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THE GENERAL FINANCIAL SITUATION

The plans which have been announced this week regarding the new British Empire Steel Corporation indicate a scheme which is remarkably ambitious, and has exceedingly far reaching possibilities. With its authorized capital of \$500,000,000, of which \$297,000,000 is to be paid-up at the outset, the Corporation will take rank as the second largest industrial organization in the world, its only superior being the United States Steel Corporation. It will control vast resources of iron, ore and coal, it will have complete transportation facilities, and it will be equipped not only for the making of steel, but for shipbuilding on a large scale, and the manufacture of a variety of steel products. Moreover, there will be associated with it, a powerful group of English steel interests—a feature which is of very considerable importance both from the financing and the marketing point of view.

Whether such an enormous consolidation can be justified by the results remains to be seen. There is always the possibility, in connection with affairs of this size, that the organization will prove unwieldy, and that profits made in one branch of the business will be offset by losses in others. The history of the United States Steel Corporation indicates a possibly checkered career for the new comer, and it does not follow that the remarkable profits which have been made by steel, steamship and shipbuilding concerns during recent years will be continued, as production and transportation facilities, get more into line with demand than at present. A 5 per cent. dividend upon the common stock of the new undertaking before the year is out is spoken of. It will very naturally be the desire of the promoters to declare a dividend as soon as possible, in order to make a good market for the stock. An early dividend, and the patriotic talk in which the promoters are now indulging are merely parts of the machinery for a successful promotion.

So far as the shareholders of the component companies in the new organization are concerned—the general body of investors outside the circle, which is swinging the deal through their control of the companies concerned, there is not, so far as we can see at present, very much in the deal for them.

Apparently, the holders of preference stocks will merely get an exchange into the 7 per cent. preference stock of the new Corporation, on terms which are possibly fair, but contain no "plums." The common stocks of the various component undertakings are to receive specified proportions of 7 per cent., "non-cumulative preferred," with a bonus of common stock. This "non-cumulative preferred" appears to be in fact, common stock in everything but name. In front of it are not only bond and debenture issues, and the 7 per cent. cumulative preferred stock of which \$25,000,000 is to be issued, out of an authorized amount of \$100,000,000, which is to be sold to provide capital for improvements and extensions—a method of financing that does not strike the outside observer as particularly economical. There is at least the possibility that in a period of acute depression in trade, it might be necessary not only to pass the dividend on the Corporation's common stock, but in whole or in part, that on the non-cumulative preferred. It may be said, however, that those who are swinging the deal have not only hitherto shown great ambition but also great capacity, and while there are possibilities of a checkered career in front of new consolidation, it is probable that from the point of view of control and administration, the Corporation will be in as efficient hands as could be secured for it in Canada. Should this undertaking be successfully developed, it will certainly have a remarkable influence in encouraging the employment of British capital in Canada, an influence equivalent to that exercised by the Canadian Pacific Railway years ago. On the other hand, should it prove a comparative failure, the influence will be very much the reverse, and it is accordingly to be strongly desired from a national standpoint, that the consolidation should prove a success.

While there are no signs of an amelioration of the money situation, so far as the local Stock Exchanges are concerned, the calling of funds by the banks has apparently come to an end for the time being, and there are still hopes in some quarters, though these we believe, are not likely to have an ample fulfillment of a large supply of funds during the summer months following the seasonal decline in the banks commercial loans and discounts. Several of the banks are reported to have raised the