

expend only \$302.6 millions of this during 1958. Next year we will be asking for funds to cover the same part of the remainder of this amount plus new projects under consideration.—This will be the 1959 budget.

Senator BRUNT: But you cannot go beyond the \$545 million?

Mr. GORDON: No, not without coming back with another budget.

Senator MACDONALD: And that will carry over until July 1, 1959?

Mr. GORDON: That is right.

Senator GOVIN: Is the \$110 million of commitments in that amount of \$545 million?

Mr. GORDON: The \$110 million is the amount that we estimate will be required for contract purposes in the first half of the year 1959.

Senator ISNOR: Mr. Chairman, I would like to ask Mr. Gordon some questions, as a matter of principle, arising out of the discussion over the CBC's financing as to whether there is any authority in the Railway Act concerning the limitations as to the amount of commitments which the railway might make and then come to Parliament for authorization for that amount.

Mr. GORDON: I do not know if I can reply to that question. The only limitation is in our budget as approved. We submit a capital budget each year which is approved by our Board of Directors, presented to the Government and then approved by Order-in-Council. After that has been done it is referred to the House of Commons Parliamentary Committee and I appear before that committee and give all necessary explanations. Then having gone through that procedure the Financing and Guarantee Bill comes into being. When it is passed that becomes our authority. But there is no limit in the sense that we are aiming for any particular total. The only limit is what do we need in respect of running the railway.

Senator ISNOR: That brings up the question of what you need. That is the same question facing the Canadian Broadcasting Corporation. There is no limit. Let me give you a concrete example. Take the case of a contract for a hotel either in Winnipeg or Halifax. To build that hotel you get a firm offer. And then because of a change in plans there will be another \$500,000 or another million dollars more to be spent on that hotel. Have you the authority to carry on that additional contract or sub-contract?

Mr. GORDON: No, it would have to come out of the total of the amount that we have specified. We have an amount for contingencies that will take care of what you might call nominal overrun, but anything substantial we would have to defer and come back for more authority.

Senator ISNOR: What happens to these nominal overruns, in money?

Mr. GORDON: Let us say we have a specific item on which we estimated the cost at \$10 million, and we had that in our budget as a project. It was authorized. Then we called for bids or tenders and found that in light of conditions the actual cost would be \$12 million. In that case we would not go ahead with that project. We would look at the thing and determine whether or not we wanted to go ahead with it and if we did and funds weren't available we would have to come back for further authority and wait until the next budget is approved.

Senator ISNOR: You mean to say that if you had received tenders for that project which you estimated would cost \$10 million and it ran to \$12 million you would throw the whole thing aside?

Mr. GORDON: We would not be under any commitment to go ahead with it. Our tenders are always called on the basis that we have complete right to refusal.