

The CHAIRMAN: Are there questions on the auditors' report, first dealing with the Canadian National Railways system?

Mr. FULTON: I have only some very small questions. In reading the auditors' report I did not notice anything brought to our attention by the auditors which I would assume to be of a nature that you thought outstanding or requiring any corrective action?

Mr. FRANK P. TURVILLE (Auditor, George A. Touche and Company): That is true.

Mr. FULTON: However, on page 2 of your report you say under the heading "Consolidated Balance Sheet" that a physical inventory was taken by the railway as at the 30th of September, 1955, and at the end of that paragraph you say:

The physical inventory valuation exceeded the ledger balances, and the latter were brought into agreement with the physical inventory through a credit to railway operating expenses.

First of all, I should say I cannot find an item for it in the annual report of the railway. Is it just included in the general total of operating expenses?

Mr. TURVILLE: Yes, Mr. Fulton that is credited, to railway operating expense and distributed to the various accounts in the regions.

Mr. FULTON: Its effect would have been somewhat to reduce the operating expense?

Mr. TURVILLE: Yes, it would reduce it.

Mr. FULTON: Can you give us the total?

Mr. TURVILLE: I can give it to you as a percentage of the materials handled, it is very small. It is about $\frac{1}{3}$ of 1 per cent of the materials handled during the year.

Mr. FULTON: Just so that we can assess its effect, it would be of a non-recurring nature, I assume?

Mr. TURVILLE: No, an overage has been occurring in most years.

Mr. FULTON: I did not notice it in your previous report. It may have been there. I beg your pardon, it is right there.

Mr. HAMILTON (York West): Mr. Turville, just a couple of questions. I think you probably heard Mr. Gordon indicate that there was this accounting change which was coming because of a ruling by the Board of Transport Commissioners. Now, I understood him to say that it would have made very little difference in the actual picture that we had here and that next year that observation would still apply. Would that be your opinion as well?

Mr. TURVILLE: I think that is not a fair question to ask me as an auditor at the moment. We have audited the accounts of the Canadian National Railways for 1955 and we have not done very much on the auditing of the accounts of the Canadian National for 1956. I have seen figures which would appear to demonstrate the fact that there will not be any material difference, but I am sure you would not expect me to say that I agreed with him at the moment.

Mr. HAMILTON (York West): Well, whether the question was fair or not, I think you answered it anyway. One other question: You have indicated that there has been a further extension of machine accounting in one of your paragraphs near the end of your report. Does the whole set-up appear to you to be taking advantage of the newest in automation as far as accounting is concerned in order to keep our rates as low as possible?

Mr. TURVILLE: I know the Canadian National Railways departments have been taking very active interest in this, and they have not jumped at the first proposition that has been suggested to them. It is a slow process, this thing;