

tures, by way of interest and sinking fund on this loss of \$951,765.56, amounts to \$53,913.22. It was, of course, anticipated that there would be some loss by way of debenture discounts, and therefore certain additional annual charges arising therefrom, but the actual amount incurred is far beyond anything then contemplated.

In the third place, it was not anticipated when the report was issued a year ago that the Commission would be called upon to assume the retroactive sinking fund obligations attached to the debenture issues otherwise than by equal annual loadings for the remaining debenture term. It has, however, become necessary to assume them in full, with the result that future surpluses have been thereby mortgaged in favor of the sinking fund obligations to the amount of \$94,617.20. The burden, therefore, imposed upon the System by the necessity of establishing a Steam Reserve Plant; by the additional sinking fund obligations in question, and the necessity of utilizing the whole of the resources of the System for the payment of current liabilities pending arrangements for a sufficient amount of working capital, combine to make a reduction of rates at the present time impossible. It is due to the public that these conditions be clearly stated, because very unfortunately an impression has recently been sown in the public mind that a reduction of rates is imminent. The rates enjoyed by the customers of the Hydro-Electric System are understood to be lower than rates of like service in any city on the Continent of this size. No complaint has, as far as your Commissioners are aware, been voiced against these rates by the consumers of the System. Whenever the conditions warrant it, the rates will be lowered, but it would be a breach of trust on the part of your Commissioners to sanction any reduction thereof before the financial condition of the Enterprise justifies it. It is the policy of your Commissioners to give, in the first place, a first-class service, and in the second place, to give that service at the lowest cost possible. That policy will be firmly adhered to.

SALE OF DEBENTURES:

In view of the statements that have been publicly made to the effect that your Commissioners are responsible for the heavy debenture loss, it is necessary to point out that the Commission had nothing whatever to do with the sale of these debentures. They were sold directly by the Corporation of the City of Toronto. It is, in the judgment of your Commissioners, very unfortunate that the debentures authorized under By-laws Nos. 5036 and 5918, aggregating \$4,950,000, were not sold earlier, when the market for municipal debentures was much more favorable. The first-mentioned by-law was passed in January, 1908, and the second in January, 1912, but the debentures were not sold until the middle of 1913, when the conditions of civic finance and the state of the money market combined to render a sale

compulsory. The prices realized were probably satisfactory in view of the then state of the market and the history of the previous financing attempted. But the quoted prices ex-dividend on the London Stock Exchange between July, 1910, and July, 1912, of four per cent. City of Toronto debentures, due 1944-1948, ranged from 101 to 103 at the first-mentioned date to 96 to 98 at the last-mentioned date. Had these two items been sold within the period named, they would have probably realized minimum prices of from 92 to 96, giving a safe average of, say, 94. The resultant saving would have been about 12 per cent., or \$594,000. In the judgment of your Commissioners, all Hydro-Electric debentures should be marketed by themselves.

CIVIC ELECTRIC SERVICES:

In connection with the proposed extensions to the Civic Waterworks System, attention is drawn to the importance to the Hydro-Electric System of the Waterworks Department utilizing electric power in the fullest possible degree. The Corporation has invested a large amount of capital in this System, which was established on the faith and covenant of a complete monopoly of the civic electric services. The supply of electric power to the Waterworks Department for all purposes thereof during off-peak hours will have an important influence in reducing the all-round cost, and, therefore, in bringing the time nearer at which rates may be reduced. It is also

worth while noting, in connection with street lighting cost, that the street lighting system now represents a connected load of 5,600 h.p., against an estimated load of 666 h.p. at the inception of the enterprise, and, as already stated, 520 miles of streets are now lighted, against 280 miles at the time aforesaid. The extra cost the municipality is now under for street lighting is due, therefore, to the extra service given, the rates being the lowest in the history of the city.

AUDITORS' REPORT:

The matters referred to by the Auditors in paragraph four of their report are in process of adjustment. This is a relic of the unsatisfactory conditions originating in the regime of the former management. The matters referred to in paragraph five of the same report will be settled with the Corporation of the City of Toronto during the present year.

CONCLUSION:

The progress of the past, and the promise of the future, amply vindicate the public confidence placed in the enterprise, and for the many continuing proofs of that confidence your Commissioners are deeply grateful.

Respectfully submitted on behalf of the Commission.

P. W. ELLIS, H. C. HOCKEN, R. G. BLACK.
Chairman. Mayor.
Toronto, 27th March, 1914.

STATEMENT SHOWING IMPROVEMENT IN COMMERCIAL BUSINESS IN 1913.

INCOME. Commercial Income.	—1912—		—1913—	
	Amount.	Per cent. of total.	Amount.	Per cent. of total.
Lighting	\$197,739.21	27.21	\$411,905.17	35.53
Power	94,400.05	12.99	229,615.08	19.81
Exhibition and Sundry	46,123.38	6.34	43,102.11	3.71
Total Commercial Income	\$338,262.64	46.54	\$684,622.36	59.05
Total Municipal Income	388,500.91	53.46	474,717.35	40.95
Grand total	\$726,763.55	100%	\$1,159,339.71	100%

Increase in total commercial business, \$346,360.00, or 102½ per cent.

COMPARATIVE ANALYSIS SHOWING DECREASE IN OPERATING COSTS AND INCREASE IN NETT SURPLUS IN 1913.

CHARGES.	1912.		1913.		Increase or decrease 1913.
	Per cent. of income.	Per cent. of income.	Per cent. of income.	Per cent. of income.	
Cost of current	26.74	22.08	Dec.	4.66	
Expenses of operation, maintenance and management	42.14	36.68	Dec.	5.46	
Interest	11.89	16.28	Inc.	4.39	
Depreciation	9.44	14.31	Inc.	4.87	
Sinking Funds	7.93	7.66	Dec.	.27	
Surplus	1.86	2.99	Inc.	1.13	
	100.00%	100.00%			



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