SERIAL PLAN FOR BOND ISSUES

Some Canadian and United States Authorities May Adopt This in Preference to Sinking Fund Securities

The issue of the serial form of bonds has been considered by various Canadian municipalities, including Hamilton. In the columns of *The Monetary Times* recently Mr. H. L. Corbett, city treasurer of Ottawa, explained how the savings in dollars and cents was effected when serial bonds are used. Across the line, where Canadian securities have been placed in large amounts, New York state is expected to adopt the serial form of bond for all state financing. Massachusetts has already adopted such a plan. With these two important states taking the lead in this matter, it is believed by authorities on municipal financing that other states, cities and towns will before a great while generally follow this method for financing improvements, in preference to the sinking fund plan, which has been most largely used in the past, suggests the Wall Street Journal.

New York City's recent experience in getting money at more than ⅛ of 1 per cent. less on 15-year serial bonds as compared with 50-year sinking fund bonds, or at 4.297 per cent. against 4.437 per cent., is pointed to as a practical argument in favor of the serial form which is likely to have considerable influence with municipal officials throughout the country. Authorities who have studied the subject are almost universally in favor of the serial plan for state and municipal financing.

Costs Less in Principal and Interest.

In the first place it costs less in interest and principal to pay off a loan serially than it does to pay interest on it for the same length of time and meet the principal at maturity through a sinking fund. If the serial payments on the principal are uniform, they with the interest amount to more than the interest and sinking fund payments during the early years of the loan, but for much over half of the life of the loan they are less. If the serial loan is not of as long maturity as the other, the saving in total cost is much more. For instance, the cost of a 50-year sinking fund loan is more than cut in half by converting it into a 10-year serial loan.

Below is given a comparison of the total cost of 20 and 30-year 4½ and 5 per cent. loans on the basis of $1,000,000 principal, when made under the uniform serial plan and under the sinking fund plan, with the sinking fund compounded annually at 4 per cent.:—

	Sink. Fund.	Serial Plan.	Saving.
Twenty-year 4½s.	$1,471,630	$1,420,000	$ 51,630
Twenty-year 5s.	1,671,630	1,525,000	146,630
Thirty-year 4½s	1,884,900	1,697,500	187,400
Thirty-year 5s	2,034,900	1,775,000	259,900

This shows that in the case of a 30-year 4½ per cent. loan 10 per cent. is saved on the total cost by repaying it serially. If a higher interest rate has to be paid or the sinking fund cannot be employed to earn 4 per cent., more than that is saved.

No Uncertainty as to Earnings.

The serial plan obviates the uncertainty as to what the sinking fund will earn. If New York state had always followed that plan, there would not now be an excess accumulation of nearly $30,000,000 in the state sinking funds. Some part of that amount, however, would have gone into the larger first payments. If the loans had been limited to the life of the improvement which they covered, according to the belief of the finance committee of the constitutional convention, that whole amount would have been approximately required to date. For that reason the committee has reported against depleting the sinking funds in any way. Payments into the funds hereafter, however, shall be determined by the comptroller each year and shall be only such amounts which, when contributed annually, will amortize the debt at maturity.

The Forsythe Laundry Company, Limited, with Ontario charter, has increased its capital stock from $40,000 to $100,000

HUDSON'S BAY COMPANY'S YEAR

Diminished Power of West Affected Earning's Faith in Canada

Sir Thomas Skinner, in presenting the annual report of the Hudson Bay Company, according to a Canadian Associated Press cable, stated that in view of the unfavorable results of the past year, the uncertainty regarding the duration of the war, and the continued interference with the company's trade, the directors had reluctantly decided not to recommend a dividend on the ordinaries.

Sir Thomas said that the outbreak of the war, coming as it did at a time when Canada was suffering an acute financial crisis, had tried all those within the Dominion to a much greater degree than it would in Britain. The diminished power of the west had been felt by the company. At the same time, they felt that the Dominion was now beginning on a much surer foundation than during the last four or five years. The country had been a large borrower for years and the sudden cutting off of loans was acutely felt; nevertheless, this disability had had the effect of producing a wave of economy throughout the Dominion, which, though undoubtedly harmful from the saleshops' side of their business, must ultimately be to the advantage of all concerned.

Foundation Inherently Sound.

In giving the statistics of imports and exports as compared with last year, Sir Thomas said these would show to what extent this economy had been carried out, and how, owing to the cessation of speculation and the return of many to the employment on the land and other productive capacities, the country had been enabled to increase its exports, despite the departure of so many of its best workers to the front. Unless the foundations on which the country rested were inherently sound, such a result as the one just quoted would certainly never have been attained. In the land department the sales during the year had been of a character to encourage the hope of returning prosperity amongst the agricultural population.

Shareholders were Critics.

In the course of a discussion one shareholder remarked that the company had been going the pace, and had constructed palatial stores in places scarcely populated. It had endeavored to carry on a business which could only be carried on in large centres like London, where the population already existed.

In criticizing the accounts, he said that they had shown trading and furs mixed up with land, and if shop and fur trading proved a loss the proceeds of the land were chucked into the pot to make up the deficiency.

Another shareholder said the company was making the mistake of trying to run stores from the English standpoint, instead of catching the Canadian spirit, but he believed in the company, and if they would only be patient until they were through the war he thought they had assets which would gladden all hearts. They were all in the boat. He wondered if during the war, the directors would take half fees.

Replying to the discussion, Mr. L. Cunliffe said the buildings erected were of a permanent character, and intended to give the company a position in the town and to provide against the fire question.

BIG LIFE INSURANCE PLAN

All of the 8,000 employees of the Brooklyn Rapid Transit who have worked for the company two years have received the opportunity to participate in the benefits of life insurance, with their employer paying one-half of the yearly cost.

If 5,000 of the employees agree to take out the policies, each one being $1,000, there will be no medical examination. If less than that number desire to avail themselves of the opportunity they all must submit to medical tests.

The Brooklyn Rapid Transit has entered into a contract with the Travelers Insurance Company of Hartford, Conn., for what is called term insurance. If all the 8,000 employees avail themselves of the chance the total policies will amount to $8,000,000. The cost will be more than $50,000 a year and the company will bear one-half.