

Generally speaking, a mortgage is not as safe an investment as a municipal bond, which has all the powers behind it, and is a first charge on all rateable property, and is therefore prior to the mortgage itself. If taxes are not paid, the mortgagee must advance or cause to be advanced, the amount of such taxes to protect his security, and in making payment of taxes the mortgagee is in part assisting the municipality in paying its bond indebtedness. Moreover, I am informed by reliable authorities that, although there are occasional delinquents who have not paid their debenture coupons as promptly as might be desired, since the inception of the province there has not been a single municipal or school bond repudiated. I cannot make the same statement in respect to mortgage investments.

In case local authorities desire to invest sinking funds in their own debentures, it would be well to give a preference to short debentures. Care should always be taken in such cases to see that the debentures taken up by the sinking fund will mature before any large amount falls due on maturing loans, in order that the money, and not merely securities, is at the disposal of the officials when required, otherwise local authorities may be forced upon the market at inopportune times, with securities upon the sale of which loss may be sustained.

When investments are made in such a manner as to spread over an area, little less in extent than provincial, the security then becomes, in respect to area, almost provincial security and if loss were sustained in any particular locality it would not wipe out the fund, as would be the case if all were invested in that particular locality.

In this province a large portion of the indebtedness of local authorities has been incurred during the last decade. Sinking funds have been accumulating for a comparatively short period. Local authorities have not as yet been called upon to handle amounts for investment; these amounts will increase from year to year, and will bring with them more difficult problems for solution in respect to their administration. Up to the present, I believe no mistakes have been