

Mr. GORDON: To the maximum permissible where we are able to justify it in terms of alternative services available to the public.

Mr. ROBINSON: Can it be done to the extent of making passenger lines profitable?

Mr. GORDON: No, I do not think it is possible. I cannot foresee a situation where our passenger business in the overall will operate without some deficit.

Mr. CHEVRIER: It is the same in all countries.

Mr. GORDON: Yes, that is true. It is the same all over.

The CHAIRMAN: If there are no other questions or observations, we are ready for a motion.

Mr. CHEVRIER: May I ask one question in connection with the train which the Canadian National is withdrawing from service between Abitibi and Quebec city? Is the president aware of the facts?

Mr. DINGLE: We have a double service from Montreal to Hervey connecting with a duplicate service from Hervey west. The trains are scheduled about an hour apart, and there is to be a consolidation between the two, caused by lack of patronage, on August 10th.

Mr. CHEVRIER: Has consideration been given to reestablishing it?

Mr. DINGLE: We have some wires on hand about it, but we have not as yet answered them.

Mr. CHEVRIER: Well, will the representations that have been made from the Val D'Or-Rouen area to re-establish this train be considered?

Mr. GORDON: This matter has already gone before the Board of Transport Commissioners.

Mr. DINGLE: Yes, and we intend to make the change on August 10th. We have some representations as I said, but they have not yet been dealt with.

Mr. GORDON: I have not seen them. But I shall see what they are.

Mr. CHEVRIER: Perhaps you might be good enough to reconsider the decision.

Mr. GORDON: I will reconsider it so long as that does not bind me to changing it.

The CHAIRMAN: There is a statement on supplementary depreciation of steam locomotives which we should hear before we pass this report.

Mr. GORDON: Yes, I can deal with it quickly. This is an accounting matter which has given rise to some adjustment in our figures. That is unfortunate, but nevertheless it has arisen. It is a fact that there is a difference of opinion between lawyers and accountants as to the proper way to deal with this entry.

The reasons for including this charge may be summarized as follows:

(a) The Canadian National did not apply depreciation accounting to steam locomotives (or to other equipment) until January 1, 1940.

(b) In the normal course the normal depreciation rates would have been sufficient to care for the write-off of all steam locomotives at their normal retirement dates, i.e. at the time of physical exhaustion.

(c) The dieselization program now adopted will entail retirement of substantially all steam locomotives by the end of 1961. As a consequence the economic life of the 1,444 steam locomotives in service at December 31, 1957, will expire and the locomotives will be retired before their physical life—on which the depreciation rates are based—is exhausted.

(d) The depreciation reserve will, therefore, be deficient by an amount which may be in excess of \$30 million; the exact amount will be governed by retirement dates of the individual units.