

LONDON SEEMED DISAPPOINTED

Canadian Pacific Railway Note Issue Scheme Was Surprise—Sir Frederick Taylor's Comment

"The new financial proposals of the Canadian Pacific Railway have at once surprised and disappointed the market," says the London Financial News. "The issue means in effect," the paper declares, "a bonus of about four points on each Canadian Pacific Railway share. The market is disappointed with the rather small plum after the often handsome bonuses granted in the past on issues of new stock. Moreover, the official statement leaves many points in doubt still unclarified. The market cannot understand for what purpose the company needs such a large amount."

Some More Questions.

"Again, the question is asked, 'Will the segregation of land assets have any effect on the payment of the regular annual dividend at the rate of ten per cent?' It has been hinted that this somewhat involved financial scheme has been put forward as a means of hiding the large profits earned, and so delaying the day when freight rate concessions will be demanded by the government. Possibly on further reflection the scheme will be better liked. Improvement should set in soon."

Was Misunderstood, Says Banker.

Sir Frederick Taylor says that London was doubtless somewhat disturbed by the announcement, as it was not realized that the Canadian Pacific would so soon ask for fresh money. There was also at first some desultory criticism on the form the present financing was taking, but this would be short lived, for it was generally realized now that Sir Thomas Shaughnessy could not, under all the circumstances, have devised a better plan for getting fresh money and at the same time giving the shareholders a bonus.

Spending Capital Rapidly.

Speaking of the "alleged" bonus The Financial Times, London, says:—"It will be observed that the net effect is to raise a further £8,320,000 for the moment, a much more important matter than a bonus." The paper thinks Canadian Pacific Railway is spending its capital far too rapidly, and does not wonder capital is becoming distrustful.

The Daily Mail says that "allowing for redemption in 1924, the company is paying shareholders 9 per cent. interest on their subscriptions to this issue. For what are the proceeds required?"

The Times says there is nothing in the plan to arouse enthusiasm, and adds:—

"In the meantime fresh money is needed, which the directors prefer not to raise in either debentures stock which would probably be the cheapest way of borrowing, or in shares. They wish also to give something to the shareholders and the present issue represents their method of attaining all the objects desired."

Paid Nine Per Cent.

The Morning Post says that why it was that the Canadian Pacific should elect to pay nine per cent. for money was the principal problem puzzling the market.

The Standard urges that the case is one for the allowance of a good deal of latitude to a board of exceptional ability and straightforwardness which controls the equipment and the finances of one of the greatest industrial corporations of modern times which has made fortunes for its original shareholders and almost created an Empire.

COMPANIES LICENSED.

The following companies have been licensed to do business in Ontario:—

Dominion Manufacturers, Limited, \$500,000.

The Porcupine Central Development Syndicate, Limited, of Great Britain, \$150,000.

The Cobourg Dyeing Company, Limited, \$190,000.

Eastern Terminal Elevator Company, Limited, of Manitoba, \$250,000.

Carter's Tested Seeds, Incorporated of Delaware, U.S.A., \$40,000.

The Van Buren Excavator Company, Limited, \$40,000.

The following company has been licensed to do business in Canada:—

Beaver Fire Insurance Company, head office, Winnipeg.

The Grand Trunk's Fort Garry Hotel, costing \$1,500,000, is open.

CANADIAN PACIFIC'S CASH RESOURCES

What London and New York Says Regarding Company's Note Issue—Stockholders Receiving Genuine Bonus

By March 2, 1914, Canadian Pacific will have added \$41,600,000 of new cash to its already large treasury resources. On that day the second instalment, 48 per cent. of the face value of the \$52,000,000 6 per cent. notes offered to stockholders at 80, is due. First instalment of 32 per cent. is due February 2, when the "right" to subscribe to the notes expires.

The above transaction is perhaps the first financing by Canadian Pacific since that line was placed on a trans-continental basis to occasion something akin to disappointment here as well as abroad. Dissatisfaction was openly manifest in London, and was subsequently reflected in a reaction of 4 points in the price of Canadian Pacific common within two hours after the creation of the special investment fund was announced. It is more than likely, however, that this feeling of disappointment will disappear as the transaction itself becomes better understood, so that a continued good market for the "rights" may be looked for, thinks the Wall Street Journal.

Value of Stockholders Bonus.

Investors still seem to be in doubt as to the value of the bonus extended to stockholders or whether or not a real value should be extended to it. But the stockholders' position in the transaction seems to be clearly defined as to the profits that will accrue. On the assumption that a person will hold to maturity a note representing an investment of \$80, that person will receive \$100 in principal and ten years' interest at 6 per cent., or a total return of 100 per cent. on the original investment of \$80. If he holds a note for one year and that note is then drawn for payment, he will receive \$20 in addition to 6 per cent. interest on the par value of the note, or \$26, equivalent to 32½ per cent. on his original investment of \$80 for that one year. For each additional year the notes remained unredeemed, his income would decline toward the 10 per cent. average for the ten years. This calculation would seem to establish the fact that Canadian Pacific stockholders are receiving a genuine bonus.

The disappointment manifested at Monday's financing was no doubt due to the expectation that the company would segregate all of its extraneous assets, as intimated by Sir Thomas Shaughnessy in his annual message to stockholders last October. However, only the deferred land sales and securities in which proceeds of land sales were invested, have been segregated, leaving intact, for the future benefit of stockholders, these other assets, the income from which, as Sir Thomas explains, is believed to be quite sufficient for all purposes of the company.

Strong Treasury Position.

It is a significant fact that within a period of about four months Canadian Pacific will receive two amounts of new cash totalling \$146,600,000. This total is made up of the \$41,600,000 which the company will have in hand by March 2 next, and the \$105,000,000 received October 21 last, when the final instalment of 20 per cent. on the \$60,000,000 of new common stock, sold at 175, fell due.

On June 30 last the company had still to receive \$42,000,000 on account of the new stock issue. At that time the balance sheet of the company showed cash on hand of \$30,274,848, so that at the present time there is in the company's treasury something over \$72,000,000 of cash, making no allowances of course for capital expenditures since June 30. In addition to this there is an amount of \$10,000,000 temporarily invested in government securities. Adding to this about \$44,500,000 due in the form of deferred land payments up to the end of October, it would appear that the company has in hand cash resources totalling \$127,000,000, or, deducting deferred land payments, something in excess of \$82,000,000. Adding to this the \$41,600,000 accruing from the sale of the \$52,000,000 of notes, Canadian Pacific on March 2 will have cash resources of about \$123,600,000, which places the company in a most secure position regarding the large programme of line extension and property improvement to which it is committed.

Every monetary stringency has within itself the seeds of its own cure. The bankers are the doctors. The patient is now aware of his own condition, and is disposed to take the advice of experts. His convalescence, I think, is not far off. Hon. W. T. White, at New York.