

SHAWINIGAN WATER AND POWER COMPANY.

Analysis of the Company's Industrial Position in Relation to Its Finances.

By T. Kelly Dickinson.

The evolution of the Shawinigan Falls in Quebec from an undeveloped state to one of commercial usefulness; is characteristic of the supremacy of modern engineering skill over the uncontrolled and sometimes remote resources of nature. It is well within a half-decade that the present centre of operations of the Shawinigan Water and Power Company was but virgin woodland and the fact that the company is now operating successfully is a tremendous tribute to the pioneers who foresaw the immense industrial possibilities offering in the splendid water powers of that district.

Slowly but surely the workmen prepared the harness whereby the wheels of industry a hundred miles distant, could be driven at a cost hitherto undreamt of in the comparative luxury of steam power. Such indomitable pluck, with a preponderance of sound common sense and economic workmanship, eventually won for the promoters a success that will reflect a permanent benefit on the industrial situation of a considerable and important area in the Province of Quebec.

Water Power of the St. Maurice River.

The object of this article is to present the industrial position in relation with that of the company's finances, so that prospective investors may be in a position to judge of the value of the company's securities, its undertaking and ultimate possibilities. It should be pointed out, first of all, that the charter granted by the Quebec Government in 1898, gives the company the right to acquire and hold lands and property for the purpose of developing and operating water-powers, electric or gas plants, and for carrying on any business of a similar nature; also to expropriate property (a very valuable equity to such a company), for the purpose of building transmission lines from Shawinigan Falls to any point in Quebec.

The property purchased from the Provincial Government includes the water power of the St. Maurice River and real estate comprising eleven hundred acres, including the town-site of Shawinigan Falls, the ownership of the property carrying absolute control of the Shawinigan Falls in the St. Maurice River. The river at that point falls a distance of over 150 feet.

The St. Maurice River drains an area of about 18,000 square miles, and, as practically all this is now forest thickly interspersed with lakes and entirely unsuited to agricultural purposes, the conditions are ideal for water-power purposes. The supply of water is sufficient to develop at all times one hundred thousand horse-power. Shawinigan Falls being located in the centre of the industrial section of the Province of Quebec, the company has a splendid field of operation. Already the company's lines cover twenty-two cities and towns, including Montreal, Three Rivers, Joliette, Sorel, Thetford Mines, Dannville, etc., etc. Of these places, Montreal alone is using at present eighteen thousand horse-power, the Shawinigan power being the largest source of supply for the Montreal, Light, Heat and Power Company. With all these cities calling for a constantly increasing amount of power, it is evident that there is no difficulty in the company selling within a comparatively short time, its entire capacity.

Value of Company's Property.

The last financial statement issued was that for year ended December 31st, 1906, and shows the property of the Company at a valuation of \$6,797,680.76; power development at \$2,629,708.46; machinery and transmission lines, \$1,889,081.16; stocks and bonds in other companies, \$315,964.98, and loose plant and stores at \$31,678.45; the total assets being \$12,250,346, against a capitalization of \$11,000,000, comprised of \$4,500,000, 30-year consolidated mortgage bonds and \$6,500,000 paid-up capital stock.

Gross revenue in 1906 amounted to \$357,147.07, which, considering that the company had by that time only begun to feel the benefits of a perfected plant, was especially gratifying from an industrial view-point. The conduct of operations in that year, however, as shown in the exhibit of expenses, reflects a remarkable reduction in the ratio of working costs to revenue, when compared with the year 1905. It is one of the most favorable features in the company's financial position, that operating expenses are at such an unusually low figure for an industrial concern, being in 1905 at the rate of 16.8 per cent. of gross, while in 1906 it was further reduced by 4.8 per cent. to the very low ratio of 12 per cent. of total gross income. Expenses in the current year, it is confidently expected, will be kept down to within 10 per cent. of gross income. This contrasted with the forty to fifty per cent. of other power companies and from sixty to seventy per cent. in standard railways, means an enormous saving on behalf of the stockholders directly interested in the property.

Although the gross income in 1906 increased at a phenomenal rate over that of 1905, the development during the

current year will be on even greater lines. As a matter of fact, the increases already reported since the commencement of the fiscal year in January, indicate that this year there will be an excess of \$200,000 over the gross income of 1906. A gross income of \$550,000 for 1907, will give net profits of about \$500,000, and deducting \$275,000 for fixed charges, there will be an amount available for distribution of \$225,000, contrasted with \$81,305.50 in 1906. This will easily meet the present rate of dividends of 1 per cent. quarterly on the common stock, which are payable this year.

It will be seen that the greatest expenditure is on account of the annual interest on the bonds and capital stock, the operating charges being practically nominal.

The company has developed 70,000 horse-power out of an available 100,000 horse-power, the latter being a very conservative estimate, and of this 70,000 horse-power, a considerable quantity still remains unsold. The balance of 30,000 horse-power will be available at but slightly extra cost, as the initial expenditure of the plant was based upon the 100,000 horse-power capacity. It may be pointed out with interest, that an extra 10,000 electrical horse-power will cost on capital account less than \$150,000 to produce, and this will have an immediate market value of \$20 a horse-power—a price much below that charged elsewhere. The company is selling 60,000 horse-power; 30,000 electrical and 30,000 hydraulic. There is still a matter of 40,000 horse-power applicable in the shape of electricity, which will have a value of not less than \$800,000 a year, in addition to the 60,000 horse-power already sold. Electrical horse-power in Montreal is worth from \$20 to \$30 according to the extent and importance of the contract.

Revenue From Industrial Companies.

Besides the revenue received from the operations of the company's own power-houses, there is a steady source of income from a number of industrial companies actively producing at Shawinigan Falls. Contracts have been formed for a long term of years, and in every case with responsible companies who have valuable works in the district. The various independent works have already put out an aggregate expenditure of over \$3,500,000 in plant and development work. This outlay is, in a measure, a guarantee and an endorsement of the industrial benefits to be secured in the neighborhood of Shawinigan Falls.

The works of the Northern Aluminum Company, which takes from 12,000 to 15,000 horse-power direct from the Shawinigan Falls, are probably the largest of their kind in Canada. In these electro-chemical works aluminum is manufactured from the oxide by the Hall process. The company also controls a wire-drawing and cabling plant.

Another company of importance is the Shawinigan Carbide Company, which has a capacity of 6,000 tons of carbide per annum. The Belgo-Canadian Pulp & Paper Company also operates a plant at Shawinigan Falls, and owns large tracts of timber land in the watershed of the St. Maurice, from which the pulpwood is cut and floated down the river to the mill.

Values Will be Enhanced.

It can be readily imagined that with so many promising concerns successfully operating at the Falls, there will have grown up a town of some value to the parent industrial company. As a matter of fact, the value of the assessed property in the town is already \$5,000,000, and is growing rapidly.

A feature of note is the comprehensive character of the company's business. First, it has a large income from local corporations at Shawinigan Falls, these corporations having made large expenditures to guarantee their contracts. Second, the large ownership of real estate in the town gives the company a direct benefit from all growth in the municipality of Shawinigan Falls. Third, its extensive transmission systems embracing Montreal and other large cities, gives its operations great stability and adds enormously to its earning capacity.

On Sunday morning fire broke out in the Canadian Co-operative Concern, Hamilton, which was gutted. Loss probably \$12,000; fully insured. In Quebec on Saturday, F. T. Thomas & Company, china and earthenware merchants, were burned out. It is declared a total loss. There is \$45,000 insurance on stock and \$11,000 on building, cause attributed to furnace. Kreutziger's frame planing mill burned on Saturday; office, outbuildings and lumber in yards escaped. Morden, Man.—A prairie fire swept the farm of Jacob Tachreib, destroying buildings and most of his crop. Loss, \$3,300. West End Baptist Church in Halifax destroyed last week. No clue to the cause. Loss \$8,500, with \$4,000 insurance in Phoenix of London, Phenix of Brooklyn and other offices.

According to a pamphlet issued by the New York Life, there were 176 insurance companies and associations incorporated in the United States between January 1, 1905, and June 1, 1907. The list was made from returns sent by the insurance departments of 45 States and territories.