

## THE NORTHERN RAILWAY.

During the last three or four years, the stockholders of this company have been complaining that their interests were not duly protected by the bondholders, into whose hands the management had passed. They got no dividend, and they asserted that the road earned enough to pay them one. When the management passed from the stockholders, the change was almost equivalent to the extinction of the stockholders. The interest they represented was so small, compared to that of the creditors, that the latter would consent to raise the new capital that was absolutely necessary for extensive renewals, only on condition that the controlling power should be vested in them. At that time, it was generally believed that the stockholders would never be heard of again; for though their interest was not legally extinguished, no one believed that it would ever be revived.

A proprietary must be in a desperate condition when, as a condition of increasing its indebtedness, it surrenders all control over its own property. The bondholder, in fact, became, in this case, the new proprietary, with the misleading name of creditors. There were sure to manage the road exclusively in what they believed to be their own interest; and after they had done so for some years, the stockholders whom everybody had forgotten, put in a claim to have their interest recognized. If the company was in a position to pay interest on the stock, it was only fair that it should have done so. In 1874, there was what may be called a resurrection of the stockholders; and the ghostly apparition, for a moment, seemed to have terrified the managing director. But it would have been strange if his *savoir faire* had not proved equal to the emergency. A meeting of stockholders, clamouring loudly for recognition, appointed a committee, two years ago, to look into the affairs of the company. Its first Secretary was Mr. Henderson, who was unfortunately drowned, by the foundering of a yacht at the mouth of the Niagara River; when Col. R. Denison was appointed to succeed him.

The committee has at length reported; and, though several hundred copies of the report have been printed, strenuous efforts have been made to keep it secret. A meeting of the committee was held, last week, at the Rossin House, at which the Report came under discussion. Recognizing the public interest which is felt in the affairs of this company, we attended the meeting; but a majority of those present, not a very large one, however, refused to proceed until we withdrew. Here is a com-

pany which owes a very large sum of money to the Government, and which has been allowed to commute this indebtedness, like a bankrupt trader, at something like twenty cents in the dollar. The settlement was to have been made by July next; but the company admits, by anticipation, its inability to pay even this composition by that date, and the time has been extended another year. Besides the Government, two municipalities are interested in the affairs of this company; and yet the stockholders' committee thinks itself justified in shrouding its proceedings in secrecy, and keeping a knowledge of the facts which have come into its possession from the public.

The futility of this hope equals the audacity of the proceeding. Before the committee was formed, the shareholders started with the notion that their stock ought to be worth 70c or 80c on the dollar. The committee co-operated with the company in obtaining legislation which they believed would give them about this amount. The plan seems to have been to exchange the old stock, at some given figure, for new, perhaps preferential stock, which would rank immediately after the bonds. Was it intended to place municipal and private stockholders on the same footing? If not, on what ground was the distinction to be made? Mr. Gordon, of the firm of Morrison, Wells & Gordon, was sent to England, to negotiate the sale of the new stock, amounting to £550,000 stg., out of the proceeds of which the composition on the Government lien was to be paid, the floating debt cancelled, and the extension lines completed and equipped. But there was one little obstacle in the way of Mr. Gordon's success, as a railroad financier. The successful execution of his mission depended on his getting the consent of the bondholders, which they peremptorily refused to give. It seems to us that this catastrophe might have been foreseen. A railway manager, anxious to float new stock to the amount of over half a million sterling, under circumstances anything like those we are considering, does not usually entrust the enterprise to a young lawyer without special experience in such matters. When such work has to be done, the manager would naturally be expected to put forth his whole powers. Mr. Gordon, like another Rothschild, was to have had one per cent. commission—if he succeeded. As it was, he was paid five thousand dollars and expenses. This amount, however, includes compensation for services rendered in connection with Northern Railway legislation, at Ottawa. The position of the shareholder has not been improved by the *fiasco*. Whether it will ultimately be improved by the exertions of

the shareholders' committee, whose services were given gratuitously and whose expenses were paid by the company, remains to be seen.

## MEDDLESOME INSURANCE LEGISLATION.

An unjust law passed at the late session of the Quebec Legislature and imposing a tax upon all but exclusively marine insurance companies in that Province comes into operation on the first of May. We have more than once alluded to this piece of legislative meddling, and we are glad to see a movement being made to set it at defiance, if it is not disallowed by the central government. The latter course would be the wisest, and the best for all interested in its blundering provisions. But if it is not disallowed at Ottawa it would be well for the companies to test the power of the Legislature and how far its meddlesome spirit should be borne by disregarding the act and letting the matter go to the Supreme Court for decision. There can be little doubt that the judgment would be favourable to the companies. For we cannot think, that a system of taxation given up in the best governed American States and abandoned in England many years ago as hurtful to one of the best and most necessary of commercial interests would be tolerated here. We have already pointed out that it is not the insurance companies which bear the burden. They have only to increase their rates and the assessment upon them is paid by the assured. So then whoever wishes to be indemnified against future loss has not only to pay the corporation granting that indemnity but has to pay a direct government tax besides. And the companies are the unenviable medium through which the latter takes place. For high rates always mean a diminution of business.

We hope the underwriters who spent time and money in opposing the measure will still hold out firmly against it. Their action will sooner or later remove it from the statutes of Quebec. We have no doubt but the discussion of the subject will have a good result in our future insurance legislation.

It is time this constant pestering legislation was ended. There is no reason why the Provincial Legislatures should bring in every session two or three bills respecting insurance and repeal or amend them the next. The Uniform Fire Policy Act which was recently passed in this Province is likely to be another instance of this kind of law making. So far as its conditions extend