

The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

interest rate on broker's loans to $6\frac{1}{2}$ per cent. as from the 1st May, with the consequence that the rate on broker's loans to clients is automatically raised to $7\frac{1}{2}$ per cent. The 7 per cent. rate has been so long in force that the raising of it by even a moderate percentage has come as something of a shock to traders, accustomed to the stability of the former rate, but the rise is only in line with the general increase in the earning power of loanable funds, which has taken place during the last few months, practically all over the world.

Bullish sentiment on the Stock Exchange regarding the affairs of the Spanish River Pulp and Paper Company seems to have run ahead of the fair, as is not uncommon. At all events, the Company's proposal to liquidate the arrears of preference stock dividends amounting to 42 per cent., wholly by a new issue of preferred stock, and to take no present action on the common comes far short of optimistic expectations lately indulged in, and it is not surprising that both stocks have had a sharp reaction from recent high levels. Doubtless the dividend on the common stock is merely a matter of time, as the plant is running at its capacity of 575 tons of paper daily, and the output is sold for some months ahead, but meantime the carrying of the common stock at the high prices prevailing during the recent months is a fairly expensive business for market followers.

The latest monthly statement of the Canadian Pacific Railway indicates no easing of the pressure upon corporations whose rates are fixed by statutory regulation or control, of the rise in working expenses. The showing, in fact, for the current year, is very much worse than that of a year ago. Taking the aggregate of the first three months of the calendar year, gross earnings record an increase of \$6,720,932 from \$36,466,677 to \$43,187,609. The rise in working expenses, however, must have more than absorbed the increase, the total rising from \$32,393,005 to \$39,930,030, or by \$7,537,025. Net earnings for the first three months of this year thus decreased in comparison with last year by \$816,092.

To put the matter in another way, the C. P. R. during the quarter did nearly seven million dollars of additional business, which not only gave it no remuneration, but on the contrary a loss of over \$800,000. The ratio of working expenses to gross earnings in the first three months of this year was no less than 92.46 per cent. compared with 88.83 per cent. in 1919. Obviously, there are limits to this kind of thing, and it would seem that these limits are being very closely approached.

The banks and insurance companies had no particularly kind feelings for the former Ontario Government on matters of taxation, but it now seems that they did not know when they were well off. The Drury government proposes to double the taxation of the banks and to increase that upon insurance companies. Judging by their utterances, some of the Ontario politicians, even those who are not members of the farmers party, appear to labour under the impression that these taxes can be imposed without their being passed on to the consumer; the consumer in these cases being the borrowers at the banks, and the policy-holders of the insurance companies. The tax on the life insurance companies, takes the particularly objectionable and indefensible form of a levy on gross premiums. Doubtless the prosperous Ontario farmers carry a very fair amount of life insurance in the aggregate. If the life companies would undertake a systematic campaign designed to show these prosperous farmers and policy-holders that the imposition of these taxes merely has the effect of curtailing profits on participating policies by so much, some politicians might soon begin to see problems of taxation in a new light.

TRAFFIC RETURNS

Canadian Pacific Railway

Year to date	1918	1919	1920	Increase
Mar. 31	\$32,154,000	\$ 5,770,000	\$42,396,000	\$1,596,000
Week ending	1918	1919	1920	Increase
April 7	\$2,984,000	\$2,921,000	\$3,617,000	\$696,000
April 14	2,935,000	2,878,000	3,655,000	767,000
April 21	3,016,000	3,037,000	3,624,000	587,000
April 30	3,954,000	4,710,000	756,000

Grand Trunk Railway

Year to date	1918	1919	1920	Increase
Mar. 31	\$12,884,022	\$14,003,850	\$15,471,237	\$1,467,387
Week ending	1918	1919	1920	Increase
April 7	\$1,359,291	\$1,274,353	\$1,469,333	\$ 194,780
April 14	1,414,538	1,263,483	1,459,792	Dec. 142,691
April 21	1,358,972	1,248,310	1,305,645	Dec. 42,665
April 30	1,571,191	1,682,319	111,128

Canadian National Railways

Year to date	1918	1919	1920	Increase
Mar. 31	\$20,213,115	\$21,554,947	\$1,331,832
Week ending	1918	1919	1920	Increase
April 7	\$1,457,144	\$1,834,118	\$376,974
April 14	1,590,159	1,818,974	228,775
April 21	1,568,077	1,806,787	237,718
April 30	2,321,065	2,478,641	157,576