

will be greater, and so forth. So this represents our best guess as to what the net effect will be. But I should say this, too, that even if that figure of \$685 million, which is a key figure in relation to trying to guess what our net result will be—even if that shows substantially higher, I want to call your attention to the note that this is based on 1955 material prices and wage rates.

Mr. POWER (*Quebec South*): That could be thrown out of kilter on a general wage increase?

Mr. GORDON: It could be thrown very definitely out of kilter, depending on what our expenses may be in those areas of materials and wage rates.

Mr. FULTON: When you prepared this budget, Mr. Gordon, had you arrived at the same sort of figure of G.N.P. that Mr. Harris mentioned—\$28 billion or were you preparing this on the basis of a somewhat smaller G.N.P.

Mr. GORDON: No, generally we arrive at a figure—all these figures are so much crystal-ball gazing that I am reluctant to follow my thought processes in regard to it—but in the course of trying to make an economic forecast of this kind it seemed to us that there were so many contradictory factors in the economy that they rather tended to cancel out and that this year we would not have anything which would show as sharp an increase as between 1954 and 1955 but we did think there would be a steady but much more modest growth.

Now, I think, Mr. Harris—I have not read the budget speech—I am sorry to say—I think he was predicting about a 4 per cent increase in G.N.P. and roundly we would come out about the same thing. But to qualify that, the record shows that railway revenues never increase in anything like the proportion of gross national product. There are not the same complexes in the railway economy as there are in the general economy. I have some figures here which will show that the railway revenues seldom increase by more than about half the percentage of the G.N.P. increase.

Mr. CHURCHILL: G.N.P. would go up with grain stored on farms which doesn't help your revenue at all?

Mr. GORDON: That is right. We get a lot of very contradicting factors. For instance, in 1955 it showed a spectacular increase and over 1954 our revenue increased 6.6 per cent and G.N.P. went up 10.4 per cent in that year. So the mix of the traffic as we call it, is what is important and we do not get the same relationship. We don't get a relationship with G.N.P. that is in direct proportion—usually about half of it.

Mr. POWER (*Quebec South*): You might get a delayed reaction. This stored grain might be shipped all of a sudden.

Mr. GORDON: Yes, and it depends how that hits us, what time and so on.

Mr. CHURCHILL: How close was your budget of 1955 to the actual of 1955?

Mr. GORDON: We estimated on about a break even basis last year, I think. We estimated just about a break even point, about \$500,000 profit. But you see that is why I say that in making up a budget of this kind and dealing with figures even a swing of 5 per cent one way or the other is not unusual at all. In 1954 we showed a decline in our revenue of about \$50 million from the estimate we made in that year; we were wrong to the extent of \$50 million. That is unusual. I do not think we will be as much wrong this year. This is what we are basing our organizing for expenditures and so forth on.

Mr. CHURCHILL: You hope to improve this year?

Mr. GORDON: Yes. I do not see how we can, from the standpoint of the net, be as much wrong. We might be wrong in the gross but, even with a substantially increased gross, I do not see that that will be reflected in our net, which is the surplus figure we are discussing.