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COPY OF LETTER TO E.I.LEONARD

Aug.13/17.

Men are not so plentiful as many are away harvesting and he has had some troubles in adjusting the piece work prices but no wonder as some of them expect to make a full weeks pay when we have not the shells ready in rotation from the other fellow for them. The two new extentions are fully ocupied and look fine with the men all at work. We are back painting the 4.5 yellow with a black stripe again which makes more work and delay. The 5" H.E. we have only vaselined taking a few seconds to do and dump into box. We have had to takepart of our platform shed for an additional bonded room consequently have had to take all S.H.Engines into mounting shop but when they will be repaired and put into shape to sell I do not know. We are much disappointed that the S.H.Engines we have bought very low in trade or cash are not moving off. There is practically no demand for Engines now or S.H.

RE MOUNTING & SHEET IRON SHOPS. We have not come to any decision in this matter but we must do so this week as the contractor will be ready to commence the week following. He can now get new bricks. The B.C. timber has arrived and the cold weather will soon follow. I hope you have by this time got the sample of dry rot in planking and joist showing how necessary a complete job when we start should be done. I think I told you our own estimate was \$1600. (labor extra) for these two items in addition to about \$5800. which I forwarded you. If we decide to go on with this work we are going to take it out of our profits of last (June 30/17) year as our contract was made and timber ordered in that month claiming and justly so the work was in progress.

RE BUSINESS STATEMENT. Mr. Holmes will this week send you a rough idea and a letter giving explanations as I am going to be away for ten days as Mother Alice and I are going to Montreal for a change. The former will likely remain and have a visit with Elaine, Alice declares she will return with me but we will see. I shall also ask Mr.Holmes to figure out how the War Tax will effect our business. As far as I can see if we read the law aright it will bear most unjustly upon us. We are not obliged to file our statement until after the new year so there is plenty of time to go into the reading and application of the latter to our statement.

RE VALUE OF MACHINERY. We understand from some enquiries that shell makers are taking 100% off the value of their tools the first year but will look into this later. In the face of this we do not think we are unreasonable in taking off 75% the second year of the tax as we worked the full twelve months at 22 hours per day compared to 25% off four months shell making the first year per day. We have decided to do this. For example for every \$1000. worth of machinery the 1st year its value would be reduced to 25% or to \$750.00. The second year if we take 75% off the \$750. it would still leave the value of the \$1000. of machinery to \$188.00 at the end of thesecond year which is an average of about 41% for the two years a very fair and reasonable depreciation for the two years at 22 hours per day over two years work in one compared to 10 hours per day or 60 hours per week in fact under ordinary business we only work 55 hours per week, on this basis every machine on shells is working 2-4/10 hours compared to one hour in former times.

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|------------------------------|--|-----------|----------------------|
| Example - Value of machinery | | \$1000.00 | <i>see use basis</i> |
| 25% off | | 250.00 | |
| | | 750.00 | |
| 75% off \$750. is | | 562.00 | |
| Value at end second year - | | 188.00 | |