

Transport Commissioners, we are also behind on our escalating clauses in the wage agreement. May we not go to the Board of Transport Commissioners in anticipation, or do the railways always have to have absorb it as a cushion here?

Mr. GORDON: We have never been able to go to the board in anticipation of any increase. I do not know if the board would listen to us or not. I doubt if they would. We have to have a demonstrable situation to show that our freight rates are inadequate.

What we are talking about here is that the railway is caught in the same economic squeeze as the whole country, in regard to steadily rising costs as against its earning capacity.

If we continue to have the situation where our costs increasingly keep on pushing up, not only with respect to wages on the railway but also the cost of materials and supplies, we will have the problems which arise in an inflationary situation. There cannot be any question about it. Because if the railway increases its prices, then somebody else's costs must go up as well.

I am always impressed by the fact that in the steel industry, for example, when a wage increase is demanded and a settlement takes place, then within 24 hours we get a price increase and nobody says a word about it. But when we settle with our labour, and within six months we get a price increase, there is all hell to pay. Excuse my language. Nobody seems to trace the cause and effect on a railway basis, yet our problem is exactly the same as in any other industry.

Mr. HAMILTON (*York West*): Other people are caught in the same squeeze, yet they do not have the over-all control.

Mr. GORDON: That is right, but they just pass them on as quickly as possible. They are free to do so, because they can pass them on much more quickly in other industries than it is possible for the railways.

Mr. HAMILTON (*York West*): I think that is the situation here because it seems to me that now we have an example of a fairly well set out wage expense. You have a two year program and you know where you are going to be for a period of two years, let us say, from the last of May or June. Yet you say already that you are behind with the program and with your current application to the Board of Transport Commissioners.

Mr. GORDON: Yes, but remember that I also say that a great deal depends upon volume. If I could predict or foresee that our volume of traffic was going to be substantially increased for the next year, I would not ask for an increase in freight rates.

Mr. HAMILTON (*York West*): All right. There seems to be one intangible left. How much and how far have you been able to forecast or predict what the situation will be in 1957?

Mr. GORDON: One year ahead? When I come to my budget, I can give you the details of predicted revenue versus expenditures. We try to predict them a year ahead. But it is a difficult thing to predict, because nothing can change faster than railway traffic. It is a barometer of economic activity which is most sensitive. So when we have to make a budget, we have to make a calculated guess—we have to make an informed guess, but to all intents and purposes it is still a guess. It is my guess that from a revenue point of view we will be somewhat higher than last year but not much. I am talking about gross revenue.

Mr. HAMILTON (*York West*): Will it cover these increases in operating expenses?

Mr. GORDON: Not without the four per cent increase in freight rates.