CANADIAN PACIFIC FINANCING

Whenever the Canadian Pacific Railway directors formulate a new financing scheme, invariably they are subjected to drastic criticism. This railroad, aside from grievances, real or otherwise, which the public, through its operation are alleged to carry, has on several occasions accomplished financing which has excited the admiration of those who know of the intricacies of credit and finance. Before the average man was dreaming even of financial stringency, the Canadian Pacific Railway made a new stock issue, obtained its funds, consequently being in monetary clover when most others were stalking over stubble with bare feet. Too many critics of Sir Thomas Shaughnessy and his associates imagine that a transcontinental railroad with its numerous interests, such as steamships, and hotels, and so on, can be financed as easily as a peanut barrow and cans.

The Canadian Pacific Railway has done a great deal to maintain abroad a high standard of Canadian credit. European financiers and investors know that it is a first-class business organization, operated by business men and financiers of keen ability. They know that the future of the railroad and its credit are as safe as the Bank of England. Yet whenever Canadian Pacific directors announce good financing, and often in times of stringency, critics in Canada commence to wail. Other railroads may do what they will, governments may make blunders in financial arrangements, municipalities may borrow heavily without any check, industrial incorporations may plunge into debt—all with scarcely a word of protest. But when the Canadian Pacific Railway accomplishes real financing, beneficial to the company, to its shareholders, to the country at large, to Canadian credit, criticism is loosened.

Of the latest method to raise funds it is said that the company could have secured all the money it required by issuing 4 per cent. debenture stock at par. Yet the Dominion of Canada only a few weeks ago offered a 4 per cent. issue in London for subscription at 3 per cent. below par—and the underwriters took 83 per cent. of the offering. Following that result, it cannot be asserted that the railroad directors would have made a wise move in going to London with a 4 per cent. debenture issue. On this point Sir Thomas Shaughnessy says: "This is not the time to go into the market with a large issue ot that security to the prejudice of the commanding position that it has always had in the London market, and will again have when normal conditions are restored. Any issue of debenture stock, excepting such small amounts as may be required to meet the demands of the market, must be postponed until some more opportune time. Neither would an increase of the company's capital stock be desirable just now.

"In view of these circumstances, the directors decided to ask the shareholders to loan the company the money likely to be required for its purposes during the next year or two on terms that would be advantageous to them, and the issue of $52,000,000 of note certificates was determined upon accordingly."

The new note certificates will constitute no permanent charge against the company's revenue. They make no demand whatever on the income from the company's traffic, and constitute a debt that will obliterate itself in the course of a few years.

SUPERVISING MUNICIPAL LOANS

Saskatchewan is leading the way with legislation seeking to supervise municipal financing. The bill is before the provincial legislature, and, being the first ot its kind in Canada, the full text is printed on another page.

It provides for the appointment of a board of three commissioners, to be styled the board of local loan commissioners, with a ten-year tenure of office, terminable, however, by the lieutenant-governor on address of the legislature. Associated with the board, for advisory purposes, will be a committee of two members, to be appointed annually—one by the executive of the provincial organization representing rural municipalities, and the other by the executive of the provincial organization representing urban municipalities. The commissioners are to be disqualified from holding certain securities, such as stock in any Saskatchewan local authority, or interest in any concern dealing in contracts with local authorities. They are also to be disfranchised, both in municipal and provincial elections.

The board will have, among others, the following powers: To enquire into the merits of any application of a local authority for permission to raise money by way of debenture or upon security of stock, and to grant or refuse such permission; to act as agent for any local authority in selling its debentures of stock; to manage the sinking fund of any local authority which desires to entrust the same to the management of the board; to supervise the expenditure of moneys borrowed by a local authority under this act; and to obtain from a local authority at any time a statement in detail of its assets, liabilities, receipts and expenditure.

The general principle of supervising municipal finance is excellent. Doubtless, the municipalities are willing to admit that mistakes have been made and are anxious to remedy them. There are important matters, such as the size of municipal debts, the purposes for which loans are issued, sinking funds, and so on, which should have early and mutual consideration.

The provincial government will probably find it unwise and unsatisfactory to act as agent in selling the debentures of local authorities in the province. Having examined and reported on a proposed municipal loan, the proper duty of the government, we contend, has been fulfilled. Every provincial government has sufficient financial work in marketing its own bonds.

The Saskatchewan legislation should prove of great benefit to municipal credit in that province, so long as politics are eliminated. Once let the so-called "political pull" enter, and the legislation will do more harm than good.

Alberta will follow Saskatchewan's example, and British Columbia is considering its municipal finance questions. All such moves will tend to enhance Canadian municipal credit.

SMALL CHANGE.

Merry Christmas!

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The Monetary Times Annual proposes to enjoy Christmas time fussing in front of the mirror.

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Sir George Paish has the distinction of being the first "leak" on record, of Canadian Pacific Railway news.

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The government will not investigate the high cost of living, as sufficient aviating investigators are not to be found.

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New England fishermen are already fearing high fish in Lent—although we have not got past rich pudding at Christmas yet!

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Mr. W. F. Maclean, M.P., and the German papers will now sing Christmas carols about Canadian Pacific Railway financing.

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Talking of bonds for Christmas presents, there are some bonds we know, the recipients of which would like a hole in the bottom as well as in the top of the stocking.

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Sir Lomer Gouin says he will kill the library Bill in the Quebec assembly; the Ottawa Senate will kill other Bills. And then someone will get a gun and stalk the short terms of the same family.