

Now, as time went on we found our first calculation was wrong, and one year later—on May 1, 1953—we made the percentage reduction 3.5 per cent and the weight factor 9.5 cents per 100 pounds. Then in November, 1955, we realized that there was going to be some surplus left out of this \$7 million that the railways were getting, and we made a temporary reduction by increasing the 9.5 cents to 16.5 cents.

And that applied roughly for four months. Then we adjusted it back on March 1, 1956, to the same basis as 1953. Then again, in 1957 we found—I might say, as in this particular case—that when you have a freight rate increase, you should reduce the freight subsidy because you only have \$7 million. So we had to do that.

Mr. FISHER: Will you please explain that again?

Mr. KIRK: We have a percentage factor which relates to the freight revenue. We have a factor which relates to the weight. If the freight rates are increased, then the revenue will increase. Consequently, we have to look at the percentage factor to see whether or not it should be changed. But there are certain tolerances between these factors which enable us to do it a little easier. So we changed the weight factor from 9.5¢ to 7.5¢, at March 1, 1957.

Now we come to the year 1958 where traffic had gone down, and we have some money left, or we would have. So, on March 1 of this year we changed the weight factor to 10.5¢, and we anticipate that will use up \$7 million for the coming year.

Mr. FISHER: What effect is there going to be on the subsidy from the application of it, as a result of this particular cut?

Mr. KIRK: It might tend to give us a little more money and perhaps enable us to increase the reduction. It is hard to say at the moment.

Mr. FISHER: When I said the figure had been constant, you have had \$7 million each year with which to operate and in each year the cost to the railways of the maintenance of this practice has been more than \$7 million.

Mr. KIRK: Yes, substantially more.

Mr. FISHER: Is it fair to ask if there has been any reduction in the maintenance cost in the last few years?

Mr. KIRK: I can give you the composite figures for both companies or I can give them to you separately.

Mr. FISHER: I do not want to take up the time of the committee, but if I know I can have them, it is all right.

Mr. KIRK: We can give them to you. We do not have the figures yet for this year, but we expect to have them very soon.

Mr. FISHER: Has there been any feeling or any consideration on the part of the board that this maximum of \$7 million should have had some kind of escalator clause to go up higher or even to go down lower?

Mr. KIRK: I do not think that the board would take any position as to whether the amount should be larger or smaller. What we did try to secure was some leeway from the absolute maximum. In other words, if our calculations did not work out exactly correctly, and we put the railways to the expense of reducing the rate for which they would not be compensated—it might be in the order of one quarter of a million dollars or one half million dollars; we did think we might get some authority to put that through on the estimates at the end of the year. But we did not succeed. The figure has remained at the maximum, and we are trying our best to expend it.