used $4 million to achieve a debt reduction you only used $18 million in working capital for capital purposes.

Mr. GORDON: $15 million had really nothing to do with equipment. It is not very well stated, I admit; and that is what we are trying to clear up this year. The $15 million is only a source of funds as we are showing it here; but, instead of $15 million reduction in our working capital, we were able to show $22 million, $4 million of which was used to reduce debt.

Mr. FULTON: You do not anticipate anything like that this year?

Mr. GORDON: We do not think so.

Mr. FULTON: It is not your fault but do we have to anticipate a slightly higher interest on the re-financing than on the old debt?

Mr. GORDON: Well, I will be going to the market some time this year and I would like to say I anticipate lower interest rates. I would like to say that; but whether it will come about or not I do not know. You will observe, of course, in looking at these items, some are at high interest rates, one at 4½ per cent and I am certainly not going to pay anything like that. The largest item $67 million maturing February 1—we have paid that off by borrowing from the government.

Mr. FULTON: Short term?

Mr. GORDON: Yes, and that is what shows in our balance sheet as due to the government at the present time. What the net effect will be will depend on what we are able to re-finance at; and I am serving notice on the financial community that I expect them to give me a better interest rate than last time. Whether they will or not I cannot say.

The CHAIRMAN: Shall the item carry?

Carried.

"Operating Budget for the year 1956".

Mr. GORDON: Perhaps I should make a comment on this. You will understand this is purely an estimate as to what might happen in the coming year and the revenue figure of $685 million in relation to what is happening now might appear to be a fairly conservative figure. Moreover, in the light of $685 million revenue—I assume the members of the committee might wonder why the surplus is shown as $2·6 million at the end of the year as compared with $10 million last year. The explanation for that is that there has been a rise in prices in our materials and supplies towards the end of 1955, which I am sure will carry forward into 1956, plus the fact that we will not be able to reduce our maintenance expenses in 1956 nearly as much as we were able to in 1955. As I explained earlier, our rail laying program, which is the major program,