

Mr. KNIGHT: Well, if this program is followed, we will never get to that point.

Mr. GORDON: I must remind you that when you talk about the railway standing on its own feet, the test must surely be that a railway in raising money for capital investment should be able to pay the going market price of that money.

In terms of the borrowings we had with bonds, we have the benefit of a government guarantee on our bonds, but we pay the full market rate of interest on those guaranteed bonds so that is reasonable and fair. I would say that we can sell our bonds because we have that government guarantee, but I doubt if we could raise the money at all relying upon our earning record. When you get to equity stock, the test of the success of the Canadian National Railway must be that it should be able to make sufficient earnings to pay the market dividend that another company would have to pay if it were raising equity money in the market. But we are not in that position and I cannot see it, as far ahead as I am looking at the moment.

Mr. HAHN: That is relative to the number of preferred shares which you have sold to the government. Is the sole value of the Canadian National Railway sold to it on a preferred share basis, or just how does it work?

Mr. GORDON: The balance sheet would give you a picture of it. When we get to our capital budget I can deal with it more intelligently with the figures before me.

Mr. HAHN: Perhaps we might leave it until then.

Mr. GORDON: Yes, I will answer it during the actual budget discussion.

Mr. HAHN: I have a question on section 2.

The CHAIRMAN: We are on paragraphs 1 to 3 on page 5.

Mr. HAHN: In paragraph 2 we find the deficit we had in 1954 was \$28.8 million. Now we show a profit of \$26.1 million.

Mr. GORDON: Yes.

Mr. HAHN: There must be a point where we can show a profit. You indicated earlier that the profits will begin to spiral once we reach that point of efficiency.

Mr. GORDON: Yes.

Mr. HAHN: At what point may we visualize that?

Mr. GORDON: It is a difficult point to establish. I do not know. It is a measure of the productivity of the railway. I do not know what 100 per cent productivity would be. I do not know!

Mr. HAHN: In your report you indicate that we lost money on our passenger lines but that we are making money on our freight lines.

Mr. GORDON: Yes.

Mr. HAHN: With increased traffic on our passenger lines are we going to lose more money?

Mr. GORDON: It depends on the nature of the service. On our main line passenger trains increased volume will reduce the loss. There is no doubt about that.

Mr. HAHN: What about the short lines?

Mr. GORDON: On the short lines, it is hard to say. You might say that with commuter services, for instance, definitely no; and that constitutes 37 per cent of our passenger service. I cannot see how it could be made profitable under the circumstances and for the simple reason that that service is a peak load service and that we only have two peak loads during the day. During that intensive