PROVINCIAL BONDS AND CREDIT

Alberta May Establish Central Control of Municipal Debts —New Brunswick Guarantees—Alberta's Finances

The establishment of a central authority in Alberta to afford greater control of indebtedness by the urban and rural municipalities of the province, is recommended by Hon. Wilfrid Gariepy, provincial minister of municipal affairs.

"In our urban municipalities," he says in his recent annual report, "the abnormal conditions in the past year have been felt more severely than in our rural municipalities, and, therefore, the financial condition, which is always a big question in connection with these municipalities, has been more difficult to deal with than at any time in their history. This state of affairs may be traced to two conditions—the unusual money stringency, and the rather too optimistic spirit that prevailed in some of these municipalities in past years, inducing them to incur very large liabilities. While the most of our urban municipalities will be able to weather the financial storm, it would appear advisable that some action be taken in the near future whereby more control will be exercised by some central authority to prevent the incurring of a large indebtedness which will afterwards form too heavy a loan for the municipality to carry.

Would Help Credit.

"There is always a time in the life of any urban municipality when there is a very rapid growth, and the optimism which this brings, leads to the belief that it will become one of the large centres of population. The tendency under these conditions is to mortgage the future, and to incur heavy indebtedness, which may become too great a load for the future bona-fide residents of the municipality to keep up, since the expected growth is frequently not realized. The failure of the municipality to reach the size expected is not usually because of any unfavorable conditions in the locality, but simply because the majority of our urban municipalities, being located in what is strictly an agricultural country, can never be large centres of population. This idea of future greatness is, I am sorry to say, too frequently fostered by irresponsible parties, who have something to gain and nothing to lose by the municipality going into larger indebtedness than is warranted by actual conditions, and some measure of control whereby all requests for debenture indebtedness must be approved by some independent authority before such indebtedness can be incurred would, I think, be of great assistance to these municipalities and to the credit of the province as a whole."

New Brunswick's Guarantees.

The amount from the proceeds of the bonds guaranteed in 1912 by New Brunswick for the construction of the St. John and Quebec Railway in the hands of the Prudential Trust Company of Montreal is $924,648, invested in securities and bonds of a quoted market value aggregating $2,829,203. Interest upon guaranteed bonds of the Southampton Railway for the half-years ending July 1st, 1914, and January 1st, 1915, have been paid by New Brunswick, amounting to $6,200, and St. John and Quebec Railway Company for $71,260, for which the province holds collateral securities.

Alberta's treasurer, Hon. C. R. Mitchell, in his annual budget speech at the legislature, said there would be no new taxation in the province, at least for this year. The government, as a result of curtailment during the year 1914, has a cash balance in the bank of $1,135,000. The province, in the opinion of financial critics, was in as good a position as any in Canada. There will be no maturing loans to pay till 1922, and there was no outstanding liabilities except the debenture debt. This he gave as $22,000,000. Against this amount, the province has assets which are estimated at $120,000,000.

There would be no moratorium, as such was not considered necessary. Instead, matters of foreclosure were left in the hands of judges and masters of Chancery who were allowed to use their discretion.

Dealing with prospective provincial loans, he suggested that it was quite probable that money would be sought this year from the only available market—that of the United States.

Quebec Short-Term Loans.

The provincial treasurer of Quebec informs *The Monetary Times* that nothing has yet been decided respecting the amount and the terms of a loan to be issued under the authority of an act of last session, authorizing the issue of short-term loans to the amount of $10,000,000.

GOOD MARKET FOR CANADIAN MANUFACTURERS

Mr. Watson Griffin, special Canadian trade commissioner, points out in a bulletin issued by the department of trade and commerce that as a result of the contract made between the Canadian government and the Royal Mail Steam Packet Company exporters of Canadian food products and manufactured goods now have easy access to all the colonies that have joined in the Canada-West Indies preferential trade agreement. He gives figures to show the values of the trade that may be built up with the West Indian colonies, and states its future possibilities are even greater.

LONDON AND THE CANADIAN NORTHERN REPORT

Nothing is said in the Canadian Northern Railway Company's report, says the London Economist, as to whether interest during construction is charged against capital, and as no capital expenditure account is furnished, there is no knowing how much of the $18,000,000 addition to the "cost of railway and equipment" since last year is represented by actual expenditure upon the property. "It would be a good thing," continues our contemporary, "if stockholders in the company were furnished with audited accounts. Possibly this reform may be introduced under the government guarantee of $45,000,000 4 per cent. debenture stock, which ranks after the 5 per cent. convertible income charge debenture stock. Presumably this means that any balance of income available for the income stock will not be used to pay interest on the guaranteed bonds but that if there is not enough income to pay either the income stockholders or the holders of the new guaranteed stock, the government will meet its guarantee, but will not be responsible for the interest on the income stock. That opinions regarding the continuity of the dividends on this stock are not very favorable is shown by its present price of 56½."

FIRE INSURANCE RESULTS

Most of the fire insurance companies doing business in Canada had a year of profits only in patches. In Ontario the results were fairly good, and several of the companies made money in the prairie provinces and in British Columbia. In the maritime provinces results were very unsatisfactory, and several companies practically withdrew from that section. Railroad risks also proved a heavy burden to most companies.

As pointed out by Mr. W. R. Brock, president of the Western Assurance Company, Toronto, in the early months last year exceptionally cold weather was experienced on the American continent, and this extended even to the Southern States. The revised United States tariff upset for a time most of the industries, as it was difficult to forecast how they would be affected by the conditions brought about by the changes it made. In the beginning of August the European war broke out. This resulted in reduced financial credits, and stopped many businesses from continuing to avail themselves of the large foreign markets which had formerly been open to their products. In particular, the price of cotton was reduced to a point much below its cost to the planter, and, as a result, the whole of the Southern States was seriously affected. All of these adverse conditions led to a great decline in the amount of insurance of the most desirable kind, particularly stocks of merchandise lying in docks and public storehouses and in merchants' warehouses in the large cities, from which the companies usually expect to receive exceptional profits.

Several Canadian fire companies had a certain amount of business in Germany in the way of reinsurance, but that is a thing of the past. One of the results of the readjustment in reinsurance spheres will probably be that this year more fire insurance premiums will remain in the Dominion instead of going to foreign reinsurance companies.

The fire loss in Canada continues to be heavy. According to *The Monetary Times'* fire record, the losses in January and February were $1,249,886 and $969,556, respectively. These figures are slightly lower than those of a year ago. This possibly is not to be attributed altogether to a reduction in fire waste this year. The methods in collecting statistics of fire losses have been still further improved—to some extent that fact may account for the smaller figures in 1915.