Rounding Out of Big Steamship Consolidation

New Company to be known as Canada Transportation Lines, Limited. Consolidation will bring large amount of British Capital into Canada. Many Benefits will Accrue to Canadian Shipper.

The special meeting of the shareholders of the Richelieu & Ontario Navigation Company, Limited, marked one of the most important steps to be made in the rounding out of one of the large consolidations of Canadian steamship companies. The shareholders at the meeting unanimously ratified the proposal submitted by the directors to sell out the entire undertakings of the Richelieu & Ontario Navigation Company, Limited, to the proposed new Canada Transportation Lines, Limited. With a view of affording the fullest information regarding the proposed deal Mr. James Carruthers, the president, has submitted a memorandum dealing with the important parts of the proposed offer to the shareholders of Richelieu & Ontario. Reviewing same Mr. Carruthers said:—

Montreal, 18th June, 1913.

To the Shareholders of the Richelieu & Ontario
Navigation Company, Limited.

Gentlemen,—Referring to the notice of shareholders meeting, which has just been read by the secretary, whereby you have been called together for the purpose of considering, and if found advisable, ratifying, confirming and sanctioning an agreement of sale of the assets and undertaking of this company as a going concern, I may say to you that this matter has received the most earnest and careful consideration by your board of directors and before sending out this notice, they were unanimously of the opinion that it was in the interests of this company that a sale of the character set forth in the agreement should be made.

A new company has been formed called the "Canada Transportation Lines Limited," the authorized capital of which is $25,000,000, divided into 125,000 7 per cent. cumulative preference shares of $100 each and 125,000 ordinary shares of $100 each, and with authority to issue thirty-year first mortgage debenture stock of $8,000,000 bearing interest at 5 per cent. with power to increase the amount of such mortgage debenture stock from time to time, providing the proceeds thereof are used for the purchase of new boats or other property necessary for the company to acquire, and on the terms more fully set forth in the mortgage trust deed. The trustees for such debenture stock will be the Law Debenture Corporation, London, England, and the Prudential Trust Company, Limited, Montreal. The registrars for such debenture stock will be the Royal Trust Company, Montreal, and Brown-Shipley & Company, London, England; the registrars for shares will be the Royal Trust Company, Montreal and London; transfer agents, Prudential Trust Company, Montreal and London; bankers, the Bank of Montreal; brokers, Messrs. J. & A. Scrimgeour and Messrs. Linton, Clarke & Company; Auditors, Messrs. Marwick, Mitchell, Peat & Company.

COMPANIES TO BE INCLUDED.

Further particulars of the new company and other matters connected therewith will in due course be given to shareholders. It is expected the new company will eventually acquire as going concerns, including all their assets, goodwill and profits for the current year, the following companies:—

Richelieu & Ontario Navigation Company.
Inland Lines, Limited.
Northern Navigation Company, Limited.
Niagara Navigation Company, Limited.
St. Lawrence River Steamboat Company, Limited.
Richelieu & Ontario Navigation Company of U.S.A.
Quebec Steamship Company, Limited.
Canada Interlake Line, Limited.
Ontario & Quebec Navigation Company, Limited.
Merchants Montreal Line.
S.S. Haddington.
Thousand Island Steamboat Company, Limited.

ASSETS OF COMPANY.

The assets of the above companies have all been appraised by the Canadian Appraisal Company and the accounts have been audited by Marwick, Mitchell, Peat & Company. The Appraisal Company's reports and the auditors' statements are open to the inspection of the shareholders and have been carefully examined by your board. Assuming the purchase to be carried out on the lines proposed, the new company will have assets, as shown by the statement of the Appraisal Company, of $33,055,538, in which vessels have been valued at $16,866,834; real estate, buildings and dock properties at $5,450,267.99, and $661,531.04 would be cash on hand, and the sum of $8,694,969.89 would represent the value of leases, contracts and goodwill acquired by the company and covered by ordinary shares. The new company would be free from debt over and above the debenture stock issued and current accounts. The net earnings of the consolidated companies for the year ending December 31st, 1912, was $1,494,554.48, which shows an ample amount for the payment of interest on debenture stock and interest on the preference stock with a fair amount applicable to reserve and ordinary stock.

Allowing for the new tonnage not in operation in 1912, on the same basis as earnings on similar tonnage in 1912, the increase in net earnings from this source alone over last year would amount to $263,000. In the item of insurance premiums I am advised by competent authority that a reduction of a considerable amount per annum can be effected.

I may say that the impression that prevails in some quarters that it will be necessary for the new company to advance rates in order to improve its financial position is entirely unfounded. After giving the matter careful consideration I am of the opinion that the saving that can be effected by the new company, over the individual companies, in handling their boats, in preventing overlapping, and by giving a prompter and more efficient service, would be very great.

TERMS OF EXCHANGE.

The important points that the directors had to consider was whether, in their opinion, it was in the interests of the Richelieu shareholders to sell out the assets and undertakings of that company, and, if so, whether the Richelieu shareholders were, in their opinion, obtaining a fair share of the stock of the new company for the stock which they now hold. It is proposed, as you will see by the agreement, that the shareholders of this company receive $12,000,000 7 per cent. cumulative preference shares and $4,000,000 ordinary shares of the new company for the $10,000,000 of Richelieu stock. For example, each holder of ten shares of Richelieu will receive twelve fully paid 7 per cent. cumulative preference shares of the new company, and, in addition, four fully paid ordinary shares which, I think, you will agree with your directors is an excellent arrangement.

The most important reason for your board being willing to advise the sale of the Richelieu assets and undertaking at the present time, is the fact that in their opinion it is essential to put the affairs of the company on the soundest possible financial basis both for present and future requirements.

GROWTH OF WATER TRANSPORTATION.

The growth of the water transportation on the Great Lakes is assuming enormous proportions and if Canada in the future is to continue to go ahead as she has in the past, the growth of this trade from year to year is going to be very great. This means that if we are to give satisfactory service to the farmers and shippers of this country we must be in a position to provide new boats from time to time and see that the grain grown in the country gets out of it in the promptest, cheapest and most efficient manner. In view of the world-wide financial stringency and the fact that requirements for money would be practically a matter from year to year it commended itself to the judgment of your directors to become part of a larger organization, which in our opinion will be able to finance the new company on a much better and more satisfactory basis than any smaller individual company can possibly do.

Furthermore, we believe it to be in the interests of the water transportation companies of Canada that they should get English capital on a large scale interested in this business just as it is to-day interested in the great railroads of the country. The only way this could be accomplished successfully in the opinion of your board was to be connected with a new company large enough to command the interest of some of the most important financial houses in London. The names which are connected with the proposed financing of the new company are in my opinion the best available and the result will be in my judgment the placing of the new company, which means your company, on a permanently sound financial basis where it can from time to time reach the money markets of the world on the most favorable terms.

Moreover, the fact that the $25,000,000 authorized capital of the new company will be listed on the London Stock Exchange and a substantial portion of the preference stock will be taken at par by strong financial interests in London, is, in my opinion, a strong factor in advising the shareholders of this company to confirm the sale which your directors advise.

Yours truly,

JAMES CARRUTHERS.

The Monetary Times learns that it is intended that the names of all the various companies included in the proposed consolidation shall be maintained and that the name Canada Transportation Lines, Limited, shall be inserted under the names of the different companies.—28-6-13.