

FINANCE and ECONOMICS

CANADA'S CEMENT FLOTATION.

Mr. J. M. Kilbourn, a Practical Man, Gives the Monetary Times Some Details of the New Merger.

The following letter has been sent to the Monetary Times by Mr. J. M. Kilbourn, managing director of the Lakefield Portland Cement Company:—

Editor, Monetary Times:—

Sir,—My attention has been called to an article in the Monetary Times under the caption of "Canada's Cement Flotation," in which a number of statements are made and some conclusions drawn for the enlightenment of the public. One or two errors have crept into the figures given, the effect of which is to give an erroneous view of the prospects of the new company.

First, it is stated that the average price in Canada for the year 1908 was \$1.19 per barrel. The report issued by the Department of Mines of the Dominion Government for 1908 states the average price to be \$1.39. This will be much nearer the correct figure than \$1.19.

Again, it is stated that it will require a net profit of 20c. per barrel upon a sale of 3,000,000 barrels cement to pay interest on \$5,000,000, first mortgage twenty-year gold bonds at 6 per cent., which have been issued by the new company, and all taken by the public. In some unaccountable way a very large error has been made here. The interest upon these bonds would amount to but \$300,000 per annum, while the profits upon 3,000,000 barrels at 20c. will amount to \$600,000 per annum, \$300,000 more than sufficient to pay interest on the bonds.

As It Concerns Four Companies.

It is also stated that the promoters have not given sufficient information to the public in order that they may judge for themselves the worth of cement stock in the light of present market conditions. It is stated that it should be known what has been paid by the Canada Cement Company to the companies purchased by it, and also how the payment has been made.

While not in a position to give the information asked for by the Monetary Times, it may afford to the public some help in judging the value of the new stock to say that, speaking for the four companies with which I am connected, namely, the Owen Sound Portland Cement Co., the Lakefield Portland Cement Company, of Lakefield, the Lakefield Portland Cement Company, of Montreal, and the Alberta Portland Cement Company, Calgary, the net earnings of these four companies, during year, 1908, yielded profits to the shareholders which would have paid 6 per cent. interest upon the cash received, 6 per cent. interest upon the bonds received, 7 per cent. interest upon the preferred stock received and 30 per cent. upon the common stock received in payment of the purchase price of these plants.

While not in the secrets of the purchasing syndicate, and thus not aware of the prices paid in purchase of other companies, I am told that these purchases have been made upon an equally conservative basis, and, if so, it would seem to follow what under judicious management the new company ought to pay all its obligations under its bond issue, on its preferred stock, and leave a handsome remainder to pay interest upon the common stock.

Analysis of the Independent Company.

The article referred to also states that the capacity of the Independent Portland Cement Company, which is applying for a charter, is said to be two and a half millions of barrels, and proceeds to draw conclusions from this statement prejudicial to the prospects of the new company.

The reputation for fairness of the Monetary Times is much too well established to permit one to assume that there is any intention to mislead the public, or designedly, to throw any obstacles in the way of the new company, and I am sure that no one will be better pleased than the Monetary Times to learn a few facts regarding the companies which are to be as it is said united to form the Independent Cement Company.

The Bells Lake Portland Cement Company is an organization which exists only in name, is without any plant, without any capital to build a plant, and, assuming that the capital required will have to be obtained from the public who would want to know something about the prospects of the plant, never will be furnished and the plant never will be built.

Of the St. Mary's Portland Cement Company pretty much the same thing can be said, also of the Brant Portland Cement Company.

Never Again at Dollar-Sixty.

The Colonial Portland Cement Company, of Wiarton, has just gone through a liquidation which cost many of its original shareholders all the money which they originally invested in it, and has recently been reorganized on a basis allowing 80c. on the dollar for old stock to those who furnish further a 20c. in the dollar to put it again upon its legs. This plant suspended operations and went into liquidation two years ago when the average mill price of cement in Ontario was about \$1.60 per barrel, a price never likely to be realized again for cement in Ontario, and there is no evidence that the reorganized company will be able to do any better than the old plant did.

The Imperial Portland Cement Company is also in liquidation, having made a heavy loss on their operations during the year, 1908.

The Western Ontario Portland Cement Company, Limited, of Atwood, Ont., also went into liquidation two years ago. Last year, the whole outfit was sold for a pittance, said to be about \$40,000.

The sum realized for this plant was only enough, it is said, to discharge the obligations of the company to its bankers for working capital, the stockholders of the concern losing every dollar of their investment.

So that there remains of the Independent Portland Cement Company only the Ontario Portland Cement Company, of Paris, Ont.; the Superior Portland Cement Company, Orangeville; and the Saugeen Portland Cement Company, Hanover, to be taken into consideration.

It is an undeniable fact that the plants included in the new company have a capacity in excess of the total consuming capacity in the Dominion of Canada at the present time; that they are scattered at advantageous points across the continent from Montreal to the Rocky Mountains; that they are all plants which have demonstrated their capacity to make large profits and still sell cement at a price much less than any average price yet reached in Canada prior to 1909.

It may also be said of these plants which under more favorable price conditions have been unable to pay any dividends, that they cannot become competitors of the new company by any amount of combination among themselves.

Yours, etc.,

J. M. Kilbourn,

Managing director of the Lakefield Portland Cement Co., Montreal.

More Information, the Point.

The statement respecting the earnings of the four companies with which Mr. Kilbourn is connected is possibly more to the point than any information hitherto published, regarding the Canada Cement flotation. The whole trouble seems to have been this—the promoters apparently took it for granted that the public would participate in the issue, with only the scanty details given in the prospectus as their guide. But it should be remembered that the investor to-day desires to be taken, as far as is judiciously possible, into the confidence of the company which solicits his capital. It is not enough to say, "We estimate our earnings at so much," and to stop there. Some details should be given as to how the estimate is figured, otherwise the estimate itself is useless.

We quite appreciate the fact that the company cannot reasonably be asked to bare itself entirely for the information of the public but much that has been withheld should have been told them. For instance, it is only fair to know what proportion of the authorized capital stock of \$30,000,000 has been paid for the purchase of the companies now in the consolidation. Then again some statement appeared to be necessary as to the earnings and expenses of the individual companies so that the investor might follow intelligently the estimate of the promoters. Many other points could be mentioned.

Directors are Confident.

As Mr. Kilbourn says, it is scarcely necessary to add that the Monetary Times does not desire designedly to mislead the public. It endeavors at all times to present full information and facts. Much could be written concerning the competition, production, price, and imports phrases of the cement situation, but as the promoters are confident regarding the success of the Canada Cement Company, and state