

CANADA'S RAILROAD STOCKS AROUSE MUCH INTEREST

How King George Came to Hold Canadian Northern Stock—The Slump in Canadian Pacific Shares—Grand Trunk Pacific Stock

CANADIAN PACIFIC RAILWAY

The German factor in the Canadian Pacific Railway stock situation still excites interest. The Berlin correspondent of the New York *Annalist* gathers practically the same impression of the German position as that of *The Monetary Times*, printed in these columns two weeks ago. This correspondent writes as follows:—"The announcement sent over the cables a week ago that freight rates had been reduced in Western Canada struck a serious blow at the favorite foreign stock of the Berlin Boerse. For years operations in Canadian Pacific have been very heavy in Berlin; no other foreign security could vie with it in the volume of transactions and the steadiness of its market. Besides this, very large amounts of the stock are held as highly prized investments by the German people. Speculation had been encouraged here, as on other markets, by hopes that big bonuses would be distributed from the sale of lands.

"All the greater, therefore, was the disappointment when, several months ago, it was announced that there would be no such distribution, but that the company was even asking for new capital. This, in connection with the present prostration of business in Canada, had greatly shaken confidence in the speculative possibilities of Canadian Pacific stock. For that reason many German operators had sold it short, and will now reap big profits. Hence, it is a question whether the big slump in the quotation within a week will result in a loss or a gain for Germans on the whole. Just now there is some apprehension lest serious investors grow alarmed and throw their holdings upon the market, a movement that might have a very bad effect upon the general position of our stock markets, besides involving holders in big losses.

"An unfavorable impression has been made here by the fact that the German public had been left in complete ignorance of the case that has now been decided against the railways. No information about it was sent to this side. There is a feeling of bitterness about the course of the management in sending here a prospectus for the new stock in March which contained no hint of the possibility of such a decision. Nobody here knew even that the government had any right to interfere in the matter of freight rates under existing circumstances.

"According to the prospectus issued last month, rates had already been fixed, in agreement with the government several years ago, and the government has no right to influence rates so long as the road earns less

CANADIAN NORTHERN RAILWAY

With a little stretch of imagination, one can almost imagine Sir William Mackenzie chuckling to himself regarding the time that King George became a shareholder in the Canadian Northern Railway. The lengthy resolutions presented to the House of Commons at Ottawa, respecting the proposed Dominion government guarantee of \$45,000,000 worth of Canadian Northern bonds, debentures, stock or other securities, say in part, that "His Majesty on behalf of the Dominion of Canada may aid" the Canadian Northern System by the famous guarantee. The document also says that there shall be transferred to Canada's Minister of Finance and Receiver-General in trust for the government, 330,000 fully paid shares of the par value of \$100 each of the capital stock of the Canadian Northern, the resolution adding, "Such shares shall be the absolute property of His Majesty in right of the Dominion of Canada." Indeed, Canada being an overseas empire, the King's name appears continually in the interesting Canadian-Northern-government document.

But when it comes to determine exactly who will experience the speculative thrill in connection with the marketing of Canadian Northern common stock, the three principal figures are Sir William Mackenzie and Sir Donald Mann, who have \$60,000,000 of the stock, and the Dominion government, who will have \$40,000,000. There are also a few millions of convertible debenture stock, which will enter the common stock market arena between January 1st, 1916, and January 1st, 1919.

No one has yet attempted to say what the common stock is worth, and no statement has been made as to when it will be in the international stock markets. Sir William Mackenzie, in an interview at Toronto last week, said "The Dominion of Canada will obtain \$40,000,000 of common stock, which in time will be worth par or better; but I have nothing more to say about the matter now."

Only the Canadian Northern people, and perhaps the Dominion government authorities, and maybe a few trusted secret carriers, know when the stock will be placed upon the market. It will be not later than January 1st, 1916,—because holders of income charge convertible debenture stock may convert their holdings into common stock on and after that day—and it may be some time before that day.

By the agreement which will form the basis of parliamentary discussion, the capital stock of the Canadian Northern is fixed at \$100,000,000, subject to increase only by parliament.

GRAND TRUNK PACIFIC.

Not much is heard about the common stock of the Grand Trunk Pacific Railway Company, even although there is \$45,000,000 of it authorized. Of that amount, \$25,000,000 consists of common stock and \$20,000,000 may be issued by the company as preferred. All except \$60,000,000 of the common stock is outstanding. The par value is \$100. In consideration of guarantees, the Grand Trunk Railway holds the whole issue of common stock of the Grand Trunk Pacific Railway. It must hold the majority of it during the entire term of the lease of the eastern division of the Grand Trunk Pacific, which is from Moncton to Winnipeg, 1,805 miles, and so long as any of the bonds guaranteed by the government remain outstanding and unpaid.

The eastern division which is being built at the expense of the Dominion government, will be leased to the Grand Trunk Pacific for fifty years—for the first seven years at cost of operation and for the remainder of the term at a rental of 3 per cent. on the cost of construction. That is how the original agreement reads, but on account of the very heavy cost of construction by the government, the Grand Trunk may ask for some change in the agreement.

Before that time the system running through a new and undeveloped section, rich in mineral and agricultural and forest wealth, should have made considerable profits before the first payment will be due on account of rental. Working expenditure is all that the company is called upon to pay for the first seven years. For the next forty-three years the company is to pay the government for the use of the eastern section three per cent. upon the cost of construction of the eastern division. This is the point which the company will probably ask to have modified in view of revelations in connection with the building of the government section.

The clause which states that the company shall lease the government section for the first fifty years, is important. At the expiration of that period, the company is to have the privilege of an extension of the lease for another fifty years, in the event that the government determines not to operate the road itself, but should it do so the company shall be entitled for a further period of fifty years to such running powers and rights as may be necessary to continuity of operations between the said western division and other portions of the company's system, and the Grand Trunk Railway System, on such terms as may be agreed upon.