as a basis. The gross receipts for the remainder of the franchise period were estimated by increasing the gross receipts for the year 1912 by the percentage stated for the years and fraction of years. The amount which would be paid the City as franchise tax was then determined by taking the stated percentages of the gross receipts for the various given years as is shown in table VII. The net profit to the company was then determined by deducting the franchise tax from the net receipts from operation, that is, from 45 per cent. of the gross receipts, all of which is shown in detail in table VIII. The present value of the net profit for any given year was obtained by discounting the net profit for the given year to July 1st, 1913. In so doing it was assumed that as the income was distributed throughout the year, the total income was available in the middle of the year. The sum of all such quantities becomes the present value of all future net earnings from the operation of the property after the payment of all operating expense, payments to the City for pavement and corporate taxes, and also payment to the City of the tax on the gross receipts of the company. The amount so found as shown by table VIII. is $15,701,106.

There yet remains to be deducted from this amount the present value of the future interest payments that must be met by the company. In order to arrive at the value of the investment during the future years, the amount of additional plant that will be required to handle the increased business has been estimated in the following way. It has been assumed that the company will replace the original trailers with approximately 50 motor cars during each of the next two years. The amount of rolling stock has further been increased directly in proportion to the increase in gross earnings, that is, if the increase in the gross receipts has been 8 per cent. in a given year, then the number of cars carrying that business has also been increased a like 8 per cent. There has further been added to the plant required the necessary power plant and substation apparatus needed to properly transport additional cars, and this has been added on the same basis as the increase in the number of cars. There has further been added all the additional track together with the necessary overhead electrical distribution system recommended in our report of last year, to be constructed within the City limits of Toronto as of 1891.

It is assumed that the investment necessitated by this additional trackage will be made within the next five years. The new capital necessary is shown by table V. and represents an investment of $7,100,000.00 within the next eight years, or an average investment of new capital $887,500 per annum, which amount is in addition to and entirely distinct from the moneys which must be expended to maintain the property now existing in a satisfactory manner. This latter expenditure is fully covered in the operating ratio assumed.

As stated above it is necessary to deduct from the present value of net earnings the present value of the interest that must be paid from year to year in order to support the capital invested from year to year at a given rate of 5 per cent. Table IX. shows the capital invested year by year,