

our own accounting purposes. The Viscounts have not come under depreciation yet, and will begin today, as a matter of fact. Do you want the amounts of money?

Mr. HAMILTON (*Notre Dame de Grâce*): Yes. In other words, your total assets of aircraft versus your accumulated depreciation.

Mr. MCGREGOR: The total initial book value of the North Stars, and major spare components \$18,834,000 depreciated to the extent of \$18,174,000. On the Douglas DC3s, initial book value, \$4,950,000, depreciated \$4,815,000. The Bristol aircraft, initial book value \$1,178,000, depreciated \$231,000. The Constellation aircraft, book value, \$15,484,000, depreciation thus far, \$1,156,000.

Mr. HAMILTON (*Notre Dame de Grâce*): And the Viscounts, of course, are neither in assets nor depreciation?

Mr. MCGREGOR: They are in assets. The one delivered in 1954 with its parts is shown on the books at \$1,142,000.

Mr. HAMILTON (*Notre Dame de Grâce*): The next question is this; I understand it is your practice to keep all aircraft in, say, original state?

Mr. MCGREGOR: Yes, as far as that is physically possible.

Mr. HAMILTON (*Notre Dame de Grâce*): So that in effect if you entered into difficult times—and we hope that will not be necessary—you do have a substantial reserve, because you have some \$23 million of aircraft which have been fully depreciated, which, as of today, are almost as good as when you acquired them.

Mr. MCGREGOR: I mentioned the word "physical" and that is important; the value of an aircraft depreciates—not using the financial term—due to its obsolescence. It begins to lose its passenger appeal. That is why the value decreases; not because it is worn out in the physical sense of the word. While we might take some satisfaction out of the assets, to which you refer, the fact is that if we had to sell them or use them indefinitely, they would not have a high value because, in relation to more modern aircraft they would lose their ability to draw traffic.

Mr. HAMILTON (*Notre Dame de Grâce*): In so far as their service is concerned, those aircraft today are as good as when you got them.

Mr. MCGREGOR: As far as it is physical possible, the engines are replaced and the component parts, and so on.

Mr. HAMILTON (*York West*): You have a uniform rate which you adopt. Do you follow the practice of other airlines?

Mr. MCGREGOR: We follow closely the practice of the other airlines. The rate however is not uniform. We attempt to set a period of years over which they would depreciate, based on what we think the rate of deterioration in their passenger appeal is. We regard the piston-engined aircraft as more rapidly losing that appeal than the new types of Viscounts. For that reason we depreciated the North Stars on a six year basis, and the Super Constellations on a seven year basis, while the rate of depreciation for the Viscounts has not yet been determined!

Mr. HAMILTON (*York West*): Do you take advantage of the full government rate allowed? Do you take advantage of it tax-wise?

Mr. MCGREGOR: No.

Mr. HAMILTON (*York West*): You set you own formula?

Mr. MCGREGOR: We set our own formula and our own accounting. But we stay within the permissible government rate of depreciation, and the permissible government rate has not yet underrun our depreciation.