

behind with the upkeep of your equipment; you have lost that. To even that up you take out either in work or in cash \$1,000,000 a month, and at the end of ten years you will be square. You would either have it in your equipment or a reserve in cash, ready to repair that equipment.

Sir HENRY DRAYTON: It is to prevent an undue loading of the books in any one year.

Major BELL: Yes, and to keep money there to repair the equipment.

Hon. Mr. GRAHAM: I might say that they follow a splendid precedent in that. Major Bell will remember years ago, when the Intercolonial was managed by the Government through a Board, or a General Manager, the problem of getting money for a rush requirement of repairs for equipment was a very difficult one, because the Government had to vote all the money. So we established what was called an equipment renewal account, and we put away so much money every month for equipment renewal. One month we might have quite a big balance in the account, then something unforeseen would happen and for the next three months we would not have any, but we would have it in the cars. I imagine this is run on the same plan.

Mr. HENRY: Yes.

Major BELL: There are ups and downs in business. Sometimes it may be very slack, and you would be very foolish to repair a lot of cars that you could just put on the siding. Then when business presses again you have your reserve account to fall back upon and from which to make these repairs.

Mr. STEWART: Is there any department outside of this which carries an account of this kind?

Major BELL: Yes, the Insurance Department.

Mr. STEWART: I take it that the maintenance and right of way department does not carry such an account?

Major BELL: On the Intercolonial we had, at one time, a rail account and a maintenance account. For instance, supposing you put up a station, a building costing you \$25,000. With the exception of a little paint, you might not touch that building for 25 years. The building is going down all the time, and at the end of the 25 years you probably have to make a 50 per cent expenditure to get it back into shape. If you have a building reserve account you can call on that right away, without unduly charging that year's account with it. It will only have paid the proper proportion for that year.

Mr. STEWART: It amounts to this, that comparing the figures of our expenditures on equipment one year with another does not give us an indication of the actual standing of the equipment.

Major BELL: No.

Mr. STEWART: The equipment may actually be depreciating, but the money is there to raise it to its original status.

Major BELL: In connection with your expenditures running even, if you could have a reserve account for everything, then every year would reflect absolutely your true charges.

Mr. STEWART: It would seem to me that if there was an item added to this page showing the standing of the reserve account it would very much enlighten us regarding the standing of our equipment, because if it is not there in actual stock it is there in dollars.

The CHAIRMAN: Is this your practice, Mr. Henry; I want to get it clear. You figure that each year you will require so much money for maintenance of equipment?

Mr. HENRY: That, of course, depends upon the business.