

page, in front of you, you will see in the second quarter of the year our revenues fell off very substantially. This was due to a number of things. The house-building program fell off; our haulings of lumber, building materials, sand and gravel fell off. Our cement hauling fell off very substantially; I think it was something like 20 per cent. None of these things could be foreseen when we made the forecast.

Another thing which added to the problem was the fact that business inventory was generally allowed to run down and, when it is, a transportation agency generally suffers in a three-fold way. Goods are not transported from the primary producer to the wholesaler, from the wholesaler to the retailer, or from the retailer to the consumer, as the case may be. So, at a time of inventory liquidation, a transportation agency suffers very substantially. Conversely, when we have an addition to inventory in the country, our business booms up very quickly.

All I am stating, gentlemen, is what we had a recession which, I do not think, was foreseen in this country, and in the United States, to the best of my knowledge. Another of the root causes was tied in with the steel strike in the United States in the preceding quarter up until the forecast was made, and its effects were not reflected in our projections.

Mr. FISHER: Mr. Gordon has told us, in contrast to the C.P.R., the C.N.R. is peculiarly vulnerable to economic downturns, and when there are economic upturns, it is more flexible than the C.P.R. In the light of this, is it not possible that criticism could be made of your forecast, looking at the experience of the last few years, in that it is generally too optimistic?

Mr. WAHN: No, sir.

Mr. GORDON: I do not think so. I would say at once, we are no better forecasters than anybody else. I am not claiming any better wisdom in reading the crystal ball than anybody else. We do get into spotty situations like this. In addition to the factors which Mr. Wahn has indicated, I have one of the latest reports on this situation. We have a whole series of charts here—anybody can take a chart, sit down and study it, and come to a conclusion. It depends on what your general attitude may be, or what your knowledge may be. However, you can read anything you like into that; all you get there are trends. No one can make a firm judgment as to what it is. That is what stock markets are all about. If we could do that accurately, we would not be in the railway business. You have to do the best you can.

What I started to say was that we, in the railway business, have also this other factor. We make an appraisal by enquiry from our own shippers; we try to reach with them an agreed idea of what they are likely to do. Take, for instance, in preparing ourselves for the movement of iron ore. We had quite a good figure from our iron ore shippers. It turned out to be grossly in excess of what happened. As I say, we have to prepare ourselves for it, because we must give the service. They are depending on us. We depend on their estimates, and sometimes they are wrong. The same is true of wheat. We prepare for wheat, and sometimes the good Lord does not give sufficient sunshine and rain, and we do not get the wheat we anticipated. Then, on the other hand, sometimes He gives us too much. But, the best we can do is make a forecast as to how we are going to handle it. We can tie up 2,000, 3,000 or 4,000 cars on wheat, and we may be grossly wrong on that. However, we do our best with the information we can obtain. This is one of the business hazards.

Mr. FISHER: Your thesis is that the C.N.R. has been no more wrong than the other forecasters, including the government?