

crop in western Canada which is being sold the railways always prosper, not necessarily because they are hauling grain but rather because a large grain crop being sold has a fertilizing influence all through western Canada. When the farmers are getting cash they are buying refrigerators, automobiles, kitchen stoves and everything and we move that traffic from east to west. A prosperous west in terms of grain means a prosperous Canada and a prosperous Canada means more traffic for the railways. That is why I say you go around and around in this circle. If the railways broke even in the handling of grain it might be stated perhaps that they would do well because of the influence of the handling of the grain on the rest of the country; but that does not answer the question as to whether or not we are getting a fair price for our service in shipping grain.

Mr. JOHNSTON (*Bow River*): I take it that is only a general statement.

Mr. GORDON: Yes. I have been asked the question so often by people who say if railways lose money or do not make much money in handling grain then how is it the railways are prosperous when there is a big crop. The answer is because everything else is prosperous. Canada still is heavily influenced by its wheat crop. We are less influenced as the years go on, but it is still the case and has been the case even moreso in the past, that a good crop in the west meant prosperity in Canada.

Mr. JOHNSTON (*Bow River*): Then all that you relate about the C.N.R. losing money on the hauling of grain is somewhat of a very generalized statement and cannot be taken too seriously.

Mr. GORDON: Please do not put words in my mouth.

Mr. JOHNSTON (*Bow River*): I am serious about it. Mr. Gordon just told us when there is a large movement of grain there is an overall prosperity in the railways as far as freight haulage is concerned. I point out that particularly he has said that probably on a detailed study it might be shown there was a loss.

Mr. GORDON: Just a minute. There is another point you must keep in mind, and this is very important.

Mr. JOHNSTON (*Bow River*): It is a very important thing, particularly to the west.

Mr. GORDON: But you have got to get this point right. You see, we start off with the fact that we have a railroad built. It is there. We have cars there, we have got a track there, we have buildings, we have a huge capital investment in the railway. It is just like a manufacturing plant; if you have a huge plant and you are doing 10 per cent of the capacity of that plant, you are going to lose money. But, as you increase the actual handling through that plant, you get to a point where your overhead costs are being met. So because we have got this huge plant in the form of a railway in western Canada, as we are getting the volume increased, and getting money out of it, we are getting some contribution to our overhead, although we may still be losing money. The point is, we will not be losing as much money. We could be losing money on the handling of wheat at a given volume, which would be much more than at another volume.

Mr. JOHNSTON (*Bow River*): That is a hypothetical instance.

Mr. GORDON: No, that is a fact.

Mr. JOHNSTON (*Bow River*): You said you could be losing money, but you are not sure.

Mr. GORDON: No. I say, at a given level, a given volume of wheat, we would definitely lose money, and as that volume increases, we get a contribution to our overhead, which will reduce our loss, relatively, because we are using our plant. The plant is there.