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The Monetary Times

Trade Review and Insurance Chronicle

Vol. 48—No. 2 Toronto, Canada, Januar 13, 1912 Ten Cents

The Monetary Times OF CANADA

PUBLISHED EVERY SATURDAY BY THE MONETARY TIMES PRINTING COMPANY OF CANADA, LIMITED.

MANAGING DIRECTOR—James J. Salmond.
MANAGING EDITOR—Fred. W. Field.
ADVERTISING MANAGER—A. E. Jennings.

The Monetary Times was established in 1867, the year of Confederation. It absorbed, in 1869, The Intercolonial Journal of Commerce, of Montreal; in 1870, The Trade Review, of Montreal: and The Toronto Journal of Commerce.

Terms of Subscription, payable in advance:

Postpaid to any address in the Postal Union:

One Year	Six Months	Three Months
$3.00 (12s.)	**$1.75** (7s.)	**$1.00** (4s.)

Copies Antedating This Issue by More Than One Month, **25** Cents Each.
Copies Antedating This Issue by More Than Six Months, **50** Cents Each.

ADVERTISING RATES ON APPLICATION

HEAD OFFICE—Corner Church and Court Streets, Toronto.

Telephone Main 7404 7405 or 7406. Branch exchange connecting all departments. CABLE ADDRESS—"MONTIMES, TORONTO."

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All mailed papers are sent direct to Friday evening trains. Subscribers who receive them late will confer a favor by reporting to the circulation department.

The Monetary Times does not necessarily endorse the statements and opinions of its correspondents, nor does it hold itself responsible therefor.

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ALBERTA RAILROAD BONDS.

When Mr. W. A. Clark, of Kansas City, conceived the idea of a railroad in the Peace River district, he failed to reckon several contingencies. The history of the enterprise is pretty well known. An issue of $7,400,000 5 per cent. 50-year first mortgage bonds of the Alberta and Great Waterways Railway, guaranteed by provincial government, was made in London at 110 by Messrs. J. S. Morgan & Company in December, 1909, and the proceeds were placed on deposit in three Canadian banks. The route of the road was to be from Edmonton north-east to Athabasca River to Fort McMurray, a distance of 350 miles. The provincial government pressed the railroad agreement, a crisis occurred, and the provincial cabinet was dissolved. A Royal Commission was appointed to investigate the deal. Their report was of little value, material witnesses not having been summoned to give evidence.

The provincial government canceled the railroad agreement, alleging that the company had defaulted in bond interest. The provincial government sought the proceeds of the bond sale from the banks which had the money on deposit, but the banks refused to hand it over without an order of the court. The provincial government then commenced action against the company for the money, and judicial decision was made in favor of the province. The railway company then appealed to the Dominion Government for disallowance of the provincial legislation canceling the agreement. This application is now being considered, and a decision will be given within ten days.

Whether or not the Dominion Government disallows the provincial legislation—and we think that is most unlikely—it is certain that the Alberta government will complete the proposed railway line, although the route may not be that chosen by the company or the charter the same. Another important fact is that whatever happens, the bondholders have absolute security. "The government of Alberta," says the premier of the province, "cancelled the bond guarantee in so far as the railway company was concerned, but not the guarantee of the bondholders, whose holdings became provincial bonds."

Premier Sifton argues that there were misrepresentations upon which the original undertaking was promoted and default in the bonds and in construction. "In passing the legislation," adds Mr. Sifton, "the provincial legislature was influenced particularly by the desire to keep faith with the holders of the bond issue."

TORONTO'S BORROWING POWERS.

Mayor Geary's reference in his inaugural address to Toronto's borrowing proclivities was timely. After quoting figures as to the city's finances, he expressed regret that the citizens either failed to realize, or at least appreciate, the difference between the controllable and uncontrollable expenditures, each of which has an important bearing upon the tax rate.

"It is self-evident," he said, "that we cannot proceed with the undertakings upon which we have already embarked and initiate still other necessary improvements without the expenditure of large sums. It is true that these are provided by the issue of debentures extending over long periods of years. But it is also true that the interest and sinking fund charges on such debentures must be met out of current revenue. This entails a constant increase in the uncontrollable yearly expenditure, to which every money by-law approved by the people adds."

Of the total amount of $17,050,643 general debenture debt of Toronto, no less than $13,981,665 was added, for which the city council is only indirectly responsible, but for which it must nevertheless arrange payment. In connection with the debenture debt, the waterworks debenture and Hydro-Electric debentures do not affect the borrowing power of the city, since those services are regarded as revenue producing. Nor do local improvement debentures, to their whole extent, affect the city's borrowing power, as only about one-quarter of the whole amount is payable by the city at large. All Canadian municipalities should consider frequently their borrowing position in relation to sound finance.