

Mr. TOOLE: That is right.

Mr. GORDON: Have you got any estimate of the impact of that change?

Mr. TOOLE: No, other than to say that in the year 1956 itself we did calculate that the impact of depreciation in the accounting that would otherwise have taken place in that year was practically nil. It brought about a drop in results in that year. We did not trace it to any one year.

Mr. HORNER (*Jasper-Edson*): If you continued on in your accounting system, what difference would it have made?

Mr. GORDON: We would have to make a detailed study of that, which we did not think worthwhile or would prove anything. However, I will say this, and give my own impression of it. My own impression is that we are charging more to our operation today, we are charging more by reason of our amended depreciation.

Mr. HORNER (*Jasper-Edson*): In what year was that?

Mr. GORDON: I do not like to make a positive statement that is not analyzed.

Mr. HORNER (*Jasper-Edson*): I thought it was 1956.

Mr. GORDON: The only time when we would have a proper appreciation of it was the one year when it changed. After that it gets lost.

Mr. HORNER (*Jasper-Edson*): I would like to know whether, in fact, a change in accounting had increased the deficit which you showed last year.

Mr. GORDON: My judgment is yes, but I would not like to say how much. Have you by any chance got the depreciation figure for 1956?

Mr. CREAGHAN: I have for 1957.

Mr. GORDON: Have you got the depreciation figure?

Mr. CREAGHAN: Yes, the total depreciation was something like \$78 million. That was the first year of the scheme.

Mr. GORDON: Have you got the annual report?

Mr. HORNER (*Acadia*): The Auditor's report to parliament?

Mr. GORDON: Then, as you see, we are taking \$88 million today, plus another figure. To show that it is still more complex, we have a figure that goes into the depreciation account which consists of salvage. We have a great deal of salvage in the last few years by reason of the turnover from steam locomotives to diesel locomotives. We get salvage, and last year about \$20 million of it. Was that figure reached?

Mr. TOOLE: Yes.

Mr. GORDON: And that was credited to depreciation?

Mr. CREAGHAN: That was called "property".

Mr. GORDON: It comes from that. That \$20 million was credited to our depreciation account. One could have argued there that that \$20 million should have been credited to revenue, or reduced our expenses. But we have not done so. It has built up our depreciation account.

Mr. McPHILLIPS: It was the sale of scrap.

Mr. GORDON: Yes, pulling down water towers and all the rest of it.

I am sorry to be so verbose, but this is extremely interesting. That is constantly affecting our accounts and bringing about a judgment as to what is good accounting and what is not. I am constantly after Mr. Toole and we argue all the time as to what is good accounting. I want to show a result and he wants to be—I was going to say "honest"—he wants to be a good accountant, so he insists on charging to our operating expenses the cost of producing the salvage. When we tear down a water tower or break up a