

Mr. GEARY: They have depreciated faster than you have allowed for.

Hon. Mr. STEVENS: The capital cost was enormously above the present cost.

Mr. GEARY: That may be true, but theoretically the value less the depreciation should leave the present value.

Sir HENRY THORNTON: If the ship lived out its life.

Mr. GEARY: We are talking at cross-purposes. There is that much left in the book value of the ship, as representing the difference between the cost price and the depreciation, theoretically. That must be sound.

Hon. Mr. STEVENS: And if you cannot insure it for that, you must lose the difference.

Sir HENRY THORNTON: We could not insure these ships for that.

Mr. GEARY: Therefore you have to take their residue value.

Sir HENRY THORNTON: Nor the residue value; if we could, the faster they are wrecked, the better.

Mr. GEARY: The depreciation is only set up to represent the used up value?

Mr. COOPER: Your argument would be correct, Colonel Geary, if present day values were equal to the cost of these vessels.

Mr. GEARY: They were over-cost, really?

Mr. COOPER: As compared with present day values.

Hon. Mr. STEVENS: About three times.

Mr. GEARY: And their inventory value would not represent anything like that.

Mr. COOPER: And for those reasons, Colonel, yesterday you spoke of the operating loss being something like \$3,600,000, which you arrived at by taking the loss and adding to it about \$2,400,000 odd for depreciation. That is not correct, as it represents something on the book costs of the vessels which is altogether out of proportion to what the operating cost should be fairly charged with.

Hon. Mr. STEVENS: Is there any reason why, in connection with the Canadian Government Merchant Marine, Sir Henry, we should not reconstruct the financial situation so as to reflect a fair value for these ships?

Sir HENRY THORNTON: That principle, of course, is obvious, and cannot be successfully attacked. It is true of the Canadian Government Merchant Marine, and it is also true of the greater portion of the Canadian National Railways.

Hon. Mr. STEVENS: That is true, and why should we not do it with the Canadian Merchant Marine, which is not embarrassed with the suit which the other day was threatened against the Canadian National Railways?

Sir HENRY THORNTON: That is one of the things which we have to do in connection with the whole situation.

Hon. Mr. STEVENS: It is manifestly absurd to go on piling up this discrepancy each year, and in this instance if you have a ship lost you have five or six hundred thousand dollars which cannot be covered in any way shape or form by depreciation or insurance or in any other way.

Sir HENRY THORNTON: We have to consider the whole question of policy in respect to the Canadian Government Merchant Marine and the railways. And in connection with it there can be no argument but that it ought to be on a sound financial basis if it is to be continued.

Hon. Mr. STEVENS: Why not do it?

Sir HENRY THORNTON: That is one of the things which we have under consideration, and we may do it.