

Services. The Reserve in respect of the North American Services reached the maximum considered necessary in 1949. The Reserve applicable to the Atlantic Services increased by \$514,000.

*Profit and Loss*

The profit for the year, amounting to \$3,891,000, has been reserved as a contribution towards increased cost of future purchases of capital assets.

Where foreign currencies are involved, the Balance Sheet accounts of the Air Lines are converted generally as follows:

- (a) United States Currency—at the dollar par of exchange.
- (b) Sterling Currency—at the rate of \$2.95 to the pound.

Dollar amounts stated in this report are to the nearest thousand.

GEORGE A. TOUCHE & CO.

Mr. KNIGHT: I would like to ask Mr. McGregor to enlarge upon the paragraph entitled "The Air Transport Prospect" on page 18 of the report, where he says:

In May, 1952, the company will introduce much lower fares on the North Atlantic and thereby bring overseas air transportation within the financial reach of a new and larger market.

Just what will that involve? It must involve a decreased service or a cheaper type of service?

Mr. MUTCH: Buy your own liquor!

Mr. MCGREGOR: Part of your question has been answered by Mr. Howe and part by Mr. Mutch. In the first place, the minimum free passenger baggage is cut from 66 to 44 pounds. In the second place, meals are not provided free; and in the third place, there will be no liquor of any kind on board the aircraft.

The CHAIRMAN: Are there any questions on the auditors' report, before we go into the estimates?

Mr. FULTON: My question might perhaps be more properly directed to the auditor than to Mr. McGregor, or they may both answer it jointly. Is there any way which anyone can see at the present moment of meeting this problem of the inadequacy of your depreciation?

The CHAIRMAN: I wonder if the auditor would mind coming around here to the head table. Now, Mr. Fulton, Mr. McGregor will have the help of the auditor.

Mr. FULTON: Is there any way which would be in accordance with proper bookkeeping and accounting practice which has yet been worked out to meet this problem of the inadequacy of depreciation reserves on account of the appreciation in price? Do you know if there is anything which can be done about that?

Right Hon. Mr. HOWE: We would be glad, if we could, but we are subject to income tax, and we are bound by the same depreciation laws which apply to all industry; it is a write-off of the value of the assets.

Mr. FULTON: It is something you just cannot do anything about, and nobody has yet thought of a way of doing anything about it?

Mr. MACDONNELL: They are doing it here to the extent they are recognizing the problem and setting aside \$3 million. I do not suppose we could find a company that does not recognize it by setting aside a part of its surplus.