

BANKING & FINANCIAL NEWS.

STEEL AND COAL COMPANIES' POSITION.

The following fairly sums up, we believe, the position of the Dominion Iron & Steel Company, and the Dominion Coal Company so far as their present dispute is concerned. The meetings at Toronto this week between Mr. J. H. Plummer and Mr. J. Ross, the companies' respective presidents, have left the situation as indicated below:—

There seems to be a disposition to ignore the merits of the difference between the Dominion Coal and Dominion Steel Companies, and to assume that, as a matter of right and fairness, the Steel Company should hasten to amend its contract.

That the presidents of the two concerns should have met in amicable discussion is a wholesome and hopeful thing, but a review of the situation will show that there is a good deal of ground to cross before the parties meet on a common level.

What the Steel Company complained of was the blank refusal of its necessary supply of coal, and the shutting down, at enormous loss, of its plant. Its contention that all this was contrary to the contract has so far been sustained by the courts. It must be admitted then that the Steel Company must enter on any discussion of settlement as one asked to forego rights under circumstances of considerable hardship. It is to be further remembered that the heavy damages caused by shutting down, and the unfriendly relations which it caused, would all have been avoided, with perfect fairness to all concerned, had the Coal Company done in November, 1906, what it was forced to do a month later—that is, continue the supply of coal at other prices until the rights of the parties could be ascertained.

So far as the litigation is concerned, the sole point at issue is the claim of the Coal Company to be entitled to deliver to the Steel Company coal which is useless for its purposes, while it is producing large quantities of coal which is entirely satisfactory. The courts have so far negatived this claim; what the Privy Council will say remains to be seen; but it is clearly a matter of life and death to the Steel Company that its right to coal with which it can operate its plant should be maintained.

The question of price has since the litigation been brought forward as a defence of the Coal Company's action.

In the official statements of the Coal Company it is urged that they made their bargain for the best coal they could supply at the price, and that the Steel Company is now demanding their best coal, to be specially selected for them. The judgment, however, shows that the greater part of the coal produced is suitable, that it is all obtained at the same cost, that it needs no selection, and that the only selection made was that of the Coal Company, in carefully picking out the product of one colliery out of six, which was wholly unsuitable.

On the other hand the Coal Company claims, and has proved, that the coal which the Steel Company rejected was good merchantable coal, suitable for all purposes except steel-making.

If we are to carry the reasoning of the Coal Company to its logical result it would be that they regarded \$1.28 as a fair price for merchantable coal, and that they cannot justify the claim that steel-making coal is worth more, from the point of cost, since it costs no more to produce it.

The merits of the Coal Company's claims for consideration do not rest on such arguments. It is admitted that the costs of mining have increased materially since 1903, when the contract was made, so that the low price would be a hard-

ship unless it can be adjusted specially, or under the contract.

The Steel Company neither admits nor denies this, but simply says that as they can use slack to the extent of 75 per cent. of their entire supply, and as slack coal no where commands a high price at the point of production, it considers the present price sufficient, and in support quotes a sale of 900,000 tons of slack made by the Dominion Coal Company in Boston not long since at a less price than the Steel Company pays. It further says that the contract provides for the revision of the price every five years on the basis of costs, and that the revision due next year will adjust the price satisfactorily, in the manner which the parties in 1903 considered would be fair. The Steel Company has asked for any information which will enable the directors to form a judgment on the point at issue, and there for the present the matter seems to rest.

CANADIAN GENERAL ELECTRIC COMPANY.

The annual report of the Canadian General Electric Company, presented at the annual meeting held at Toronto on Wednesday, had been awaited with particular interest in view of the exceptional conditions prevailing during the latter half of last year, and the reduction in the dividend, which had been foreshadowed.

The shareholders receive a return of only seven per cent. on their money this year in place of the 10 per cent. that has been continuously paid since 1899, representing a total sum of \$2,478,493, and the gross profits have undergone shrinkage. The reduction in the dividend will, it is hoped, be only temporary, and has been made as the directors and their auditors consider it in the best interests of the shareholders. The gross profits, amounting to \$722,433, are smaller than in 1906, but the fact is due not so much to any falling off in business as to the large inventory of materials. As usual, this has been based on their cost or market price, whichever was the lower; and at the end of the year, owing to falling values, the shrinkage on this account was exceptional. A sum of \$100,000 placed to the credit of contingent fund to provide for such contingencies has been availed of.

The amount of the inventory appears in the balance-sheet at \$2,865,325. The policy adopted with regard to the inventory is doubtless drastic, but it is the safest and most conservative one, and a safeguard in times of inflation. Expenditures on contracts, totalling \$288,851, have been figured in the same way, being carried at factory cost of labor and the market price of material at the end of the year.

The total assets of the company aggregate \$10,742,235. In their calculation, the same conservative policy has been followed. Patents and contracts are valued at \$401,855. In 1892, when the company was organized, they were carried at \$315,000. Thus, in the 16 years this amount has been increased by only \$86,000, all other expenditures having been charged to operating, or written off from time to time.

During that period—from 1892—the company has acquired the rights of numerous important companies, including those in the Allgemeine Electricitäts-Gesellschaft. This company is situated at Berlin, and is the largest concern manufacturing electrical apparatus in Europe, employing about 36,000 hands. The agreement with the General Electric Company, of Schenectady, N.Y., gives to the Canadian company extension rights in Newfoundland. These new alliances will greatly facilitate the development of the business, and should add very largely to its present value and future prospects.

Real estate, buildings and plants are valued at \$3,343,679. Machinery and tools are valued at \$1,488,995, quick assets amounting to \$5,212,088. Of this, cash in hand represents \$24,377; and accounts receivable, less reserve for doubtful debts, \$1,755,880. Investments, aggregating \$191,304, consist of but three items,—Brantford Street Railway First Mortgage Bonds, \$125,000, and Trenton Electric Company Bonds, \$9,000, the balance being premiums paid on an endowment policy for \$100,000 on the life of the general manager, Mr. Frederic Nicholls.

Liabilities amount in all to \$8,978,567, the surplus of assets thus being \$1,763,669. Both the \$300,000 issue of stock and the \$160,000 bonds of the Northey Manufacturing Company have been paid off since the close of the financial