

Mr. DRYSDALE: This is a difference of \$46,000 per mile.

Mr. BALCER: Yes. There is the matter of bridges and so on.

The CHAIRMAN: Gentlemen, this is Mr. Donald F. Purves, chief of development, Canadian National Railways.

Mr. DONALD F. PURVES (*Chief of Development, Canadian National Railways*): I also have the responsibility for the study of the economics in respect of every branch line proposal that comes up before the company. In addition, it is my responsibility to negotiate the actual arrangements covering construction of any of these lines. In respect of this Chisel lake line, we ran into a situation in which there was quite severe competition between the contractors. Evidently one or two of them were in a frame of mind which led them to endeavour to keep their organization going so long as they got their direct out-of-pocket costs. They bid very low. One of them in fact, complained to us afterwards that he had bid much too low. The result was that the line was built for approximately \$6½ million instead of \$8,800,000 which we estimated and which we thought was a fair estimate. This left approximately \$2 million that was not required.

The new line has been made the subject of a separate estimate. We have gone back over the ground and have checked it out. Our first estimate was more than \$1,090,000. We have cut corners on it. We are anxious to keep the amount down to a minimum. The member is quite right in wondering why there is this difference between the \$170,000 per mile and the \$125,000 per mile. It was not a question of estimating. We ran into quite favourable circumstances in letting contracts.

Mr. DRYSDALE: What was the basis on which you estimated the cost of construction? You put the matter up to tender with the result that you were some \$46,000 per mile under your original estimate. I would be a little curious about the discrepancy.

Mr. PURVES: It depends a good deal on how well matters go, particularly with the contractors. If the contractor gets on the ground and the weather is good, he can take his time and if the weather holds favourably he can make better progress. This is what happened. A combination of things went well.

Mr. DRYSDALE: This was a fixed price to start with?

Mr. PURVES: Yes.

Mr. DRYSDALE: So you had no problem.

Mr. PURVES: Part of it was at a fixed price and part of it at so much a yard.

Mr. DRYSDALE: Your main problem would be whether or not the contractor would go broke. The \$46,000 per mile was sort of a cushion in that eventuality.

Mr. PURVES: It was not a cushion. The usual contingency allowance was included in case things did not go as well as we thought normally they might; as a matter of fact, they went better.

Mr. DRYSDALE: Would you say that it is normal to have this arrangement and build a cushion into your estimates in this nature?

Mr. PURVES: No; it is not normal. Things went better than we expected.

Mr. BALDWIN: I have a question on another point. Would Mr. Purves explain the distinction and tell us why in one case they are building an eight mile line and in another case a 14-mile road to bring ore into Stall lake. Is there any reason why they built a railway in one case and a highway in the other?

Mr. PURVES: They decided the road had to be built in any event as part of their mining operations.