

PACIFIC COAST MUNICIPAL BONDS

Municipalities of British Columbia Have Borrowed for Legitimate Requirements

"It is difficult to understand the attitude or point of view of Mr. Horne Payne in regard to his alleged remarks concerning Canadian municipal debentures, or why they were necessary, or in what way they will benefit the public," stated Lieut.-Col. G. H. Dorrell, manager of the bond and European department of Canadian Financiers, Limited, to *The Monetary Times*.

"Nor is it clear from the report what province or provinces he had particularly in mind; but as he is chairman of so important an undertaking as the British Columbia Electric Railway Company, and is intimately connected with the Canadian Northern Railway, British Columbia could not have been absent from his thoughts in his recommendations.

"The reported remarks are the more surprising, as one would expect the chairman of the British Columbia Electric Railway Company, which recently made a successful issue of £750,000 in London, and which flourishes because of the prosperity of the districts it traverses, to be the last to indulge in hasty and harmful generalizations.

"Certain municipalities have undoubtedly had some difficulty in floating recent debenture issues and have had to pay high rates for money, but there would have been no imputations on the attractiveness of their securities had there been no general financial stringency.

"With all quarters of the world flocking to the money centres of Europe for money, either for industrial expansion or for warfare and war preparations, there has not been sufficient funds to go round. It is well known that those who want money for the latter will get it at any price.

Many Countries Desire Capital.

"Put aside Canadian borrowings for an instant," said Lieut.-Col. Dorrell, "and examine the terms of other large loans; the two large loans, for instance, recently issued by Messrs. Rothschild in Paris and London—a 5 per cent. Brazilian loan which was largely undersubscribed and the 5 per cent. Japanese loan, both of which scarcely produced to the borrowers more than 90 for 5 per cent. net. When we see these two important countries enjoying excellent credit and acting through the first bankers of the world, having their tempting offers met with comparative failure, it is not difficult to account for municipal issues not being sought after without suggestions of overborrowing or disparagement of the excellent security offered.

"Without multiplying instances, there is Roumania, a peaceful country which has always enjoyed excellent credit in Paris and could formerly borrow there at 4 per cent., now having difficulty in selling 7 per cent. treasury bonds at 91; Germany, whose financial difficulties are known to the world and whose financial houses have sacrificed their American and Canadian holdings to meet home obligations and to help an undersubscribed government loan; Austria-Hungary; all the Balkan States; Greece; Bulgaria; Servia, paying extravagant rates on short-term treasury notes; above all, the industrial activity of the Old Country which keeps capital profitably employed. Considering these and other causes, it is unnecessary to disparage Canadian securities in order to account for the small measure of success which has attended recent issues.

"One would prefer to think that Mr. Horne Payne had been misreported in his advice to boycott Canadian municipal securities, but that is difficult in view of the comments of the London press, remarked the Lieutenant-Colonel.

Rich Cities and Districts.

"One has only to examine the borrowings of British Columbia municipalities in comparison with their assessed values and the improvements they have effected, to be convinced that they, at any rate, should have been excepted from the ban which Mr. Horne Payne has thought fit to cast on the public securities of Canadian municipalities."

Lieut.-Col. Dorrell then drew attention to Vancouver and the districts which compose Greater Vancouver, New Westminster and Victoria. "Their indebtedness," said he, "has run into big figures, but if one inspects these cities and examines their financial statistics, it will be seen how wisely on the whole the money has been expended and the valuable assets they possess. And outside the larger cities there are many prosperous districts with either no debts at all or with debts extremely small. One district, Saanich, through which Mr. Horne Payne's British Columbia Electric Railway has over twenty miles of railroad in operation, has an assessed value of \$18,000,000 and a debt of \$65,000, and is by no means a solitary instance of such favorable standing.

"Undoubtedly, there have been difficulties in disposing of municipal debentures. These have kept municipalities prudent; and it certainly serves no good purpose to cast reflec-

tions on municipal securities at a time when investors, owing to the causes mentioned, are far from disposed to take them freely.

"Is there a remedy? A partial one may be found in home investors supporting home securities. The resources of the province have never been fully utilized in this direction. Vancouver should be the municipal bond market for the province. There are many who are continually seeking profitable re-investment of funds but hitherto with the rapid rise of real estate values, have preferred to look in that direction, but who are now looking for other income-producing outlets."

Mr. C. C. Dickinson, chairman of the finance committee of North Vancouver, has also correctly drawn attention to the embargo placed on the investment of trust funds in municipal debentures which do not carry a government guarantee. The withdrawal of this in the case of municipalities above a certain population and assessment, would help the home market.

Insurance companies operating in British Columbia would also do well for themselves and the province by including in the securities which they have by law to deposit with the government as large a proportion as possible of municipal bonds.

Many unquestionable municipal debentures can be bought to yield 6 per cent. and upwards with an ultimate increase of capital value. In marketability, in convenience of transfer and of collection of interest, they far surpass private mortgages, always a favorite security for the conservative investor, while in safety it should not be forgotten that they are in effect a first mortgage on the whole property within the municipality, and that the borrowings of any municipality are rigidly restricted proportionately with the assessed value, which every individual taxpayer endeavors to keep at the lowest point.

CANADIAN FIRMS SHOULD SEND REPRESENTATIVES

Now that the British preferential tariff has come into effect in the West Indies, and an efficient steamship service is to be put on by Messrs. Pickford and Black in July, with these advantages in favor of our trade, it is devoutly to be wished that Canadian firms would send down their representatives to take advantage of the market thus made available. Says Mr. E. H. S. Flood, Canadian Trade Commissioner at Barbados, catalogues and correspondence may do something to advertise a trade, but it requires the systematic efforts of the commercial representative to place the goods and to create the business. Nothing short of this will give the merchants in Canada the full value of the West Indian market.

ABOUT OUR LONDON ISSUES

The issue in London of the Dominion Glass Company, Limited, was one of \$1,437,500 in seven per cent. cumulative preferred shares of \$100 each, at the price of £20 per \$100 share, or approximately 97 1/3 per cent. This company which is a consolidation of the principal glass-manufacturing companies in Canada, representing over 95 per cent. of the glass-manufacturing trade in the Dominion. The business of the company is conducted in six factories, situated between Montreal and Winnipeg, and consists of the manufacture of glass bottles, jars, and other staple glass products. On the basis of the profits made for the past two years and nine months, an average of \$613,609 is shown, and as the company is erecting further glass bottle and jar making machinery, the president estimates that the additional plant now being installed will result in a further net profit of no less than \$200,000 per annum. On the basis of the estimated profits for the twelve months to June 30th instant, the preference dividend is covered more than three times over.

Commenting on the issue, the London Economist says:—"Provided no set-back occurs in the prosperity at present enjoyed by the Dominion, the company should have little difficulty in securing the estimated profits, but should a less prosperous time occur, it is evident that the margin behind the dividend might be largely reduced. The profit, however, would have to fall away very considerably before the dividend was endangered, but in view of the fact that it is necessary to place the shares on a basis giving over 7 per cent., it will be seen that the shares are of a speculative character."

The British, Foreign and Colonial Corporation, Limited, offered for sale in London last month \$750,000 six per cent. first mortgage sinking fund bonds to bearer of the Dominion Canners, Limited, at 90 1/2, as previously noted in *The Monetary Times*. The bonds form part of a total issue of \$2,500,000, of which \$502,500 have been redeemed and cancelled. The bonds form a first charge on all the company's property and mature April 1st, 1940, or earlier by means of a sinking fund of 1 1/2 per cent. on all the bonds outstanding to be employed in redeeming bonds at a price not exceeding 110 per cent.