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CEMENT COMPANIES AND THE INVESTOR.

A visit to the recent Cement and Concrete Exhibition which was held in Toronto, the first of its kind in Canadian history, was unmistakable proof of the strides which this form of construction has made in recent years. Ten years ago possibly such an exhibition would have been an impossibility. To-day, it illustrates vividly what has been done in the past and what a big role cement will play in future construction. From the financial point of view the promotion of cement companies has not always been as cleanly as was possible. The Portland Cement Industry from a Financial Standpoint, a volume written by Edwin C. Eckel, and published by Moody's Magazine, gives some interesting information on this matter. Only within recent years, he says, has the cement industry been made the basis for wholesale attempts at robbing the investing public through the agency of over-capitalized projects and misleading prospectuses. That is a strong indictment, but Mr. Eckel refers chiefly, if not entirely, to promotions in the United States. In Canada, too, the financing of some cement companies has not been successful, while results have not proved a reflection of the roseate statements contained in the original prospectus.

Taking a recent estimate of the plants in operation in the States, it was found that the total annual capacity of 113 cement plants was about eighty-five and a half million barrels, while their production in 1907 was less than forty-nine million barrels. In other words, the existing plants could not run profitably at much over half their rated capacity. At the same time, 114 new plants were then in various stages of promotion. These projected plants had a total capitalization of $160,125,000, as compared with a total capitalization of $141,587,000 of the working plants. The proposed plants had a total annual capacity of 62,000,000 barrels, figures which bring out two important points. With an annual output of not much over half the capacity of existing plants, preparations are being made to add sixty-two million barrels of cement per year to the capacity. And the proposed plants are capitalized much more heavily than those already established.

Dealing exhaustively with the question of misstatements of cement prospectuses, the author classifies them as follows: (a) Misstatements as to the general conditions of the industries; as to the demand being greatly in excess of the supply; as to the effect of individual engineering works, such as the Panama Canal, on the cement market. (b) Excessive valuations placed on raw material supplied. (c) Misstatements as to the average selling prices to be expected. (d) Low estimates as to manufacturing costs. (e) Exaggerated estimates of profits to be realized.

One extract from recent promotion literature is sufficient to show what misrepresentations may be expected among these lines. "Not a failure ever recorded in a modern Portland cement industry; not a Portland cement plant that is not away behind in its orders; not a Portland cement security that is not paying good dividends; not a possibility of failure in the project." All of which are liable to considerable question.

As to capitalization, it must at least equal the amount of money actually spent on the construction of the plant, plus the working capital required. The consideration which fixes the maximum satisfactory capitalization is that the plant should be capable of paying a reasonable industrial rate of dividend, continuously over a long series of years, on the total capitalization.

"If the new project appears, on examination, to be sound so far as all of its technical and commercial factors are concerned, there is still room for further inquiry and study on the part of the investor, for he must assure himself that the project has been financed along reasonable and even conservative lines. The plant itself may turn