

Mr. FISHER: I have a quotation here on the economics of railway transport and it states, from the C.N.R. current report:

One-half the long-term debt was changed into four per cent preferred stock, to be held by the government, on which payments by the system were contingent on earnings after income tax. The remaining half (\$736 million) of the former long-term debt was owed, \$615 million to the public and \$121 million to the government. On both of these sums, interest must be paid regularly. In addition, \$100 million is interest free until 1962.

I could go on. What about this \$100 million that is interest free until 1962?

Mr. GORDON: That was in recognition of the fact that the Newfoundland railway was taken over by the C.N.R. and was a deficit operation. In the 1952 recapitalization, they said: "All right, we will give you \$100 million interest free, and have a look at it in ten years". That is due to be looked at again. I thought it was 1961? Is it 1962? It was extended. It was the ten years' end, and that is the reason I say it was \$100 million; and the question of its continuing to be interest free, and the contribution in the way of 3 per cent deferred stock is part of the thing under consideration and review by the government now.

Mr. FISHER: That is part of it. Regarding the other part of it, the \$736 million, is consideration being given to switching that into deferred stock?

Mr. GORDON: It is already in deferred stock, and stays put.

Mr. FISHER: What is your suggestion as far as that is concerned?

Mr. GORDON: Leave it alone and we will be paying 4 per cent on it if and when we earn it. At the moment we do not pay it, because we do not earn it.

Mr. FISHER: In other words, it is static.

Mr. GORDON: Until we earn money. We have paid some on it. In fact, we have paid in four years, 1952, 1953, 1955 and 1956.

Mr. FISHER: In the recent increases in interest, as a result of your capital investment program, have you been inhibited at all by government fiscal policy?

Mr. GORDON: No. In other words, I can say this, that every capital budget that I have put forward has been approved by government and approved by this committee and finally by parliament, and there has been no criticism of any recommendation that we have made.

Mr. FISHER: If we could bring the C.P.R. in again, I understand their capital investment program has not been so ambitious.

Mr. GORDON: "Ambitious" is a rather questionable word. I do not know what you mean by that.

Mr. FISHER: Let us put it this way. Is it possible that you have been pursuing an ambitious capital investment program?

Mr. GORDON: I would rather put it this way, that we had much more to do than C.P.R. Starting from a point—take 1950 if you like—the requirement of capital expenditure on the C.N.R. was much greater than on the C.P.R. They had a railway which was in good condition. There was capital expenditure required for the C.N.R. which was not required for the C.P.R. I can give you an example of that. When we get down to the matter of cases, in the matter of diesel locomotive operation I was stunned one day to find that all of our western railway lines were below grade in the matter of being able to take diesel operations. Therefore we had to embark on a collateral program of upgrading the line, renewing the line, in the form of drainage, heavy rails in some cases, better ties in some cases, and so on. This was in order to handle the diesel locomotives. However, Mr. Grayston would know more about this than I would—perhaps he will deal with it.