

larger units of machinery to our complement of equipment and has, as well, greatly enlarged the use of labour saving devices. Moreover, because of inflation, a depreciation based on original cost has fallen far short of meeting current replacement costs. That is one of the major reasons for the increase in our fixed charges. However, you may be interested to know that our net capital expenditures expressed as a percentage of the total property investment of the System have during the past ten years averaged only 3.4% annually.

Let me now summarize the highlights of these expenditures with some passing comment on the shape of things still to come.

On dieselization from 1950 to the end of 1957, we had spent approximately \$250 millions on the locomotives and the necessary facilities. Our present estimate of the remaining cost to completely dieselize our operations is roughly \$268 millions, to be spent over the next four or five years.

Remarkable improvements have been achieved in our freight equipment, many of the innovations being products of our own research laboratories. The benefits of technological advance in freight car design and construction are strongly represented today in our inventory, for nearly 40% of our freight equipment is new and has been acquired during the past ten years. The improvements from these two features alone -- the acquisition of the diesels and new types of freight equipment -- have yielded substantial dividends in operating performance and service to the public. Here is a yardstick of the range of the improvement. If we were to carry out 1957 volume of traffic at, say, the 1928 level of efficiency, we would have needed no fewer than 1,100 more locomotives and 80,000 more freight cars, and an increase in man-hours which would have added a staggering \$280 millions to our recorded expense. Not only do we carry more traffic with less equipment, but we carry it at faster speeds over the road and with greater convenience to shippers in terms of pick-up and delivery.

I have told you that our passenger equipment was obsolete. In looking over the record, I find that in 1930 some twenty-nine pieces of passenger equipment were purchased, another five in 1931, and then there was a gap with none purchased until 1938. The order at that time was sixteen passenger cars and, of course, through the war period there were practically no deliveries. In 1946, some new first class coaches and roomette cars were placed into operation. In 1952, however, we faced up to the fact that as a minimum, replacement of obsolete and out-moded equipment had to be undertaken on our main passenger trains and for this purpose we took the decision to buy 389 new units at a cost of some \$67 millions.