

Municipal Finance

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A Better Understanding.

Mr. J. H. Gundy, of Wood, Gundy and Co., has just completed a tour of the West as a member of a delegation which we understand was undertaken with the idea of establishing a better understanding and better relations between the Eastern investors and the western municipalities. We are glad to note that the trip was a success, inasmuch as the investors and the borrowers got to know something of each other's viewpoint. A little more of this get-together between the east and the west; between the financiers and the producers; between the municipal executives and the buyers and sellers of their bonds would do much to break down the wall of suspicion. Mr. Gundy has set a good example, which we hope will be followed by his contemporaries; on the other hand, it would be in the interests of their respective municipalities if municipal executives from the West—mayors, chairmen of finance, and secretary-treasurers—would call upon the bond dealers when in Toronto or Montreal. They would certainly learn much first-hand knowledge of municipal finance. What is more, one believes that a few hours spent in visiting the offices of the various bond dealers would eliminate from the minds of some of our municipal executives the idea that the said bond dealers are awfully bad men. They will be found to be just honest men, who in the interests of their own business, are naturally desirous to see the financial standing of municipal Canada kept up. It is possible—it is a fact—that in the past there was a tendency on the part of the dealers of the East who, having every confidence in the West, to sometimes persuade Councils to over-borrow. That day is over. The Bond Dealers' Association put a stop to the practice, and the tendency today is, if anything, more the other way. That is, to discourage borrowing unless there is actual need for the money and the financial standing of the municipality warrants the borrowing. Of course the principal reason for the restriction of municipal borrowing is now over. The war is over, and money is plentiful, though this does not mean that municipalities should fall back to the old days of over-borrowing.

Now that we are on the subject it would be well to take up another phase of municipal borrowing, with the idea of clearing the air a little. We refer to the prices paid for bond issues. Quite a number of municipal executives have a strong suspicion, particularly if tenders are low, that the bond dealers are in league to keep prices down, assumedly with the object of reaping big profits. There is absolutely no ground for such suspicion. As a matter of fact, one of the cardinal principles of the Bond Dealers' Association, to which every reputable bond firm belongs, is that there must be no collusion between firms bidding for municipal issues on pain of heavy penalties. What is more, every bond house has its reputation to keep, and some have been many years in building up their reputation which they are not going to jeopardize in the way as suspected by those who should know better.

Our Services At Your Disposal

Municipalities that are contemplating the issue of Bonds, the investment of Sinking Funds, or any change in financial policy, are cordially invited to avail themselves of our services as specialists in—

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Service to Municipalities

THE Statistical Department of this Corporation is at all times prepared to assist Municipal officials in the preparation and sale of their debentures.

Consult us in regard to the—

- (1) Interest rates most suitable for current markets.
- (2) Form in which debentures should be issued to bring the best price.
- (3) Cost of printing bonds.
- (4) Bond Market conditions.

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