

comparable when the franchise conditions are taken into consideration with the ratio of approximately 70 per cent., which is generally applicable to street railway properties. Therefore under the existing franchise conditions, it is proper to use the operating ratio of 55 per cent. in determining the net receipts from operation, from which a still further deduction must be made of the amount of the franchise tax.

In order to determine the net earnings throughout the future years, an estimate has been made of the rate of increase of the gross earnings. A table accompanies this report showing the gross earnings of the company during the past 22 years, which indicates that the average rate of increase in the last seventeen years has not been less than 10 per cent. The growth of the population in the City of Toronto is shown both in a table and in a curve, which indicates that during the last five years the average rate of increase compounded has been 8.88 per cent., while during the previous ten years the average rate of increase was 7.55 per cent. During the last five years, however, there has been a large increase in the area of the City due to the annexation of outlying districts. However, if it be assumed that all of the population in the outlying districts that have recently been annexed to the City has accumulated in the last twenty years, in other words, in 1891 the population in the outlying districts was practically negligible, the average rate of increase in population in the present limits of the City of Toronto is found to be 4.35 per cent. The increase in population to be anticipated during the remaining eight years of the life of the franchise has been variously estimated from available statistics, and from the curve showing the increased population and area during the past twenty years, it is possible to project a study of the probable growth in the future and the line as shown with an increase of 5 per cent. compounded for the next five years from 1913, and 4 per cent. compounded for the remaining years of the franchise represents a very conservative estimate of the increase of population in this territory.

If the gross earnings of the property increase in such a manner that the ratio between the gross earnings in given years is proportional to the square of the ratio of population in the same years something over 10 per cent. increase in earnings should be anticipated for the coming five years, and something over 3 per cent. for the remaining years of the franchise. However, it is possible that if the City does not purchase the property of the Toronto Railway Company, then the City will proceed in its plan of constructing a subway on Yonge Street and connecting this subway with the City's lines in the outlying districts, thus competing in a limited area with the railway company within the territory of the old Toronto City limits, and for this reason, in estimating the gross receipts of the Toronto Railway Company during the remaining years of the agreement, the rate of increase has been decreased and 10 per cent. increase has been allowed for the first three years and 8 per cent. for the succeeding three years, and 6 per cent. for the remaining life of the franchise.

In estimating the future gross receipts, the receipts for the year ending December 31st. 1912, the fiscal year of the Company, have been taken