

*Canadian National Railways*

proper reference to this item or whether it is something that we are in a sense being advised of by surprise.

I recall there was a depreciation item in the 1958 annual statement that I questioned last year in the 1959 committee sittings. I imagine that this even has an effect on the minister's budget. I feel that the fullest possible explanation should be given with respect to an item that relates as far back as 1957 when a change in government accounts is to be authorized by this bill.

**Mr. Speaker:** Is the house ready for the question?

**Mr. Benidickson:** Is the minister not going to reply?

**Mr. Speaker:** If the minister speaks now he will close the debate.

**Hon. Donald M. Fleming (Minister of Finance):** Mr. Speaker, the last subject raised by the hon. member for Kenora-Rainy River (Mr. Benidickson) was discussed very fully on a similar measure a year ago and I trust we will not have to exhume that debate and spend more of the time of the house in repeating it here tonight.

The hon. member attached considerable importance to what he had to say about the calculation of the deficit of Canadian National Railways. I do not wish to repeat what I said on the subject at the resolution stage on June 7. So far as the capital budget of the C.N.R. is concerned the management operates on the assumption that the capital budget will not be exceeded without further authorization from the government and the record shows that the management has never over-expended its authorized capital budget. The operating budget, that is the net position of deficit or surplus after all charges, is, of course, an entirely different matter.

Before the budget of the company was submitted to the government in February the management had conducted a detailed investigation of all economic indicators which would enable it to estimate the revenue and traffic volumes. The operating budget prepared at that time, that is to say, in February 1960, was the best forecast that could be made as of that time. If, however, actual traffic results prove to be disappointing as the year proceeds it is not possible nor practical to reduce the expense side of the operating forecast every week or every month as many of the major expense items are spread over the year, so that sudden stoppages or changes in work in hand would be imprudent and uneconomic.

To put it another way, the railway revenues are highly variable whereas its expenses

[Mr. Benidickson.]

tend to be much less variable when spread out over the period of a year. After the first quarter of a year if it becomes apparent that revenue and traffic volumes are at a materially lower rate than what had been forecast then management through its headquarters budget committee begins an intensive re-examination of all traffic, revenue and expense factors. If a downward trend persists during the second quarter then management again through its budget committee begins the process of reviewing the operating budget and year-end position. Of course, this becomes in effect virtually a continuous operation and that can be expected of the company this year.

I think all the other items that were raised by the hon. member for Kenora-Rainy River were discussed, and I may say discussed at some length, at the resolution stage of this measure on June 7 and I believe there would be no advantage in repeating what was then said.

**Mr. Benidickson:** Mr. Speaker, may I ask the minister a question? The minister indicated that there would be a natural revision at the end of the first quarter of the operating year. We are now five months rather than three months advanced into 1960 with respect to information about the C.N.R. Does the minister still think that the deficit of the company will be \$21 million or \$23 million as indicated in his budget?

**Mr. Fleming (Eglinton):** Mr. Speaker, what I said was that it was the best estimate that could be made at that time. It naturally will be subject to revision as the year proceeds. The management does as well as anybody can do in that respect. I do not think anyone can be infallible in the matter of an estimate.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Flynn in the chair.

Clauses 1 and 2 agreed to.

On clause 3—*Capital expenditures authorized.*

**Mr. Chevrier:** Mr. Chairman, referring to clause 3(b) I should like to repeat briefly what I said earlier in connection with Trans-Canada Air Lines. It was indicated in the committee on railways and shipping that the year 1960 may not be a good one for T.C.A. in so far as its financial operations are concerned. I would think the main reason for this is the competition that the government has decided to allow foreign air carriers to enter into in so far as T.C.A. is concerned. I discussed this on a previous occasion in this chamber and will not repeat what I said then. Briefly, I think it should be brought