

MUNICIPAL LOANS AND TIGHT MONEY

Civic Borrowing is Important Factor in the Situation—
Bankers' Views

That municipal loans have been a far greater factor in creating tight money conditions in Canada than real estate speculation, is the conclusion of the Wall Street Journal. On short term bills, it recalls, Canadian municipalities have, as previously pointed out in *The Monetary Times*, paid as high as 6% to 8%, against 5% to 7% on long term bonds. In eastern Canada 6% was close to the high cost of funds, while in the West, rates of 8% were confined to the smaller towns and villages. Municipal issues are being offered by bond houses at the present time at prices to yield up to 7½%.

Less than twenty years ago, eastern Canada municipalities could secure their funds at from 3¼% to 4%, but they called on the money market for smaller amounts and at less frequent intervals than has been the case of late. During the last twelve months prices for municipals have been the lowest in two decades, barring perhaps 1907. The decline has been gradual, as has been the advance in interest rate.

Municipal Spending Will Be Less.

As a result of this higher cost of money, municipal spending in Canada is likely to be less for the immediate future, or until the British investor finds the return from capital in Canada better than he can secure in Europe, which is not the case at present.

A Montreal bank official, discussing these points, said:—

"Municipal credit in Canada has been high. There have been no defaults, or practically none. Municipalities had been able until just recently to secure funds at a low rate of interest. Consequently, in the last year or so, when money became tighter—and it is a worldwide condition, not merely a feature of the Canadian situation, as witness failures of bond sales in some leading cities in the United States—the town councillor or alderman in the average Canadian town to whom was entrusted the financing of the town's needs, declined to borrow on bonds at the ruling rate of interest. He insisted on waiting for lower rates.

Municipal Short Term Loans.

"In the meantime, the municipality carried short loans until it discovered to its chagrin that the lower rates were not in sight; in fact, rates were tending higher. Then these amateur financiers decided to yield to the inevitable and issue bonds. Their financing as a result was extremely costly.

"That the English market has been glutted with Canadian municipal debentures is not surprising when we look at the large aggregate of such securities taken there in the last few years and add to it the fact that in the first six months of 1913, more municipals were sold in London than in any similar period heretofore.

"Our banks now have municipal spending forced down closer to the capacity of markets to absorb their bonds. If they are bound to spend money when money is not to be had, we simply tell them to go ahead and sell their securities; with the necessary funds in their possession we are willing for them to go on with their work. But we absolutely will not advance any funds.

New Way of Financing.

"It had been the policy for our municipalities, in order to avoid the expense of making absolute estimates of the cost of improvement, to take a general estimate of that cost, start the work and borrow money from the banks for carrying expenses until the work was completed. Then with exact information of the cost of the work, bonds would be authorized and sold and the banks reimbursed for advances. The new way of financing is less convenient—but from the banker's point of view it has been effective."

Another bank official says:—"As a general proposition, much of the heavy expenditure by Canadian municipalities, particularly in the West, has been legitimate. With some 400,000 new people entering the country last year, a large percentage of whom have gravitated to the prairie provinces, western towns and cities were forced to spend large sums for improvements.

"In this spending, there must be reckoned the natural rivalry between large and small communities to gain residents. This has resulted in some towns supplying facilities which will not be needed for years to come.

Rapid Growth of Cities.

"But with this large influx of population, large expenditures were absolutely necessary at numberless points for sewers, water, streets, lighting and other similar improvements. The communities which were unable to supply these needs were sure to find themselves outdistanced in the race for population."

MARITIME PROVINCES' MUNICIPAL BONDS

Several Issues Have Been Sold—School Bonds are
Marketed—Vancouver's Debentures.

Western municipalities borrowings have recently been much discussed and charges of overborrowing made, such charges can hardly be mentioned in connection with the borrowings of the Maritime Provinces, but the growth and progress prevailing there has made it necessary for several visits to the municipal market, as shown by recent and forthcoming issues. Moncton, N.B., has disposed of \$150,000 debentures, Amherst, N.S. \$75,000, Dartmouth, N.S., \$63,000, and New Glasgow has already sold its issue to the Eastern Securities Company, while tenders have closed this week for Kentville's block of \$37,000 and Halifax's \$299,750 issue closes on Monday.

The city of St. John, N.B., finds it necessary to issue bonds this year to the extent of \$200,000 for important public improvements. In view of the financial stringency and the dullness of the municipal bond market, the city council may adopt the plan of selling these bonds in small denominations to local investors.

Schools and their Requirements.

Messrs. Hanson Brothers, Montreal, are handling an issue of \$100,000 5 per cent. Westmount, Que., school bonds.

Saskatoon school board has also disposed of \$20,000 worth of the debentures it has for sale.

The Edmonton public school board has requisitioned the city for a matter of \$475,000, required for maintenance of the city schools for the year. This is exclusive of a \$40,000 grant which will be received from the provincial government for the same purpose. Notwithstanding large expenditures, the board are having difficulty in keeping educational facilities up to requirements, owing to the city's expansion. Contracts have been awarded for four temporary school buildings in outlying portions of the city.

Oakville's (Ont.), clerk, Mr. Crowley, who is visiting Great Britain, has been authorized to dispose of the town's bonds, if possible, while there.

Mr. John A. Hope, vice-president of D. E. Brown, Hope and Macaulay, Limited, of Vancouver, is stated to be ready on behalf of English investors to enter into negotiations for the purchase of \$1,000,000 worth of the 4½ per cent. bonds that are now awaiting sale.

Mr. Hope has tentatively approached the city authorities regarding the matter, it is understood, but nothing definite has been concluded partly on account of the fact, it is supposed, of the agreement now existing between the city and the firm of Brown, Shipley and Company.

Including ordinary debentures and local improvement bonds, which Vancouver is ready to sell by reason of having the local improvement works completed, there is now about \$9,500,000 worth of debenture stock ready for buyers. About \$5,000,000 worth of this will pay 4½ per cent.

Offering ten per cent. Debentures.

Winslow Rural Municipality, No. 319, Manitoba, is asking for tenders for \$5,000, 10 per cent., 10 instalment debentures. Mr. R. H. Percival is secretary of the municipality, and bids must be in by August 2nd.

GRAND TRUNK PACIFIC BONDS SUBSCRIBED.

The Grand Trunk Pacific Railway's issue in London of £1,500,000 five-year 5 per cent. bonds listed at 98, applications for which were invited on Saturday, have been oversubscribed, closing before the official time.

DEBENTURES AWARDED.

Dartmouth, N.S.—\$31,000 5 per cent. 20-years to Bank of Nova Scotia.

Redcliff, Alta.—\$150,000 6 per cent. to Alberta School Supply Company.

Dartmouth, N.S.—\$21,500 5 per cent. 30-years to Nova Scotia Trust Company, Halifax.

Dartmouth, N.S.—\$10,500 5 per cent. 30-years to Eastern Securities Company, St. John.

Bredenbury, Sask.—\$15,000 7 per cent. 20-years to Western School Supply Company, Regina.

Lethbridge, Alta.—\$66,930 4½ per cent. to Messrs. Wood, Gundy and Company, Toronto.

Brandon Schools, Man.—\$20,000 5 per cent. 30-years to Central Canada Fire Insurance Company.