

CANADIAN MUNICIPALS IN UNITED STATES

Nearly \$75,000,000 of Canadian provincial government corporation and municipal bonds have been sold in the United States since December 1st last. Of these, over \$15,000,000 have been municipals. At the end of the current year it will most probably be found that the United States has purchased a larger percentage of Canadian municipal bonds than in any previous year. In 1914, that market took 30.9 per cent. of the total Canadian municipals sold. This compares with 19.12 per cent. in 1913, 8 per cent. in 1912 and 4.95 per cent. in 1911. As the neighboring republic is likely to purchase at least 50 per cent., and possibly more, of our municipal bonds this year, it would be well for municipal authorities to study the conditions and desires of the nearest and practically the only available market for funds. The advice of Canadian bankers and bond houses should be given serious consideration. A few unwise steps on the part of half a dozen Canadian municipalities might easily damage municipal loan prospects in the United States.

Cities showing inflated valuations, excessive debts, etc., are not looked upon with favor by the United States investor. Mr. W. E. McGregor, a prominent bond expert of a New York investment house, writing in *The Monetary Times Annual*, 1914, said: "Whenever a United States investor, who is educated to analyze a financial statement of a city, is offered an issue of Canadian municipal bonds, about the first criticism he offers is to the financial statement. The net debt is usually so large in proportion to the assessed valuation that he hesitates very much even to consider the purchase of the security. On further analyzing the debt statement, as to the assessed valuation per capita, he is very likely to find that this ranges from \$1,500 to \$3,000 (showing inflated value).

"It is generally considered in the United States that an assessment of \$1,000 per capita is about as high as it is conservative to figure on, a great many of our cities averaging even lower than this, though actual value is more. The total debt per capita is also from his viewpoint excessive. The net debt, that is after deducting the waterworks debt and sinking funds, from the total debt, figures 10 per cent. to sometimes 20 per cent. of the assessed valuation (which assessment may be admittedly high), and the net debt per capita is also large. He compares these figures to cities in the United States where the total debt and net debt average much lower. In fact, many states have debt limitations of 5 per cent."

The length of time during which municipal debentures are to run should be limited in accordance with the purpose for which they are issued. From 30 to 50 years is suggested as the maturity period for public parks debentures; 30 years for waterworks; 20 years for school houses, city halls and public buildings; 30 years for permanent sewer systems; 20 years for electric light plant; while street paving, sidewalks, etc., should mature earlier than the average life of those improvements.

The creation of sinking funds and the appointment of commissioners to watch them is another important matter. The policy of issuing debentures payable serially (an equal amount maturing each year) is thought by many United States houses preferable to issuing long-term debentures and maintaining sinking funds, but there is a division of opinion on this point.

Proper economy and business-like management of Canadian municipalities will help a great deal to make their bonds popular with United States investors.

CANADIAN NORTHERN RAILWAY STOCK

Had there not been a war and had we all foreseen that a drastic readjustment of Canadian conditions was inevitable, interest now would be awakening in the Canadian Northern Railway Company's common stock. Only the Canadian Northern people and perhaps the Dominion government and maybe a few trusted carriers of secrets know when the stock will be placed on the market. Holders of the company's income charge debenture stock may convert their holdings into common stock on and after January 1st, 1916. The dividend on this convertible stock would have been payable on May 2nd next under the terms of the issue, if a surplus of net earnings had remained after the fixed charges had been met. The surplus not being in evidence, this convertible stock will not carry a dividend this year. The option to convert the stock into ordinary shares of the company has been extended for three years, that is, until January 1st, 1922.

The common stock position of the Canadian Northern Railway is an interesting one. When the Dominion government last year guaranteed \$45,000,000 worth of Canadian Northern bonds, 330,000 fully paid shares of the par value of \$100 each of the capital stock were transferred to Canada's minister of finance in trust for the government, the parliamentary resolution adding "such shares shall be the absolute property of his Majesty in right of the Dominion of Canada." Of course, King George does not bother his head with the intricacies of Canadian Northern finance. So, as a matter of fact, as a reward for guaranteeing the company's bonds, the government holds 40 per cent. of the company's common stock.

When it comes to determine exactly who will experience the speculative thrill in connection with the marketing of Canadian Northern stock, the three principal figures are Sir William Mackenzie and Sir Donald Mann, who have \$60,000,000 of the stock, and the Dominion government, who have \$40,000,000. There are also a few millions of convertible debenture stock, which will enter the common stock market arena between January 1st, 1916, and January 1st, 1922.

No one has yet attempted to say what the common stock is worth, and no statement has been made as to when it will be in the international stock market. Sir William Mackenzie, in an interview at Toronto a year ago, said: "The Dominion of Canada will obtain \$40,000,000 of common stock, which in time will be worth par or better; but I have nothing more to say about the matter now." The capital stock of the Canadian Northern is fixed at \$100,000,000, subject to increase only by parliament. In the meantime, there are other matters holding public attention.

President Wilson frowns on loans by United States bankers to belligerent countries but does not object to those countries being granted credits in the United States. This line of reasoning from a customer would not get far with a Canadian banker.

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A maritime province Holstein cow, owned by a Prince Edward Island farmer at Crapand, has just finished a seven-day official record of 523 pounds of milk and nearly 25 pounds of butter. This is the second largest amount of milk and butter ever produced by a cow of any breed or grade on Prince Edward Island. The prize fight and the war are not the only events worth recording.