

The CHAIRMAN: Very well. Would you care to come around here?

Mr. WILSON: Excuse me, Mr. Chairman, I did not want to interrupt the proceedings, but in view of the statement the president made this morning in respect of depreciation and the fact that we were referred to in connection with that particular item I think that you should have a statement from us on it.

The president has made a very complete statement on it; I think I should refer to the last year's committee when we indicated that there was a variety of methods that might be used to take care of the anticipated deficiency in depreciation, but we indicated a preference for one, and that was the charge to income account. The president has said that with our concurrence the railway decided on that treatment in this year's accounts. He referred to a difference between legal and accounting opinion.

I would like to refer at this time to what we call our short form report. That appears on the first page of our report, in which you will notice that there is a comment with reference to depreciation accruing prior to the adoption of depreciation accounting. Had this charge not been made this way there is a possibility we may have had to include some additional reference there.

Furthermore, it is possible to have a difference in the deficit determination for accounting purposes and the deficit that the Department of Finance may reimburse. In public utilities you have the situation where various statutes govern or affect financial figures. The auditors must consider those, but at the same time they must consider other accounting aspects. All I am trying to say is, that it is a matter not without doubt at any time, and there can be honest differences of opinion in the determination of what is legally the amount which may be considered for a deficit reimbursement.

When the proper time comes, after these adjustments or repayments of the deficit account are recorded, it will be necessary for us to consider, at the time of our next report, the manner in which the railway officials have dealt with it. This has not been done and it is not necessary for us to comment further on this particular matter.

Finally I want to refer to the paragraph in our report under the consolidated income statement which states:

The deficit for the year of \$29.6 million is recoverable from the government of Canada. At December 31, 1957, \$13.0 million had been received on account and the balance due of \$16.6 million is shown on the balance sheet as an amount receivable.

I think I should point out to this committee that, due to the decision of the Department of Finance, part of that \$16.6 million, if received by the railway, will be repaid or deducted from future advances.

That is all I have to say, thank you.

The CHAIRMAN: Thank you very much, Mr. Wilson.

Now that the motion is passed I do wish to say I think on behalf of the committee how much we appreciate the clear-cut submission and presentation made by the president of the Canadian National Railways, Mr. Gordon, assisted by his vice-president of operations, Mr. Dingle, and Mr. Armstrong, vice-president in charge of finance, and also the presence of the minister at our sittings.

I want to pass on to you, Mr. Gordon and all your officials, the appreciation of the committee for the clear-cut report that you have given to the committee which helped to expedite their proceedings.

Mr. CHEVRIER: Mr. Chairman, would you allow me to add to that by saying that it is always a pleasure to have the officers of the Canadian National Railways here and surprised to see how they are in possession of so many facts and are able to answer the questions so well, as they do. Now, knowing