

Mr. MACDONNELL: What I am getting at is, I want to know what is the true picture from the point of view of each of the actual individual transactions, what we are getting out of it, or whether it is being assisted by the general revenue.

Mr. GORDON: In any of that traffic we start off with traffic at the point of origin. From the railway point of view we have definitely in mind the feeder value. In other words you might start off with pulpwood which at a given point is the raw material and we move that pulpwood from here to there and that pulpwood goes into a processing plant and comes out as newsprint. We follow the traffic through in order to determine everything we get out of it by reason of the fact that we have originated the traffic at a specific point.

Mr. MACDONNELL: Does that mean that the line gets not only revenue from the pulpwood, but gets a kind of tip from the fact that you have—

Mr. GORDON: The point is that we give credit to that line. Here is traffic that starts in the wilderness on the branch line and it runs down to the point of manufacture which may be far along the main line. At that point of manufacture the raw material which originates in the wilderness is processed and with processing we get a certain traffic which goes on to the United States and across Canada and so forth. Then we say to ourselves if we had not had that wilderness line we would not have had that traffic, and we follow the traffic through and credit that line not only with the raw material but with a proportion of the subsidiary product which we can trace as feeder value for the rest of the system.

Mr. MACDONNELL: You have made it clear.

The CHAIRMAN: Any further questions on income accounts?
Carried.

The CHAIRMAN: On capital budget additions and betterments.

Mr. GORDON: On the same page, page one, if you will look at the second half of the page, members of the committee will find here our effort to disclose to you that part of our capital budget. . . .

The CHAIRMAN: Order, order gentlemen.

Mr. GORDON: In this part of the presentation we endeavour to disclose to you that part of the capital budget which represents newly initiated projects this year and which will cost us money this year. This represents expenditures to be made this year for new projects just out. Under that heading you will find—additions and betterments—a figure of \$12,328,000 which we will have to finance this year.

If you will turn to page 3 you will see a breakdown.

I would suggest, if you agree, that you allow me to take you through this part, then I can skip back to page 3. Otherwise you might get mixed up in what seems to be a lot of figures.

This represents newly initiated projects for this year which will cost us money this year. The proportion of our additions and betterments of that character total \$12,323,000. New equipment, which we will order this year, will total \$13,724,000 of which only \$9,959,000 will be delivered and paid for as shown under the heading "new equipment". Then we assume we need \$15 million of additional working capital. That I will deal with first.

We are asking for \$15 million additional working capital by reason of the fact that under present day conditions and the increasing rise in dollar values we need more money to finance our business. We have of course a great number of credit accounts represented in accounts in transit, conductors payments in transit and so forth, and the sheer dollar weight of these particular