REPORT OF COMMISSION SHOWS

Continued From Page One.

Total operating expenses in 1918 were $355,488, and in 1919, $432,605, an increase of $77,117.

Net earnings from operations in 1918 were $100,867, and in 1919, $99,864, a decrease for that year of $1,003. Interest on funded and floating debt and taxes, amounting to $40,528, or 8.88 per cent of gross earnings, in 1918, and $39,541, or 7.43 per cent of gross earnings, is deducted from the net earnings. This leaves a net income before providing for depreciation and contingencies, of $60,399, or 13.22 per cent of gross earnings in 1918, and $60,322, or 1.33 per cent of gross earnings in 1919.

This is not a cash surplus available to meet the demands of the men for increased wages and to carry on the operations of the company as heretofore. The apparent surplus in each year, 1918 and 1919, is absorbed by unavoidable obligations, such as accounts and notes payable of the company. The true state of the company's affairs is shown under the heading of Working Capital, which shows a deficit of working capital in each of these years.

Earnings.

It will be noted that there was an increase in gross earnings in 1919 over 1918 of $76,113.86, accounted for by the fact that the company carried 1,300,000 more passengers and enjoyed increased fares from July 11, 1919, to October 28, 1919, amounting to $17,439.95. This increase in gross earnings was not sufficient to meet the increase in the cost of material used, $11,570.75, and additional wages paid, $65,546.48.

The passenger earnings would be considerably increased if the free transportation, which appears to be abused, were restricted.

The low-priced tickets unduly increase the operating expense for the following reasons:

1. These tickets are used at the congested traffic hours and, therefore, fix the peak load on which the cost of power is based.

2. These tickets are used at times which necessitate extra cars manned by tripper crews.

Expenditure.

The company has an excellent system for following the distribution of expenditure as between capital and income.

The distribution of interest on funded debt and taxes is as follows:

Interest on bonds, 1918, $28,438.72; 1919, $27,216.76.

Interest on floating debt, 1918, $3,335.36; 1919, $1,933.08.

Taxes (including war tax), 1918, $8,698.68; 1919, $10,391.61.

Miscellaneous, 1918, $56; 1919, nil.

Total, 1918, $40,528.75; 1919, $39,541.45.

The maintenance charges were lower in 1918 and 1919 than ordinarily for the reason that only repairs of an imperative nature were made.

The surplus as on December 31, 1919, was $307,469.72. This surplus has been used in the improvement of the road and equipment, and does not represent cash available for either working capital or dividends, and, as stated below, had depreciation sufficient to cover the ordinary wear and tear and obsolescence been written off, the surplus would, in our opinion, be absorbed. In fairness to the company, however, it should be stated that the railway act under whcih the company operates, does not say that depreciation must be provided for before dividends are declared; and, until recent years, it was not the practice for street railways to lay aside reserves for depreciation as such, but whether they did or did not, the depreciation is there, and it follows that this factor must be taken into consideration in determining financial position.

WORKING CAPITAL.

	1918.	1919.
Current Assets—		
Cash	$ 4,967 40	$ 5,401 22
Accounts receivable	2,142 00	2,993 31
Advances to conductors	1,671 55	1,811 55
Inventories	31,132 32	29,068 58
Prepaid insurance	117 87	419 54
	$40,031 14	$39,694 20
Deduct: Current Liabilities—		
Accounts payable	$22,275 99	$26,930 82
Notes payable	40,000 00	15,000 00
Wages due and unpaid	9,661 78	13,734 33
Outstanding tickets	16,361 67	17,208 43
	$88,299 44	$72,873 58
Balance—Deficit in working capital	$48,268 30	$33,179 38

The above figures make it quite clear that, unless the company finds some means of making good the deficiency in working capital it cannot carry on.

Paving.

The financial position of the company is such that they have no capital to do new paving as required under Bylaw No. 916. Unless the company can provide new capital to discharge its obligation to the city of London under the bylaw, its only recourse is to take funds from working capital which in turn must be augmented by surplus earnings over operating expenses.

Bylaw No. 916.

After a perusal of Bylaw No. 916, and an examination of the company's books, and taking into consideration the abnormal cost of operating in recent years, we are of the opinion that it is absolutely impossible for the company in its present financial position to fulfill the obligations required of it thereunder.

Fares.

We have made a calculation of the fares required to absorb the company's operating charges, the amount of the bond redemption and obligations under Bylaw No. 916, as follows:

Since the total hours of employment for the year 1919 were 784,355, it is evident that every cent increase in wages per hour during that year would have cost $7,843.55. For the sake of convenience let us divide the passengers (exclusive of cash fares and children) into two classes, those with unlimited tickets, of which there were 9,480,939 in 1919, as class (A), and those with limited tickets, of whom there were 1,383,709 in 1919, as class (B). Let us assume that the fares in effect in 1919 had been each one of the following:

	Class (A)		Class (B)	
(a)	6	and	8	tickets for 25c
(b)	6	and	7	tickets for 25c
(c)	6	and	6	tickets for 25c
(d)	11	and	11	tickets for 25c
(e)	5	and	8	tickets for 25c
(f)	5	and	7	tickets for 25c
(g)	5	and	6	tickets for 25c
(h)	5	and	5	tickets for 25c

Then for the same number of passengers as traveled in 1919, the increase in income would be as shown in the following schedule for the various bases of fares. The schedule also shows the effect of the assumed increase in income if it is used to increase the wages classified under two heads, in one where provision is made for paying $55,000 for paving together with $36,000 for bonded indebtedness, and the other where the item of $36,000 only is taken, the paving item not being provided for.

The following schedule shows the increases in income which the foregoing classifications would provide. The second column shows the increase in cents in wages per hour that could be provided, making provision for $36,000 for bonded indebtedness. The third column shows the same except that provision is made for paving costing $55,000, in addition to the $36,000 for bonded indebtedness:

(a)	$ 61,238 85	3.22	*...
(b)	67,416 15	4.01	*...
(c)	75,652 54	5.06	*...
(d)	116,805 65	10.30	3.29
(e)	140,246 36	13.29	6.28
(f)	146,423 66	14.08	7.07
(g)	154,660 05	15.13	8.12
(h)	166,190 91	16.60	9.59

*Deficit.

It is to be noted that no account is taken in these calculations of such factors as reduction in the number of passengers through an increase in fares, or of the factor of increase in the population, etc.

The item of $55,000, on which the above calculations are based, represents the city engineer's estimates of the factor of increase in the population, etc.

The details are:

Excavation, at 90 cents per foot, single track	$ 4,752
Concrete, at $3.05 per foot, single track	16,104
Asphalt paving, at $2.09 per foot, single track	10,560
	$31,416
Rails, fastenings, etc., at $4.46 per foot, single track	23,584
	$55,000

If, therefore, more than one mile of paving and track is required in any one year, $55,000 for each additional mile will have to be provided.

Touching on the scope of the examination, the auditors state that they have made:

A careful examination of the capital stock account, the bond account and the dividend account of the company from the date of its organization in 1875.

A detailed examination of the voucher register, the cash book, the bank pass books and pay rolls for the two years ended December 31, 1919, and for three months period ended March 31, 1920, giving particular attention to the classification of wages and material as capital and maintenance expenditure respectively.

A more or less thorough examination of the statistical records prepared from time to time for the guidance of the board of directors of the company.

Condition of Books.

The condition of the company's books as to receipts and expenditures is satisfactory. All records have from the outset been audited by responsible men and we have no reason to doubt the mechanical accuracy of the bookkeeping. Within the last three years the accounting system has been brought into conformity with the Government standard for street railways, they add.

Financial Statements.

"The printed statements of the company in years previous to 1917 are faulty in construction and the custom of making a general profit and loss account serve the purpose of both a statement of earnings and income, and a statement of surplus would have the tendency to convey a total misconception of the actual state of affairs.

"The printed statements for the years ended in 1917 and 1918 are much better as a result of the improvement in the general accounting system. The statements for the years ended in 1918 and 1919, submitted with this report, show o different result of the company's operations, because we have, for reasons stated later, omitted the depreciation factor."

INCREASED FARES ONLY WAY OUT, SAYS MANAGER KING

Copies of the report of the railway board on the street car system are not yet in the hands of the majority of the city council, members of the company, employees and others interested, as it was issued too late for general distribution to be made.

Manager C. B. King of the street railway had not seen a copy of the report when interviewed by The Advertiser. When told that the railway board stated that operation on present fares was impossible and that an increase in wages could not be granted without an increase in fares, he expressed the opinion that the company's statements to this effect throughout the past year had been entirely vindicated. He did not wish to comment further on the report until he had had an opportunity to make a thorough examination of it.

Ald. O. I. Cunningham, chairman of No. 1 committee of the city council, had not received a copy of the report at a late hour this afternaan. When the general facts were stated to him he characterized the situation as somewhat "blacker" than expected.

"The agitators who prevented a small increase in fares last January have certainly got the city into a nice muddle," he said. "The company and the men were willling to operate for a year for six and eight tickets for a quarter. From what you tell me about the report it is evident that this will not be enough, and that we will be lucky if we get off with a straight 5-cent cash fare."

John Colbert, president of the employees' union, had not seen a copy of the report. He was asked if the men would continue to operate the road until the 29th of the month as stated by the railway board. He replied that they would remain at work until that date, provided the railway board remained in charge.

"If they give up control of the road the men will leave work also. They have promised to give us 24 hours' notice when they intend to leave.'"

BABY CLINICS CREATE INTEREST

Mothers Anxious To Have Doctors Examine Children.

That the baby clinics at the Technical School are creating a great deal of interest in the city was demonstrated again this morning, when from 125 to 150 more babies were registered and passed through the hands of the clinic doctors.

"The school has been literally swarming with babies during the past two days," said an enthusiastic worker. "Although there is some difficulty in getting mothers out to lectures, there is absolutely no difficulty in getting them to present their babies for examination, especially when there are prizes concerned."

NEW CONCILIATION BOARD FOR L. AND P.S.?

Rumor That London and St. Thomas Mayors, With Third Appointee, To Act.

With regard to the London and Port Stanley Railway employees' strike, a story emanating from St. Thomas railway circles is to the effect that a new conciliation board, composed of Mayor E. S. Little of this city, Mayor Brinkman of St. Thomas, and a third man to be appointed by them, is to be formed at once with a view to immediate adjustment of the wages in dispute at present. Mayor Brinkman of St. Thomas and Mayor Little were both present at the meeting held in the city hall here Tuesday night, when council members of the railway directorate endeavored in vain to bring the strikers and commission to an amicable agreement.

Mayor Brinkman was called upon by members of the commission to express his views to those present last night, but he declined to do so. As he is a prominent railway employee of St. Thomas it is probable that his post on a conciliation board would be favored by both factions in the strike, as would also that of Mayor Little.

When interviewed by The Advertiser this afternoon Mayor Little declared that he knew nothing of the above proposed arrangements, excepting what he had read in a Toronto paper regarding the rumor from the Railway City.

LANKA TEA 75C A POUND

By a mistake an insertion appeared in this paper quoting the price of 70c per lb. instead of 75c per lb. for Lanka Tea, and any purchaser who noticed this price and raised the question with the retailer should be satisfied with this statement that the paper was responsible for the wrong price.

DEATHS AND FUNERALS

JOHN MELVILLE.

Word has been received in the city of the death of John Melville of Dewan, on Tuesday. Mr. Melville was well-known in the district of East Williams, where for some years he was engaged as a farmer. He retired from this occupation about fifteen years ago because of ill health.

His wife, three daughters, Mrs. Allan Howard of this city; Mrs. William Siffen and Miss Ada of Strathroy, survive him, and also two brothers, Charles and William, and two sisters, Mrs. Elizabeth McIntyre and Mrs. John McLachlan of Dresden.

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VIGOROUS PROTESTS

sponsible. They represented nothing else than the principle that taxation ought to be paid by wealth and prosperity, they would even then be greatly worth while. For the man or woman who in these days is in a position to purchase luxuries, thereby supplies prima facie evidence of capacity to pay more to the state."

TIME TO SETTLE BILL.

Vancouver, B. C., May 19.—Commenting on the budget, the Vancouver Sun says:

"The new budget will bring home to everyone the financial position of the country. We have got to settle down to the task of paying for the war. There is no escape from our obligations; hence a budget which six years ago would have seemed impossible if not suicidal."

HIT RICH AND POOR ALIKE.

Montreal, May 19.—The Gazette says: "We sometimes hear of systems of taxation which make the rich richer, and the poor poorer. The finance minister's proposals savor nothing of that kind. They make the rich poorer and permit the poor to escape. Indeed, there is a sop thrown to the poor in relieving from excise duty their popular source of entertainment, moving picture films. Perhaps, however, the most important of the new taxes is that imposed on all sales of manufacturers, wholesale dealers, jobbers and importers. The levy is only one per cent, but it is virtually applied to the whole mercantile business of Canada, with the exception of foodstuffs, coal, sugar and syrup and goods sold for export. That we believe to be a novel tax never before resorted to in any country. It is a tax that may involve as in the case of the luxury tax, a small army of officials and a vast mount of vigilance. Sir Henry Drayton makes no estimate of the amount of revenue expected to be derived, but it should be very large, falling as the tax does virtually upon the business turnover of the Dominion."

WILL HIT CUSTOMER.

Montreal, May 19.—Criticism of the Government is expressed by prominent businessmen here and considerable disappointment was felt that the business profits tax had not been abolished.

H. A. Ekers of Ekers Brewery was of opinion that the 30c tax applied to imported beer and not the home-brewed article. George G. Galea, boot manufacturer, thought that the tax on boots over $9 in price would simply be paid by the customer. Wm. M. Burks of the well-known jewelry firm, pointed out that the heavy taxes on articles of gold and jewelry generally was dangerous, as it would certainly affect legitimate users, but allow unscrupulous dealers to avoid it.

RICH WILL HOLD MONEY.

Toronto, May 19.—Toronto Globe: "The result of the reform of the excise taxation will be the retention in the pockets of many already rich beneficiaries of the tariff of large sums that should have been diverted to the public treasury."

SUPPORTS PROPOSALS.

Toronto, May 19.—Mail and Empire: The new taxation can hardly be described as of the painless variety. It will make the budget unpleasantly familiar to many people whose path it was never known to cross before. The new fiscal scheme is not got up for the purpose of humbugging taxes out of anybody, or for deceiving a population of Red Riding Hoods, but for the stern business of raising the wherewithal to pay off the debt on account of that other stern business into which the nation went without beguiling, the waging of the war.

PRODUCE AND ECONOMIZE.

Windsor, May 19.—The Border Cities Star (Independent) says editorially:

"Though there have been many forecasts that something in the way of a luxury tax would be imposed by Union Government this year, the country is bound to be surprised by some of the proposals brought forward by Sir Henry Drayton. With Sir Henry's claim that articles of luxury should be heavily taxed there will be general agreement. The question arises, however, as to what constitutes luxury.

"We must have revenue, and the taxation of luxuries can be defended for many reasons. The strongest criticism the Government is likely to hear, though, will be on its determination of the dividing line between necessity and luxury.

"The national debt is large, very large, and the country's requirements are many, but these facts need not cause pessimism when one considers our natural wealth. There is need now, though, for such production and economy as we have never known before."

PRINCIPLE IS APPROVED.

Hamilton, May 19.—The Spectator says: "The budget statement has its surprises, but will be received by the country, if not with approval, at least with philosophy. It is a candid statement of the existing situation, and an attempt is made to spread the sacrifices necessary to meet that situation as evenly as possible. Canada is carrying her burdens well and has no need to be appalled at their magnitude, great as it is. The principle underlying the budget is good—extravagance has simply got to be curbed."

TORONTO WOMAN HAS GAINED 30 POUNDS

Tried for Ten Years to Find Health Without Success—Troubles Overcome by Taking Tanlac.

"I have changed so much for the better that when my friends meet me on the street they don't know me, and no wonder, for I have gained thirty-five pounds in weight," was the remarkable statement made by Mrs. Davies of 55 Beaty avenue, Toronto, recently.

"I was a sick woman for ten years," she continued. "My ill-health was caused by overwork, and then a severe shock which shattered my nervous system, and I had a complete breakdown. I was in the hospital for a year, and when I came out I wasn't very much better. I had headaches that nearly drove me out of my mind, and all the sleep I ever got was after I was completely exhausted. I was as weak as a baby and went down from one hundred and thirty-eight pounds to a hundred and six. I was so pitiably pale and thin that you wouldn't have recognized me for the strong, healthy woman I used to be.

"It was my husband who persuaded me to give Tanlac a trial. He read of a case in the papers which almost described my own, and he was convinced that it would help me. That was just before Christmas, and that bottle of Tanlac was the best Christmas present I ever had, for it was the turning point of my illness. The first thing it did was to make me sleep better, and soon my appetite improved and I began to eat as I had not done for years. My whole condition steadily improved, and I gained in strength and weight rapidly. I now weigh one hundred and thirty-six pounds, so that I have gained thirty pounds, and really I feel fine. For ten years I have been trying to find something to restore my health, so you can imagine how thankful I am for what Tanlac has done for me."

Tanlac is sold in London by Standard Drug, Limited, and by an established agency in every town.