

CANADIAN NORTHERN'S SURPLUS

Is Shown in Annual Report—Mileage Increase—Gross and Net Earnings—Five Millions of Convertible Stock Have Been Sold.

A surplus of \$1,030,757 for the year, is shown in the Canadian Northern Railway Company's eighth annual report, an advance copy of which has been sent The Monetary Times. The gross earnings for the twelve months ended June 30th, 1910, were \$13,833,061, of which \$10,000,000 came from freight traffic. The working expenses, including taxes, were \$9,488,671, leaving net earnings of \$4,344,390, from which was deducted a sum of \$3,313,632, representing fixed charges. In passenger receipts, the increase was 25.24 per cent. over last year. The freight receipts showed a substantial gain of 35.04 per cent. The company carried 31 per cent. of the total crop shipments from Manitoba, Saskatchewan and Alberta.

The average mileage operated during the year was 3,170, compared with 3,013 in the preceding year. The most noteworthy of the lines taken over from the construction department by the railway company is that from Zealandia to Kindersley on the Saskatoon-Calgary line, which has opened up a remarkably extensive and fertile track of country.

There is Large Land Surplus.

The land sales during the year were 246,996 acres for \$2,561,072, an average of \$10.36 per acre, compared with 116,662 acres for \$1,091,722.37—an average of \$9.36 per acre last year. Among the sales is one to a colonization company, which purposes to establish settlers of the very best class in the districts east of Prince Albert, which is especially suitable for mixed farming, and which, by reason of its wooded character, appeals strongly to settlers from Great Britain. Since the close of the fiscal year a number of other sales have been made at higher values per acre and others are pending. In February, 1899, an issue of \$2,000,000 of land grant bonds was authorized secured by certain lands. The general position in regard to land sales shows a surplus belonging to the railway company of \$6,222,547. In addition to which the railway company has still 1,151,017 acres of land to dispose of, having a value, on the basis of present prices, of not less than \$14,000,000.

Operation of Steamships.

Through a subsidiary company, viz., the Canadian Northern Steamships, Limited, the directors now operate two fast steamers in the British-Canadian service, viz., Royal Edward and Royal George. These steamers are triple turbine vessels built by the Fairfield Company of Glasgow, Scotland, are over 12,000 tons each, with a speed exceeding 20 knots. They furnish a fortnightly service between Bristol, Quebec and Montreal, and carry His Majesty's mails. Bristol was chosen as the British port because of its contiguity to Canada, its admirable dock facilities and the opportunity it affords of securing freight and passenger business from the Midlands, the West of England, and South Wales. The service was inaugurated in May and the result of the season's work so far is satisfactory.

During the year, and by the authority of the shareholders, various issues of securities were made on account of the construction of additional lines. In respect to the two issues, each of \$600,000, four per cent. first mortgage debenture stock guaranteed as to principal and interest by the Provinces of Saskatchewan and Alberta, respectively, on certain branch lines to be constructed, whilst the progress of the work of construction has been quite satisfactory, none of the lines were completed before the close of the fiscal year. The payments authorized by the treasurers of the respective governments have been charged to "advances to lines under construction" and the balance unexpended appears on the general balance sheet to the credit of both governments. The interest paid on these securities is not a charge on the current year's business.

Duluth Company's Stock Issue.

Near the close of the fiscal year an issue was made of \$950,000 Duluth, Winnipeg & Pacific Railway Company four per cent. first mortgage debenture stock, which the company, with the approval of the Dominion Government agreed to guarantee as to principal and interest. The Duluth company owns the entire capital stock of the Duluth, Rainy Lake & Winnipeg Railway Company, which operates a line from Fort Frances on your company's main line southerly to Virginia (Minnesota) and is now constructing a continuation of about 78 miles to Duluth, where it has already acquired valuable terminal properties.

During the year additional car trust obligations were created to the amount of \$3,000,000, and \$1,650,000 repaid in respect to previous obligations, thus making a net in-

crease on the account of \$1,350,000. Considerable mileage has been relaid with heavy steel. New stations and freight houses have been built and existing buildings extended at many points. Industrial tracks have been built or extensions made to existing sidings and generally an intelligent regard has been had to the pressing necessities of a development which can only be characterized as remarkable in its growth.

Issue of Debenture Stock.

Toward the close of the financial year, the directors, under the authority of the shareholders, arranged for an issue of 5 per cent. 20-year income charge convertible debenture stock, secured by a general charge on properties of the company subject to prior charges. The total amount of this stock at any time outstanding is not to exceed an amount equal to \$10,000 per mile of the company's lines of railway. During the years 1916, 1917 and 1918, holders of the stock have the right to exchange their holdings for an equal amount of fully paid ordinary shares in the capital stock of the company. The interest on the stock, at a rate not exceeding 5 per cent. per annum, is payable only out of the net earnings of the company. In and after 1920 the company is entitled to redeem the stock at par.

Since the close of the financial year \$5,000,000 of this stock has been disposed of upon satisfactory terms. The company will be in a position to meet the full interest during the coming year.

A COOL REQUEST.

The Monetary Times has frequently drawn attention to the many bad features of municipal bonusing. Here is the cool request of an American company made to an Ontario board of trade.

"Land.—To begin with, we should expect your board of trade to donate a free site of land suitable for manufacturing purposes, convenient of access for labor and within the railroad switching limits. About ten acres would be wanted with a 3-year option of ten more, at a price to be agreed upon.

"Buildings.—Buildings to be erected of a concrete one-storey, about 20 thousand square feet required, and we should expect the board of trade to do something towards defraying the cost of these or your banks to carry the cost of them on a first mortgage until the concern would be in a position to pay it off.

"Organization.—The company would be incorporated with a capital stock of not less than \$300,000, one-half of which would be 7 per cent. cumulative preferred and the other half, common. The preferred stock would be a lien against all of the property of the company and to be participating, that is to say, it will share equally with the common in any dividends above 7 per cent. We shall want 50 per cent. of the common stock, and shall expect you to raise about \$100,000 cash for working capital, the stock to be sold at par for the preferred with a bonus of 50 per cent. of common, leaving the balance of preferred and common stock in the treasury.

"The officers of the company would be men of your own city, and choice, except the writer, as one of the board of directors, and consulting engineer. The Canadian company to pay the parent company in cash for any material, parts, patterns, or labor necessary to launch it on a successful business career."

It is to be hoped that the proposed Provincial Board of Trade for Ontario will choose as its first question for discussion the pernicious municipal bonus.

Boil the Toronto water! Boil the Toronto milk! Boil those responsible!

THE REASON THEN IS THE REASON NOW.

"The fact of the annexation of Canada to the United States, whether the event shall occur in a time near or remote, depends probably upon our action on reciprocity. Canada needs our markets and our facilities for ocean transportation, and as long as these advantages are denied to her she can never attain to a high degree of prosperity. The body of farmers, laborers and trading people will favor annexation ultimately should the policy of non-intercourse be adhered to on our part, and they will outnumber the office-holding class, and thus the union of the two countries will be secured."—The Hon. G. S. Bontwell, Secretary of the Treasury in President Grant's second Administration, and a member of Congress at the time of the repeal of the Reciprocity Treaty.