Corporation Finance

Insufficient Capital, Labor and Management and Inability to Collect Debts given as Reasons of Failure of the Dominion Shipbuilding Company—General Manager of Winnipeg Electric Railway Endeavors to Correct Misapprehension Regarding Company's Return on Investment

Porto Rico Railway Co., Ltd.—The following is the comparative statement of earnings for July:—

	1919.	1920.	Increase.
For July:			
Gross	$ 86,496	$114,698	$ 28,202
Net	33,967	36,748	2,780
For Seven Months:			
Gross	654,466	787,024	132,558
Net	244,088	301,616	57,527

Winnipeg Electric Railway.—A statement has been issued by A. W. McLimont, vice-president and general manager of the company, endeavoring to correct the misapprehension that is apparently gaining credence in some sections regarding the rate of return received by the company. The statement remarks:—

"There appears to be a general misapprehension with reference to the Public Utilities Commission's judgment dealing with the rate of return the company is entitled to earn. The assumption is made that because the commission finds 8 per cent. reasonable that it is a guaranteed rate. This assumption is quite wrong. The commission finds that 8 per cent. is a reasonable rate of return, and the commissioner estimates that the fares, which he has allowed, will yield the company this rate of return, but there are many contingencies which might easily prevent this. In the first place, the commissioner assumes that the company will carry 65,250,000 passengers this year, that there will be no further increase in wages, and that no other event will happen which might interfere with the company's operations.

"As to the number of passengers carried, we have never, in our best years, carried even 60,000,000 passengers a year; there is no guarantee that there will be no recurrence of anything in the nature of another epidemic, strike, increased demands for pay or some accident over which the company has no control interrupting the service, and many other contingencies which may arise. The 700 shareholders of this company have not received any return for five years, the shares of the company have been a drug upon the market, and to-day they can be bought for under $35 a share, and, notwithstanding the judgment of the commission, there does not appear to be any rush to buy them, even at present bargain prices."

Britannia Mining and Smelting Company, Ltd.—The annual report of the Howe Sound Company, which is the holding company of the Britannia organization, of Britannia Beach, B.C., discloses the large operations which the company is engaged in at Howe Sound. During the year 923,190 tons of ore were broken down and 642,635 tons were delivered to the rock-raise, leaving a total of broken ore in stopes of 1,862,196 tons. This ore has an average copper content of 3 per cent., based on daily samples broken. Reserves in place amount to 5,298,555 tons, averaging 2 per cent. copper. Also 645,910 tons were transported to the beach mill, resulting in the treatment of 615,300 tons through the beach concentrator, yielding 70,099 tons of concentrates, which were shipped to the Tacoma smelter. These concentrates yielded: Gold, 4,349.85 ounces; silver, 99,863 ounces; copper, 17,330,844 pounds.

The total receipts from smelter returns were $6,938,069 and from miscellaneous income $143,011. The expenditures were: Mining, $1,915,034; transportation, $237,667; milling, $479,550; smelting and marketing, $2,303,945; extraordinary expenses, $35,185; administration, $150,144; taxes, $223,482; depreciation and depletion, $1,583,605; and interest, $231,102, leaving a balance to be carried forward to the new year of $19,363. Regular quarterly dividends of five cents per share were paid. The Britannia Company's investments in the Dominion of Canada war bonds aggregated $500,000, par value.

Including the Mexican operations of the company, despite the unsatisfactory features of the copper market during the year, it was the most prosperous in the history of the mine, due to the greater tonnage produced and the higher prices realized for silver metal.

Dominion Shipbuilding Company.—Osler Wade, assignee in charge of the affairs of the failed company, in a statement before Master-in-Chambers Cameron and a group of creditors during the winding-up proceedings at Osgoode Hall, Toronto, on September 3rd, said that insufficient capital, labor and management, and the inability of the company to collect its debts were the causes of the failure. The financial statement which Mr. Wade presented shows an apparent surplus of $1,557,263 as follows:—

Assets—Cash on hand, $1,069; cash on deposit with Hannevig and Co., bankers, New York City, $12,462; Victory bonds (assigned to bank), $68,600; bills receivable, $100,000; accounts receivable, $533,874; general supplies and work in progress, $389,320; office furniture, $6,000; drafts, patterns and moulds, $10,000; building on leasehold land, $532,624; machinery, $317,907; yard equipment, $615,026; underground equipment, $104,591. Total assets, $2,691,476.

Liabilities—Bank, $158,805; rent of leasehold, $15,300; H. W. Petrie and Co., $5,299; Burroughs Adding Machine Co., $250; Canadian General Electric Co., $1,383; city of Toronto, taxes, $22,962; Workmen's Compensation Act, $5,225; Dominion Government Sale Tax, $585; wages, $106,252; creditors, as per an accompanying list, $520,349; Gulf Navigation Co., $60,000; London Guarantee Co., on performance bond to Marine Department, Federal government, $137,800; Marine Department, $100,000. Total liabilities, $1,134,213.

"The capital invested in this company was $1,000,000, as compared with $1,600,000 in fixed assets for the plant," said Mr. Wade. "It is quite obvious, instead of having any working capital, the company has a liability of $600,000, or that the working capital was $600,000 less than nothing, making it necessary to rely upon loans and advance payments on contracts to conduct operations."

Dealing with labor conditions, Mr. Wade said that the combined labor and material cost per ton on hulls laid down during 1918, 1919 and 1920, respectively, had been $116, $165 and $156, and that on the last hull it had been $167, with the result that the hull was put down at a loss of $300, to which were added penalties of $72,000. The arrangement with labor at the time of liquidation was for a five-day week of 44 hours, with double time for Saturdays and overtime.

"It is quite apparent that the policy of the closed shop had its effect on labor costs, which were constantly increasing, while the cost of material has been decreasing since the peak last year," said Mr. Wade, who claimed that if the shipbuilding industry in Canada were to succeed the capital outlay on construction would have to be on a competitive basis with the construction of other markets, or, failing this, the government would have to subsidize to equalize any differences. He believed that Labor had overlooked this fact, and the result would be, if the conditions were not met, that the Canadian industry would fail. Mr. Wade told the creditors that it would require at least $600,000 to meet the preferred claims and carry out a reorganization without making any provision for ordinary creditors. If this could not be done from the accounts receivable the required sum might be raised by an issue of debentures.