

By Hon. Mr. Rowe:

Q. It is as large as the national railways, \$40,000,000?—A. Well, I should explain there first of all that this is a large operation. The cash on hand, having regard to their operations and the nature of them, it seems to us to be reasonable.

The \$40 million of investment is in fact their reserve fund, which you will see on the left hand column of page 38. They have a reserve fund of \$38 million for the replacement of capital assets, \$2,250,000 for their fire and general insurance and so on.

The National Harbours Board maintain their own reserve in that way, and have invested these reserves in government bonds. This is, in fact where they keep their replacement or depreciation reserve.

The CHAIRMAN: In the case of a large fire, I suppose they rebuild out of that fund without asking the government for funds?

The WITNESS: That would be covered from the fire reserve, but there are, undoubtedly properties of the National Harbours Board which are quite old and will have to be replaced at a major expense; and they would not come to the government for these funds. They would draw out of this replacement fund.

By Hon. Mr. Rowe:

Q. Is that now an unusual amount of increase over former years due to development in harbours?

Mr. BALLS: This has been built up gradually over the years by the board with some consideration for their future requirements for the replacement of capital assets. I do not think it is an unreasonable amount.

The WITNESS: The capital assets are \$245 million.

By Mr. Fulton:

Q. The total accumulated depreciation is \$62 million, is it not? They do not have a cash depreciation fund, this is their total book depreciation?—A. No.

Q. And that is the nature of these loans and advances of \$197 million from the government of Canada? There is, in other words, nothing on hand at the moment to meet that at all, is there?—A. There are the physical assets, there is this \$250 million of works.

Q. Yes, but in view of what you said there is no free cash balance to apply towards that, is there?—A. No.

Q. I understood you to say this \$46 million is pretty well entirely accounted for by depreciation reserve, plus the insurance. The total in the reserve fund is \$41,676,000, so there is about \$5 million there, is there not?—A. The replacement reserve is just a bookkeeping entry; there is no cash involved, at this particular point. However over a period of years, \$38 million out of operating revenues, was invested in funds which they can sell, and the proceeds can be used to finance major replacements when the occasion requires.

Q. Yes, but my point, Mr. Taylor is, that on page 111 it shows them having a total in cash and securities of \$46 million.—A. Yes.

Q. On page 38 of volume 2 it shows their reserve fund of the listed assets as \$41,676,000, which would seem to leave a free, what I am calling,—probably by the wrong technical term,—but a free cash balance of some \$5 million.—A. It shows at the top of the page \$4,700,000 as the cash on hand.

Q. It is felt that that sort of relationship is regarded, as compared to their requirements, normal?—A. It was not unreasonable.