VALUE OF CANADIAN NORTHERN STOCK

Arbitration Board Meets at Toronto — Drayton-Acworth Report

Arbitration proceedings were begun on Monday at Osgoode Hall, Toronto, to fix the price to be paid by the Dominion government for the 600,000 shares of stock of the Canadian Northern Railway. That day was spent by Hon. F. H. Phippen, K.C., Canadian Northern Railway counsel, in giving a historical sketch of the road. He declared that the Canadian Northern Railway was the best railroad in America. Occasion was taken by Mr. Phippen to attack the Drayton-Acworth report, which was presented last fall, and which found the Canadian Northern Railway stock was of no value. Mr. Phippen declared that several items had been left out of the report, which should have been included. Sir William Meredith asked Mr. Tilley to take the matter up with Sir Henry Drayton, and, if possible, secure an explanation.

The arbitrators are Sir William Meredith as chairman; Wallace Nesbitt, K.C., representing Mackenzie, Mann and Company; and Mr. Justice Harris. W. N. Tilley, K.C., is chief government counsel, and is assisted by Gerard Ruel and Eugene E. Fairweather; I. F. Hellmuth, K.C., and A. M. Stewart, represent the Canadian Bank of Commerce; McGregor Young, K.C., and Pierce Butler, the latter of St. Paul, Minn., are appearing for Mackenzie, Mann and Company, Limited, and Hon. F. H. Phippen, K.C., and Mr. Orange Clarke represent the Canadian Northern Railway.

It was agreed that the statement of Mr. Phippen should not be considered as evidence, the chairman saying that it would be taken for what it was worth.

Drayton-Acworth Report.

The Drayton-Acworth report, which set the value of the common stock of the company at zero was the central topic for discussion at Tuesday's session. Mr. F. H. Phippen, K.C., counsel for Mackenzie and Mann, contended that the Drayton-Acworth report neglected assets aggregating $64,000,000, and was seriously at fault in its definition of depreciation. The point of Mr. Phippen's argument was that a fair exposition of these factors of value would result in an appraisal of values approximately $100,000,000 higher than that set out in the Drayton-Acworth report.

The statement of assets which counsel suggested had been overlooked by the commissioners included: Cash in trust account, earmarked for the construction of particular sections of the road, $20,899,687; current account, $2,354,788; proceeds of land sales on deposit with the National Trust, $1,657,500; accounts receivable, $8,722,438; book value of the company's unsold lands, $19,855,485; deferred payments on land sales, $7,140,996, and other items approximating $5,000,000.

Six Millions for Deferred Maintenance.

Professor Swain contended that the purchase value of the Canadian Northern Railway was equal to the cost of reproduction as new, less any amount of deferred maintenance. He had set the cost of reproduction at $397,000,000, and estimated that at present it was worth that amount less $6,000,000 on account of essential maintenance that had been deferred. Maintenance, he explained, was a obligation of the company to replace every element in kind to repair the losses caused by the wear of operation.

In the discussion of the item of depreciation it was generally conceded that from the $40,000,000 set by the Drayton-Acworth report, at least $12,500,000 should be allowed on account of such depreciation as had occurred during the period between the beginning and completion of construction. This amount was an accrued liability assumed by the company when it took the road over for operation, explained Prof. Swain, and, he added, should be added rather than deducted, as it would be appropriated from earnings and actually be put into the road to maintain it as an operating concern.

Matter of Depreciation.

In the matter of depreciation, which the Drayton-Acworth report set at over $40,000,000, counsel contended that this had been improperly defined, and in his argument he elaborated upon the idea that nothing should be deducted for depreciation except for depreciation resulting directly from deferred maintenance. This point was carried forward and examined in detail at the afternoon sitting, when Prof. George H. Swain, the Boston consulting engineer, who prepared the data for the commissioners, was examined. Prof. Swain, during an examination by Pierce Butler, representing Mackenzie, Mann and Company, declared that he was not in accord with the definition of depreciation as applied by the commissioners in the Drayton-Acworth report. He admitted that he had set depreciation down at $40,000,000, but he argued that the amount so given was intended to represent the difference between the cost of constructing the entire system "new," and the physical valuation of the system as it was estimated by his engineers as they found it. He was, he declared, personally opposed to the theory of depreciation adopted by the commissioners, and when asked to fix an amount which would, in his judgment, cover a proper estimate of depreciation to determine values for the purpose of the present arbitration, he stated that approximately $6,000,000—the amount of deferred maintenance—would be a fair deduction. "It was not I, but Sir Henry Drayton, who deducted the $40,000,000," he said.

NORTH AMERICAN LIFE ASSURANCE COMPANY

The total business on the books of the North American Life Assurance Company, Toronto, exceeds $65,000,000. The increase during the past year was over $5,500,000, the largest addition ever made in one year. The new business for the past year was also the largest in the company's history. The policies issued, together with those revived, amounted to $12,535,832. The cash income for the year from premiums, interest, etc., was $3,138,817. There was paid during the year to policyholders $1,574,291, which included $248,857 paid as dividends or surplus, while the amount paid to guarantors was only $6,000, an indication that the interests of the policyholders are paramount.

During the past ten years there has been paid as dividends or surplus to policyholders the sum of $1,882,467.

In explaining the various items in the statement, at the annual meeting of the company at Toronto last week, Mr. L. Goldman, the president, directed attention with pride to the payment of $6,000, paid as interest on the guarantee fund (in some companies called capital stock), because this amount has remained stationary for a number of years. "We deem it only fair to our policyholders," he said, "to point out that this company, so far as they are concerned, as to profits is almost a mutual company, because their interests, as repeatedly pointed out, are certainly paramount."

The addition to the company's assets last year, which now total $17,268,471, was $890,757, but in view of the government requirement as to certain of the securities being taken in at market value, which conservative course meets with the directors' approval, they were required to make an addition to the investment reserve fund of $65,000, thus leaving the net increase as $825,757. The investment reserve fund now amounts to $160,000, which is more than sufficient to place the assets on a very conservative and substantial basis, according to the government requirements.

Some interesting figures were submitted by Mr. Goldman as to the distribution of the company's assets, as follow:—

	1913.	1914.	1915.	1916.	1917.
Mortgages on real estate..	34.01	31.58	29.38	26.94	25.19
Real estate and building fund	1.05	1.05	1.05	1.03	.91
Bonds and debentures....	32.20	33.59	36.22	41.87	43.80
Stocks owned	13.75	13.08	11.70	10.89	10.67
Loans on stocks and bonds	.58	.12	.07	.04	....
Loans on policies	14.02	15.26	15.25	14.31	13.34
Fire premiums paid re mortgages	.01	.01	.01	.02	.02
Cash in banks—Cash at head office	.45	1.13	2.27	.90	2.14
Other assets—					
Outstanding and deferred premiums	2.42	2.56	2.32	2.27	2.22
Interest due and accrued; rent due and accrued...	1.50	1.62	1.73	1.73	1.67
Special deposit	....	....	....	....	.04

An analysis of the annual report shows that the North American Life Assurance Company continues to maintain a splendid financial position. It has always lived up to its motto, "Solid as the Continent." Mr. L. Goldman, the president and managing director, has always insisted upon a properly conservative policy, together with a degree of enterprise which has assured progress. He is supported by an excellent staff and an active directorate.