CANADA'S CREDIT ON SOLID BASIS

Liquidating Two Large Loans in One Year—Growth, Development and Revenues

The events of the past few weeks have illustrated the uncomfortable position of the big international borrowers who have maturing obligations to meet in the immediate future and little or no ready cash for the purpose. Even when security offerings are made by nations in high credit, the flotations have not attained must success. Under such conditions the financial representatives who go to London to arrange for renewals or new loans meet with some discouraging experiences. Hon. Mr. White, in his recent budget speech, drew attention to the fact that the Dominion government had not been obliged to plead its case with the European bankers while conditions are so unfavorable. When the last Dominion loan fell due on 1st October, 1912—£1,235,000—the London market was in somewhat better position than at present, and doubtless Canada could have arranged for renewal if that had been necessary. But the cash was available and the loan was paid in full. Then there is a loan of £1,700,000 falling due on 1st October, 1913. The minister explained that provision will be duly made for payment of that loan also.

Help to Keep Credit Good

The liquidation of two such loans within a year—amounting to over $14,000,000—taken with the fact that the Dominion government has abstained from negotiating any new loans in this period, should help to keep Canada's credit good at the Imperial capital. In this connection the action of the Canadian Pacific Railway in tendering payment on 1st July, 1913, of about $35,000,000 bonds maturing two years later, must also prove decidedly beneficial for Canadian credit in England. These transactions show conclusively that Canada can put up a considerable amount of real money to pay off liabilities when the European money markets are practically dead-locked. Undoubtedly it will be considered in the United Kingdom and in Europe generally that any country that can reduce its national obligations, held outside, while at the same time promoting and encouraging a tremendous growth and development at home, is entitled to respect, states Mr. H. M. P. Eckardt, in a recent interesting article. Probably it would be safe to assume that if another colony of the empire, or a youthful foreign state, were developing at the same pace, its government would be an enormous borrower. Not only the corporations, cities and towns, but also the government itself, would likely be continually seeking loans at the European centres. It has also happened in the case of foreign countries undergoing rapid expansion, that liberties have been taken with the currency as well.

Adhered to Sound Principles

In addition to borrowing every dollar that Europe would lend, they have proceeded in some cases to inflate the currency through putting out a vast amount of government notes not covered by gold. During our prosperous period the Canadian government had been urged to take this path. Unwise advisers urged it to take and spend a part of the gold which it had bound itself to hold against its outstanding notes. The unwisdom of this advice is now much more easily perceived. Anybody who has a clear understanding of financial conditions as they exist can see that Canada's adherence to sound conservative principles during a period of considerable excitement, has helped materially to establish her credit in the great world markets on a solid and enduring basis.

It is very interesting to note the slow but steady reduction in the amount of the Dominion government's obligations outside Canada during the past two and a half years. On September 30, 1910, the amount of the funded debt payable in England, according to the Canada Gazette, was $282,364,723. Next month—October, 1910—it fell to $275,836,577. It held at that figure until April, 1911, in which month it fell to $271,050,677. In May, 1911, a further reduction—to $263,089,499—occurred. Then in October, 1912, it came down to $258,669,833. And if there are no new loans meantime, presumably the amount will stand at about $250,000,000 three months hence when the £1,700,000 loan is taken up.

In the same time the funded debt payable in Canada has been reduced from $4,892,910 to $2,264,436.

No Sign of Decreasing Revenue

Of course, this satisfactory record has been possible largely because of the abounding revenues—customs collections principally. And if our corporations generally are unable to float new securities in volume, one would naturally expect that imports into Canada would show a falling tendency and that the customs revenue might not show such large increases. However, up to the end of May there was no sign of decreasing revenue. The total revenue for April and May, 1913, was about 25 per cent. ahead of the revenue for the same two months in 1912, notwithstanding that the 1912 figures represented an increase of about 33 per cent. over April and May, 1911.

The Intercolonial Railway ordered 500 freight cars, and the Grand Trunk 25 locomotives during June.

UNION LIFE AGREEMENT SIGNED

Metropolitan Life Will Take Over Policies and Assets —Not Much Hope for Shareholders, Though.

The agreement reinsuring the policyholders of the Union Life Assurance Company has been signed. By its terms the policies and assets of the defunct company have been assumed by the Metropolitan Life Assurance Company of New York. Certain obstacles in the insurance laws of Canada and the United States, which threatened to stop the reinsurance negotiations, were overcome, and an arrangement was made which proved satisfactory to the official representatives of the departments of insurance in Canada and New York.

Terms of the Agreement

By the terms of the reinsurance agreement, the holders of the lapsed policies must be notified of their position. If they so desire they may have their policies renewed without medical examination upon payment of the back premiums. To insure the proper fulfilment of this provision the Metropolitan Life Company have agreed to supply the Department of Insurance at Ottawa with full particulars of each case and make a return as to its disposition. The policyholders who allowed their policies to lapse are not, however, compelled to continue with the Metropolitan. Under a further arrangement they may realize upon their policies in compliance with the terms under which they were originally issued by the Union Life.

The agreement comes into force immediately. The Metropolitan Life will take over the head offices of the defunct company at Toronto.

As to the Investments

Mr. G. B. Woodward, vice-president of the Metropolitan Life, says his company is assuming assets which the directors of the Union Life had valued at $1,400,000, but which the liquidator valued at about $600,000. These contain some doubtful investments, but he thinks with careful treatment and good judgment the company will realize between $500,000 and $600,000 from them.

The Union Life investments were analyzed in the Monetary Times early this year, and the article was later read in the House at Ottawa when the company's affairs were being discussed. "We are rather struck with the character of the company's loans and investments," the Monetary Times said of the 1911 report. "The loans on collateral securities amount to $374,000, and this is made up almost entirely by one loan to the Canada Provident Insurance and Investment Company on the security of $485,000 of the Imperial Loan and Investment Company stock. It would be interesting to know the whole story of this transaction, and to be more assured of the wisdom of placing so many eggs in one basket—and that made of common stock.

"Turning to the investments, we are not a little surprised to see so much money invested in the stock of building societies, as the following indicates:—

Canadian Birkbeck Loan and Savings Company	$ 6,900
Colonial Investment and Loan Company	86,238
Peoples Building and Loan Company	1,800
Reliance Loan and Savings Company	13,790
Standard Loan Company	15,165
Sun and Hastings Loan and Savings Company	21,700
Total	$145,593

"When so many excellent bonds and debentures can be now secured at good rates of interest and when it is to loan money at high rates of interest on safe mortgages, it seems somewhat perplexing to discover the reason why the management of the Union Life should have departed so far from the beaten track of approved life insurance investing."

Little Hope for Shareholders

Mr. C. A. Masten, K.C., representing the Minister of Justice, says that, with the policyholders fully protected, the liquidator would begin to realize on other assets, but he feared that after the creditors and solicitors had been considered it was not likely that there would be anything for the shareholders.

CALGARY HAS MANY BONDS TO SELL.

The Bank of Montreal, which is acting as fiscal agents to the city of Calgary, has been asked to arrange for the sale of $1,500,000 worth of bonds as soon as possible. The city has for sale $3,500,000 local improvement and general bonds. Money market conditions make it difficult to sell these securities at present.

Messrs. G. A. Stimson and Company, Toronto, have been given an option on $1,338,000 worth of 30-year general debentures.

The proceeds of the recent sale to Messrs. Brent, Noxon and Company of $263,000 is due, as well as the proceeds of the partial sale of $103,000 to Messrs. Stimson and Company, Toronto.