

CANADIAN MUNICIPAL SECURITIES

The recommendation of the provincial premiers that the bonds of municipalities incorporated by the provinces should be listed in England with the other Canadian securities in which, by the English law, those in charge of trust funds are allowed to invest, will, of course, be forwarded by the Dominion Government to the proper authorities. Formerly the law courts in England regulated such things; but in 1893, their rules were embodied in the Trustee Act, which added considerably to the number of stocks available for the trustee investor, certain Canadian Government ones being included. In 1900, the list was greatly enlarged by bringing in colonial securities, Canadian, Australian, Indian and what not, of the nominal value of 300 millions sterling—a step that has been blamed for the recent fall in the price of consols, the colonial bonds, yielding a better return, being preferred to them. There is no denying that Canadian municipal securities do not stand as well in London as they used to do, because of heavy borrowings and the follies incident to the real estate boom. In the first nine months of the current year, these borrowings amounted to \$46,000,000, as compared with \$21,500,000 for the same period of 1912 and \$18,000,000 in 1911. As a result of this and of the general tightness of money, the investing public is more or less disposed to fight shy of future issues unless they bear a pretty high rate. Fortunately our municipalities have hitherto had a clean record in England. Even in the days before Confederation when the 5 per cent. bonds of the old Province of Canada were down to 70, the municipalities fared tolerably well; for although some of them defaulted to the Government through over-borrowing under the Municipal Loan Fund Act, not a single one repudiated what it owed to the British investor. Those western brethren who are calling on their provincial governments to lend them money at 4 per cent. should study the history of that unfortunate scheme. The money was applied by the municipalities to building or bonusing railways, canals, harbors, roads and public buildings. They paid 8 per cent. for it to the Government, while the Government debentures on which it was raised in England carried six. The security given was ample and people looked for an aera of material progress. Before long, however, default

became general. In some places the man chosen for the Legislature was pledged to prevent the Government from seizing the property of the municipality or confiscating the taxes. In the end the project left Upper Canada alone with overdue debts and accrued interest amounting to \$12,000,000, which was ultimately scaled down to ten or twelve cents on the dollar. Much of the money was wasted and a fair portion of it stolen. The British investor was not concerned with the municipalities, but with the Government; and the Government paid him in full. What tells against the municipalities at present is that their borrowings are in reality subject to no control, while in many cases it is next to impossible for the investor or anyone else to obtain trustworthy information about their finances. Theoretically, the provincial legislatures are in control and there are paper restrictions on the amount of debt and taxation that may be incurred; but in a boom time the municipality does pretty much as it pleases. In England, municipal loans can be issued either by authority of Parliament, which is not given till everything has been made clear; or when they have been sanctioned by the Local Government Board, which calls for detailed information, and, when satisfied that the money is needed and that the lender does not stand to lose, fixes the minimum price of the loan. "If," said the London Economist the other day, "these safeguards are necessary in an old and settled country where the ratepayers are strongly opposed to extravagance, they are doubly desirable in a new country full of pushful communities, eager to develop as quickly as possible without much regard to the expense, so long as the money is not raised by taxation." It lies with the municipalities themselves, therefore, to improve their status as borrowers. Needless to say, many of them are well conducted and owe little; but the English investor is apt to confound the good with the bad. In like manner he is disposed to judge the credit of a provincial government by the operations of its leading municipalities, just as in former times he looked askance at the Government of the United States because some of the individual states had repudiated. This may be illogical and unfair on his part, but, since he is the lender, we must needs respect his misconceptions and govern ourselves accordingly. Montreal "Gazette."

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