

The Commercial

WINNIPEG, JULY 17, 1893.

THE MANITOBA NORTHWESTERN.

A meeting of the bondholders of the Manitoba and Northwestern Railway Co. was held lately in London, England. The meeting was called in view of the fact that the company had defaulted in the payment of the coupon due on June 1. Col. N. D. Grey, one of the trustees for the bondholders, pointed out that it would be three months from the date of default before the bondholders could take any action; but in the meantime the road was in the hands of a receiver, which would give protection to the property. The security which the bondholders have consists of the road itself and the land grants of the company. Col. Grey expressed himself as believing at the time he subscribed for bonds that the lands would soon be settled up, thus providing traffic for the road, so that as the security diminished by the sale of the lands the business of the road would be increased. He thought sufficient attention had not been given to the disposal of the lands, which were largely unoccupied, though rich and valuable enough, if settled, to supply a profitable business for the railway. He thought that the settlement of these lands should be the first thing to occupy the attention of the bondholders. Col. Grey evidently has a correct view of the situation, so far as the urgency of securing the settlement of the lands is concerned. If the bondholders can go to work and secure the placing of some thousands of settlers upon the vacant lands along the railway, they will make the road profitable and do a good work for the country at the same time. THE COMMERCIAL, however, dissents from the belief that the railway company is in any way to blame, for the fact that the lands have not been settled up as fast as the bondholders had expected. The company has worked hard to obtain settlers for its territory, and has secured a fair share of the immigrants coming here. Col. Grey should remember that Western Canada is an immense country. Any considerable portion of it cannot be filled up in a few years. There are many other districts besides the Manitoba and Northwestern territory which offer good inducements to settlement. While the Manitoba and Northwestern people were exerting themselves to secure settlers for their particular districts, there were other powerful influences at work to obtain settlers for many other parts of the country. Many other railway lines have been built in the country besides the Manitoba and Northwestern, and settlers have had their choice of lands along these different railways. The Manitoba and Northwestern Co. have about 300 miles of railway, while there are over 4,000 miles of railway altogether in Western Canada, all built within a few years, and opening up new districts for settlement. The one company could not secure all the settlers, but as stated they have secured a liberal share of them.

The Manitoba and Northwestern railway traverses an excellent country. The portion of the

road within the boundaries of Manitoba, passes through the best mixed farming lands of the province. Lands supplied with wood, hay and water, and adapted to stock and grain. West of Manitoba, in the territory of Assiniboia, the railway passes through some excellent country. The northwestern portion of Assiniboia, through which this road passes, is probably the finest part of the territory, agriculturally. Beyond the present northwestern terminus of the road, there is a large area of wonderfully fine country. The extension of the road to Prince Albert, where a considerable settlement now exists, passing through the rich territory just referred to to reach this point, should materially improve the financial prospects of the road.

The extension of the road to Prince Albert was one of the points considered at the London meeting. Mr. Wragge, who had been commissioned by the trustees for the bondholders, to make a full enquiry into and report upon the condition of the railway, however, reported against the proposed extension at once. His idea, as well as that of Col. Grey's, is to settle the lands now reached by the railway, before extending the line.

The position of the bondholders is, that while the lands have diminished by sales, the proceeds of which they have received in interest, as per arrangement, the property has increased in value by the addition of sixty miles of road.

H. Montague Allan, who has been appointed receiver, was present at the London meeting. He stated in reply to a question that he had not been appointed receiver as a representative of the bondholders, and was not a bondholder himself, but he was the largest judgment creditor against the Company. He further stated that the receipts from the railway had never been sufficient to meet the interest on the bonds. Mr. Allen then read a memorandum prepared by himself, in which was traced the history of the position of the Company, from February, 1890, on to the present date, and which furnished details as to the negotiations that had taken place with the Dominion Government, and with the Government of the Province of Manitoba, with the object of securing a subsidy from the former and a settlement of the debt of the Company to the latter. He said he could only add to what the chairman had stated, that if the bondholders would now appoint a committee to confer with the Company, and would confirm his (Mr. Allan's) appointment as receiver, they would carry on the line in the meantime, until something turned up, or until something could be arranged with the Dominion Government in reference to obtaining assistance, of which, by the way, he thought their chances were very good for next year. Of course, any trouble or dissension would prejudice that chance; but if, on the other hand, they all pulled together he thought they would be able to get the line straight. The great drawback, as the chairman had pointed out, that there was as yet not enough people to give the required traffic. He made that statement as prefatory to the assertion of this conclusion, that he thought that by holding on to the property the thing would in the end turn out all right for everybody, whereas, if they had trouble amongst themselves they could not expect to pull through with the success

that otherwise would undoubtedly attend them. Mr. Allen stated that the railway was just about holding its own without paying interest upon bonds. That the floating debt was \$60,000, and the Messrs. Allan claim \$1,000,000.

The solicitor for the bondholders stated that nothing in the appointment of the receiver could prejudice the rights of the bondholders, who could take possession of the road at the expiration of three months and administer the property. The bondholders have an effective mortgage upon the whole of the property, and a judgment creditor could not take it from them.

In the case of this railway it appears that a few firms hold over half the bonds, which is an advantage in arriving at an amicable arrangement. Two of those large bondholders, Messrs. McLean and Hanson, came to Canada and went over the line, when they learned that default was likely to be made, with a view to gathering all the information possible upon the situation. Mr. McLean said:—

“The railway was the venture of the Messrs. Allan. That family were very nearly the whole company, having nearly the whole of the ordinary shares. He stated it was necessary to think of the line in two parts—first, the 180 miles upon which their bonds were security; and secondly, the 69 miles of extension of the main line and of the branches, which were practically the property of the Messrs. Allan. Well, the figures contained in Mr. Wragge's report showed that the net profit on the bondholders' 180 miles for the last year or two has been nearly £9,000 a year, or about 1½ per cent. upon their total bonded indebtedness; while, instead of there being a net profit on the Messrs. Allan's extension, there had been a net loss each year to the extent of about one half of the bondholders' portion's net profit. Of the wheat carrying, one-hundredth part of the whole came from Messrs. Allan's extension. They, therefore, could understand what Mr. Wragge said in his report, that the extension was a drag upon the first division of the line. The first division was a money-earning property; the second division was a money-losing property. Still, he thought the position was a very hopeful one; but that hopefulness depended upon the bondholders standing shoulder to shoulder in seeing that they are not deprived of their rights. He thought it would be unwise to carry out the extension to Prince Albert. Perhaps they might yet be able to negotiate with the Messrs. Allan as to that firm taking the whole of the railway into their own hands. At any rate, the bondholders had good ground for the hope that they were not a stranded body of men. They were prepared to do justice to the Messrs. Allan; but if they found that a policy was going to be pursued in which one party would endeavor to take a whole grip of the line and work it for his own advantage, that it was a policy which the bondholders could not support, but one which would compel them to step in and secure their rights. They had been no parties to the appointment of Mr. Allan as receiver, the effect of which was that that gentleman took the whole of the revenues and kept going his own road, which did not pay, out of the money which was earned by the bondholders' section of the line. In three months' time they, as a body of bondholders, could, under their mortgage, step in and take possession of their own property.”

In reply to Mr. McLean, Mr. Allan said that the statements as to the cost of working the two sections of the line were misleading, as an expenditure of about \$180,000 had been made in improving the first 180 miles of the line, which was more than had been received from the net profits.

The following committee of first mortgage