

Financial Affairs of the Dominion: National Balance Sheet

OPTIMISTIC NOTE STRUCK BY DUNNING

In Review of Year, He Forecasts Substantial Further Improvement

HE WARNS OF EXCESSES

Sees 'Suggestion of Mentality' of Late 20's— Deplores Lag in Construction

Ottawa, February 25.—"If I cannot bring you greater brevity than last year perhaps I can bring you greater cheer," said finance minister Dunning as he began his budget speech in the House of Commons today. He said his efforts to shorten the national financial statement had failed.

"Viewing the situation broadly in the light of the progress of the past year and the major underlying forces at work, I believe I can fairly say that since 1929 no New Year has dawned with brighter promise for Canada. I shall be greatly disappointed if the year 1937, however, Canada has not moved substantially further along the road to economic recovery."

Mr. Dunning then reviewed business and economic statistics and pointed to improvements all along the line during 1936. Leading industries all reported increased output, both domestic and foreign trade was up, farm prices were better although crops were not all they might have been, dividend payments were higher, low interest rates had encouraged new bond flotations.

Unfortunately, however, some of the provincial Governments had been unable to take advantage of lower interest rates to refund their debt or obtain new capital.

"This is a problem to which the Government has given the most serious and unrelenting attention since the day it assumed office. I need not recount the efforts which were made last year to find a solution. The plan then evolved which would have made loans available to the provinces as a result of Dominion assistance under appropriate safeguards proved unacceptable in several quarters."

"The acute stage which the problem has reached in Manitoba and Saskatchewan during the recent past led the Government to make the decision which was announced by the Prime Minister last week.

"That decision followed investigations which demonstrated that had long been recognized as a fundamental weakness in the allocation of financial powers and responsibilities to the provincial Governments by the Fathers of Confederation 70 years ago."

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HAS GREAT HOPE IN SURVEY.

"It is a basic principle that a Government should be able to stand financially upon its own feet—that it should itself be responsible for raising the revenue necessary to meet its own needs.

"I look therefore with great confidence to the result of the investigation into the responsibility to be made by the Royal Commission which is to be appointed. If this investigation and report are as comprehensive as the occasion demands, they may well serve to point the way to such action as to make the year 1937 as significant in Canadian history as the year 1867."

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"We must not lose sight of the fact that the improvement in the volume of circulation in circulation.

"The national income, the aggregate income of all the people in 1936, was \$4,820,000,000, an increase of 10 per cent over the previous year. Business cycles, however, did not follow any set pattern and it would be unwise to sit back and wait for the inevitable improvement in the volume of circulation in circulation."

"In other directions there is more than a suggestion of a mentality that led to the deplorable excesses of the late 20's. Greed and unreasonableness in industrial relations are dangers that can paralyze our best efforts.

"There are forces unleashed in the recovery period that must be grappled with no less vigorously than those facing us in times of depression. These realities must not be neglected. Furthermore, disturbing factors in international relations still perpetuate much uncertainty in the world outlook."

"A conspicuous industrial lag has been evident in private construction and it was in the building trades that a large portion of unemployment was to be found. It is to be hoped that the Government had launched the Home Improvement Plan.

"It behooved all interests associated with the building industry to study facilities offered by the plan to provide a sound product at a reasonable price and push its sale. Public works construction could not continue at the present scale without leaving an intolerable burden for the future and it was up to private construction to step into the picture at this stage of the recovery movement."

Employment figures generally were up but they had not kept pace with gains in business activity. An encouraging fact was that numbers of the unemployed had declined proportionately with recovery in trade and industry. There was no reason, however, to look for the unemployment problem as hopeless.

"It is probably true that a hard core of unemployment and relief

will always remain. Doubtless there will be a number of those in the higher age brackets, who have been on relief for several years, who may be permanently 'unemployable'.

"Even in the best of times we have always had unemployment, but the unemployed have not been 'in the statistics' nor a charge upon public funds to the same extent as today. The depression will leave us with a new problem which will demand new methods of treatment from the appropriate authorities."

"I am convinced, however, that in the policies now being followed and in the economic forces now working with increasing momentum, the present and major problem will rapidly be reduced to manageable proportions."

"The real solution must come, and is coming through the expansion of private enterprise, based on conditions favorable to the more extensive development of our primary and other industries."

Mr. Dunning then sounded a warning against stock market speculation. He pointed out that conditions which had led to disaster in pre-depression years.

"Turning to the international situation, he said the devaluation of 'gold bloc' currencies had been an important development during the year. It removed one of the major reasons for exchange controls, quotas and other restrictions on international trade."

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strain. Nevertheless, in most countries, as in Canada, the signs point to continued progress if only peace can be preserved and political friction reduced.

"Looking back on 1936, however, one cannot pretend that practical progress has kept pace with economic improvement. War and the fear of war appear to loom larger in men's eyes than at any time in recent years."

"Rival ideologies clash in the press and the Chancelleries of Europe; doubt appears to have been cast for the moment at least upon the value of co-operative undertakings and the sanctity of international commitments; and an increasing proportion of national income goes into expenditure for armaments."

"Regret it as we must, realism compels us to face the facts squarely and take these potential dangers into our reckoning when we look to the future. Perhaps the best hope for peace lies in the fact that the dangers are so clearly realized. Where all can see the danger it may not be too much to hope that sufficient wisdom will dominate among the nations to avert catastrophe."

As the present fiscal year ends March 31, figures for revenue and expenditures in 1936-37 are estimated. Mr. Dunning pointed out that he believed they would not be far out, although they were necessarily approximations.

CASH POSITION SUMMARIZED.

He presented a summary of the revenues and expenditures compared with those for the previous year in this table:

	1935-36	Estimated 1936-37
Ordinary revenues	\$372,530,000	\$391,800,000
Special revenues	443,383,000	443,383,000
Deficit (-) or surplus on ordinary account	-317,000	51,258,000
Special expenditures	102,047,000	102,047,000
Bond issues	820,000	820,000
Balance	101,727,000	20,300,000
Add: Capital expenditures	6,544,000	3,447,000
Add: Public works	6,472,000	10,940,000
Add: Other charges	513,000	10,310,000
Less: Other credits	54,000	610,000
Add: Deficit or surplus as above	517,000	51,258,000
Total deficit or increase of direct net debt	\$159,989,000	\$7,305,000

Revenues exceeded those of every other year in history except 1929-30 when collections totalled \$460,000,000. Mr. Dunning said. They represented an increase of 45 per cent over 1932-33, the low year of the depression.

Sales tax with an estimated revenue of \$115,500,000 was the largest single item of Government revenue. It showed an increase of \$37,948,000 over the previous year, the greater part of which was due to an increase in the rate from six to eight per cent.

INCOME TAX INCREASED.

Income tax with a yield of \$102,000,000 was the second largest producer and showed an increase over the previous year of \$19,290,000, partly due to improvement in income tax and partly to a rise in the corporation rate in the last budget.

Total tax revenues were estimated at \$384,618,000, an increase of \$67,306,000 over the previous year. Total non-tax revenues from investments and governmental services were placed at \$57,700,000, an increase of \$3,860,000. The largest increase came from the sale of Dominion projects, which contributed to the total amount of \$18,764,000, compared with \$2,508,000 in 1935-36. The Department's nominal surplus after expenditures was placed at \$1,893,000.

Wheat Board operations turned out better than expected a year ago and the Treasury received from the sale of wheat \$15,000,000 provided last year to recoup the Board for losses.

The largest increase in ordinary expenditures was in the cost of food, which rose from \$18,764,000 to \$22,500,000, due largely to the participation in the scheme for the first time of Quebec and New Brunswick, and to an increase in the cost of food on aggregate rather than ordinary expenditures, for while there was a surplus of \$51,528,000 on ordinary expenditures in 1935-36, the total of \$317,000 a year ago, the over-all deficit was serious. Capital expenditures were at \$3,447,000, but were little more than half the total for the previous year.

"During the year, special expenditures are expected to aggregate \$80,423,000. The decrease of \$21,615,000 as compared with the total for 1935-36 is wholly explained by:

	1935-36	Estimated 1936-37
Grants-in-aid to provinces	\$26,274,875	\$28,930,000
Dominion's share of joint Dominion-provincial projects	10,700,228	14,159,000
Relief maintenance work	2,760,000	2,760,000
Dominion projects:		
Department of Public Works	17,805,218	10,314,000
Department of Marine and Fisheries	10,204,400	10,204,400
National Harbours Board and Department of Marine	5,437,008	5,375,000
Department of Interior	2,244,201	1,870,000
Department of Agriculture	2,285,800	1,900,000
Department of Railways and Canals	942,889	630,000
Miscellaneous and sundry departments	1,431,681	1,271,000
Special drought area relief	4,900,000	9,741,000
Totals	\$79,416,256	\$80,423,000

Government-owned enterprises, including the Canadian National Railways, cost the treasury \$44,472,000 compared with \$50,940,000 the previous year.

Assets would be written down by \$19,310,000 during the year. There was the normal write-off for soldier and land settlement loans and seed grain and relief accounts totalling \$17,960,000 for Saskatchewan.

Were it not for the presence of the Dominion projects, the total expenditures, the grand total for the year would be less than for the previous year. As it happens it stands at \$559,518,000, an increase of \$6,933,000 over the previous year.

A new compilation was introduced into the budget in an attempt to show the relative costs of various government services and the relative importance of various taxes. It was the following table showing the percentage distribution of revenues and expenditures for the current year:

	Amount (estimated)	P.C. of total revenues	P.C. of total expenditures
Ordinary revenue	\$372,530,000	22.56	18.61
Customs duties	18,500,000	13.03	15.11
Excise duties	45,300,000	10.06	14.43
Sales tax	115,500,000	25.55	21.41
Manufacture, importation, stamp taxes, etc.	38,100,000	8.42	7.06
Other tax revenues	2,018,000	.45	3.37
Total revenue from taxes	\$384,618,000	55.07	71.29
Non-tax revenue	57,700,000	13.00	10.89
Total ordinary revenues	\$442,318,000	68.07	82.18
Special receipts and credits	8,125,000	1.80	1.50
Refunds of capital expenditures and receipts on non-active accounts	610,000	.13	.19
Grand total revenues	\$452,123,000	100.00	83.80

At the close of the fiscal year the year at \$452,123,000 and the total expenditures at \$559,518,000, the over-all deficit for the fiscal year of \$107,395,000.

"This, of course, takes into account the railway deficit as well as other contingencies for which the Government is responsible. It compares with a total deficit last year of \$159,989,000.

"It is better than the figure of \$100,000,000 deficit which I set as our goal in the budget last year. If we make allowance for the abnormal write-off of \$18,765,000 which relates to the activities of previous years and also for the special receipt of \$8,000,000 from the Wheat Board, it is indeed very much better.

"But while we have succeeded in cutting last year's deficit nearly in half and while we are able to show a substantially smaller deficit than in any year since 1930-31, when the deficit was approximately the same as this year, I think it will be realized that the deficit is still very broad and that it must be bridged at the earliest possible date."

Loans and investments during the year regarded as active assets totalled \$36,795,000 compared with \$39,903,000 the previous year. They included \$4,614,000 to the Canadian National Railways, \$555,000 to the Canadian Pacific Railway, \$11,894,000 to the Canadian Farm Loan Board, \$10,892,000 to the provinces under relief legislation, \$5,166,000 for railway equipment and \$5,100,000 for purchase of shares in the Bank of Canada.

New obligations, Loans and Treasury bills totalling \$382,996,000 were floated during the year. Of this total \$311,000,000 was to meet maturing obligations and the rest for the deficit and other current expenses.

In all cases where new loans were floated, lower interest rates were paid than on the loans refunded.

"The income tax will continue on the present basis. Furthermore, no alterations are to be made in rates of taxes either under the Special War Revenue Act or under the Excess Profits Tax Act. The only changes proposed are a few minor additions to the schedule of exemptions under the sales tax. Articles specially designed for use of the blind are to be given exemption.

"Art work and printing plates made therefrom for non-advertising purposes in periodical publications will also be exempted. Other items to be added to the list of exemptions are law and sailing instruments, certain refractory materials, spindles and parts thereof, ingredients used in canning fish, and parts for grain and seed cleaning machines."

Exports for the year amounted to \$1,000,000,000, an increase of 10 per cent over 1936. The highest level since 1929. Indeed, taking account of the lower level of prices, the physical volume of our exports was about equal to the 1929 level. The value of our exports, including commercial gold, reached a total of \$1,027,901,000, a gain of \$189,559,000, or 23 per cent over 1935.

This increase is all the more significant in view of the fact that agricultural and vegetable products, which account for 47 per cent of our total exports in 1936, were only 34 per cent of the total in 1935.

Imports for the year amounted to \$843,876,000, an increase

National Balance Sheet

The following is a statement of the assets and liabilities of the Dominion, estimated as at March 31, 1937, presented as part of the speech of the Minister of Finance:

LIABILITIES MARCH 31, 1937 (Estimated)	
Bank circulation and redemption fund	\$ 7,020,000
Government annuities	87,062,000
Insurance fund, Civil Service	10,800,000
Insurance fund, returned soldiers	15,770,000
Retirement fund	8,782,000
Superannuation funds	53,551,000
Total	176,005,000
Trust funds:	
Indian funds	13,890,000
Contractors' securities deposits	1,230,000
Other trust funds	5,965,0

MARKED WEAKNESS IN POWER STOCKS

Montreal Power and Shawinigan Sag on Adverse News From Quebec

REST MOVE NARROWLY

Dosco B. Off But Other Industrials Display Firmer Tone—Mining Market Is Better

Stocks pursued a mixed trend in yesterday's trading on the local exchange and curb market, with the principal feature weakness in shares of Quebec utilities on disturbing news from Quebec to the effect that the Government may establish a Hydro Commission, similar to that in Ontario, to be operated in competition with private enterprise.

Volume was much lighter in the mining market, where the general tone showed some improvement. Bouscaillet moved between 94 and 92, ending at 95, up 1, with fairly active trading. Reward was a shade higher. Duparquet eased 2 to 11. Stadacona was firmer, also Siscoe, Parkhill, O'Brien, Sullivan and Kirkland Premier.

Total sales on Montreal markets: Industrials, 83,300 shares, as compared with 80,200 shares on Wednesday; mines, 332,200 shares, as compared with 451,800 shares on Wednesday.

INCREASE IS SHOWN IN BANK CLEARINGS

Montreal Leads Improvement Over Year Ago During Past Week

Bank clearances in Canada recorded an advance over a year ago during the week ending yesterday. The aggregate for 29 representative cities was \$338,537,837, against \$297,577,644 in the corresponding week last year.

Montreal led in the improvement, having a total of \$111,830,589, compared with \$81,874,669 in the corresponding week of 1936. Toronto also made a better showing than a year ago, reporting \$126,439,074 against \$111,010,104 in 1936.

Clearings by cities, and comparisons with a year ago, follow:

Table with columns for city, 1937, and 1936. Includes Halifax, Saint John, Moncton, Sherbrooke, Quebec, Montreal, Ottawa, Toronto, Hamilton, Kitchener, Brantford, London, Chatham, Sarnia, Fort William, Brantford, Regina, Moose Jaw, Saskatoon, Prince Albert, Edmonton, Calgary, Medicine Hat, Lethbridge, New Westminster, Vancouver, Victoria, and 29 cities.

Crude Rubber Futures New York, February 25. — (P) — Crude rubber futures closed steady, 12 to 29 higher. March, 21.82; May, 21.80; July, 22.14-18. Smoke ribbed spot, 21.80.

Stock Market Averages

Table with columns for date, index, and change. Includes Yesterday's close, Previous day, Week ago, Month ago, 1937 High, 1937 Low, 1936 High, 1936 Low, 1934 High, 1934 Low, 1933 High, 1933 Low, 1932 High, 1932 Low, 1931 High, 1931 Low, 1930 High, 1930 Low, and 1929 average equals 100.

Financial News In Brief

Bell Telephone of Canada president, C. F. Sise, reviewed a year of improvement at annual general meeting of shareholders and emphasized importance of maintaining reasonable margin in form of surplus.

Carloadings on Canadian railways for first fortnight of February showed increase of 14.5% over total for corresponding period of last year.

Weakness in utility issues features trading on local exchange and curb markets; balance irregular.

Little change in general level of high-grade bond market, as afternoon setback wipes out most of early recovery.

Futures closed steady, 1 to 7 points higher, in trading on local silver market.

New York market reacts after early upturn, with prices closing irregularly lower. Average of 60 stocks declined 3.

Wheat markets closed 5/8 to 1c lower at Winnipeg; 1 1/2 to 1 3/4 down at Chicago, and 3/4 higher at Liverpool.

High-grade list little changed

Early Gains Lost in Afternoon Setback—Firmer Trend in Newsprints

Yesterday's close on the local bond market showed little change in the general level of the high-grade list, as a moderate reaction in the later afternoon trading wiped out most of the fractional advance scored at the opening and during the early dealings.

The firmness in the high-grade section was again a reflection of the improvement in the London market. Opening prices were 1/4 to 3/4 higher here. In the subsequent setback, the perpetuals and the 3's of '55 were under pressure and sagged to end about 1/2 below Wednesday's close.

In the corporation division, a better demand developed for the newsprint list, and closing prices showed Abitibi 1/4 higher, Browns 1/2 higher, Consolidated 2 higher, Great Lakes 5/8 higher, Minnesota and Ontario 1/2 higher and Resolute 1/4 higher. Edward Smiths and Frasers were fractionally lower.

Other changes included: Canadian Canners off 1, Vickers 1 higher, Cumberland Railway and Coals 1/2 higher, Dosco 6/8 higher, Eastern Dairies 1/2 higher, Federal Grains 1 higher, Great Britain and Canada 1 higher, Inter City Western 2 1/2 lower, Bell 60's gained 1/4, and Nova Scotia Steel and Coal debentures down 3 and United Amusements, off 1/2.

The utility market was mixed, with trading still on the light side. Canadian Pacific were firm, with the exception of the 3 1/2's of '51, which were off 1/2, and the 3's of '52, which were off 1/4. Good demand was reported for the 3's of '45 and the 4's of '49. In the balance of the utility list, Associated Tels were off 1/4, Bell 60's gained 1/4, and International Hydros were point better. Montreal Power issues held firm. Power Corporation 4 1/2's were off 1/4, as were Shawinigan 4's.

Foreign Exchanges In the foreign exchange market yesterday, sterling cables in New York quoted at 4.85% to 4.89 and after minor fluctuations closed at the opening figures.

The United States dollar in Montreal was quoted at 1.64% discount to 1.64% premium and sterling demand at 4.88% to 4.89.

Gold bars were quoted in London at 142 shillings and 2 1/2 pence an ounce, the equivalent price in Canadian funds, with sterling at 4.89 would be \$34.77.

The following rates furnished by the Bank of Montreal are the approximate quotations for transactions between banks at the close of business yesterday.

Table with columns for New York, Montreal, and London. Includes Sterling, Demand, Cables, Australia, New Zealand, France, Belgium, Italy, Switzerland, Holland, Germany, Sweden, Denmark, Czechoslovakia, Poland, Austria, Hong Kong, Yen, U.S. Dollars, and Unofficial.

Ex-Dividend Today International Nickel, 50 cents per share. Louisiana Land and Exploration, 10 cents per share. Canada Wire and Cable, preferred, \$1.75. International Mining Corporation, new, 15 cents. Lake Shore Mines, Limited, 100 per cent. Pioneer Gold Mines of B.C., 10 cents. Wright-Hargreaves Mines, Ltd., 10 cents plus five cents in U.S. funds.

GOSSIP OF THE MARKET

Irregular Trend Here

Shares of leading Quebec power companies suffered a sharp selling attack during yesterday's session of trading here but before the close sufficient buying support had developed to bring about a substantial reduction of early losses. The movement was naturally limited with the surprise active demand, but some of these favorites found their gains reduced or even erased before the close by pressure of profit-taking, induced at least in part by a turn toward lower levels in the latter part of the session in Wall Street. Brazilian led in volume and sold up to a new top level in 1936.

Power Shares Weak

Unusual weakness in Quebec utility shares can usually be attributed to developments in the political field, and yesterday's break in such stocks as Power and Shawinigan, to mention only the more prominent, was no exception to the rule. The selling, heavy from the opening, was in immediate reaction to the announcement in the Speech from the Throne that the provincial Government proposes to establish a Hydro Commission, somewhat along the lines of the Ontario Hydro, which will be in competition with existing privately-financed undertakings; also to permit municipalities, where they desire it, to expropriate existing systems. The weakness was most marked around mid-morning session, and the balance of the day saw a fairly substantial recovery in which all the utilities participated.

Weakness in Wheat

The wheat markets had their third sinking spell within a week yesterday. Winnipeg futures fell a maximum of 2 1/4c, and Chicago dropped as much as 3c. Lightness of export demand and cloudy weather over the U.S. winter wheat belt, with forecasts of snow or rain, contributed to the declines. Rallies developed in the later dealings after cables reported improved buying by European importers, Germany, the United Kingdom, Spain and Italy being reported in the market again. At the close losses were 5/8 to 1c

The Massey Report

The stock market apparently found pleasing the financial statement of Massey-Harris for last year, with the preferred stock of the company rising to 66 1/2, and closing at 65 for a net gain of 3 points, while the common made a new high of 10 1/2, and closed at 10 for a net gain of 3/4. Net loss for the year amounted to \$58,413, as compared with a net loss of \$1,420,694 for the preceding year, while operating profits were \$2,331,735, as compared with \$849,762.

TORONTO ADVANCES OUT IN AFTERNOON

Scattered Gains Showing at Close Among Industrials—Mines Are Higher

Toronto, February 25.—The strong early advance in the industrial share market flattened out in the early afternoon and practically the whole average gain was forfeited under light profit-taking. Scattered advances were showing at the close, however, if the food steel and the interlisted groups. The index held a net gain of 22 to 179.09, off sharply from 180.96 showing at noon.

Brazilian again experienced an active demand and the price pushed up to a new high for several years at 30 1/2. The close at 29 1/2 was up 1/4 for the day. C.P.R. advanced 1 1/2 to 17 1/2, and the close was 1/4 higher for Consolidated Smelters, 3/4 for Distillers-Seagrams and narrowly higher for British American Oil and International Petroleum. The other oils and liquors were steady.

Satisfaction with the annual report of Massey-Harris Company leave strength to the whole movement group. Massey common closed 1/2 up at 10, the preferred gained 2 1/4; Cocksfoot Flow, 1/2; Brantford, 1/2; and Waterloo manu- facturing traded heavily at a point gain to 4 1/2.

Nickel sold up to 72 in the early trading and down to 71 in the afternoon. Dominion Steel and Coal B set a new high at 21 but dropped all the gain and a little more in the final trading. Canadian Car and Foundry common forfeited all but 1/4 point of a 1 1/4 gain. The preferred issue finished a point up.

Gold stocks registered their third advance in a row today on the Toronto mining section and general strength in the base metals and cheapness of the shares below the million-share mark for the first time this month, at 898,583 shares. Bralorne showed the strongest advance, up 35 at 8.55. Island Mountain gained 5 at 1.11.

In the base metal group Pend Oreille dropped 15 at 5.75. Reeves MacDonald was up 5 at 1.55. Calumet and Edmonston Oil at 4.55, Calumet at 1.42 and Dalhousie at 2.90, advanced 5 each. Home Oil lost 10 at 3.05.

A few of the younger producers, notably Pickle Crow, Macassa, O'Brien and Bralorne, featured the advance, all three gaining 25 to 55 cents. The veterans were strong. Dome added 3/4, McIntyre 1/2, and Lake Shore and Buffalo-Ankerite 1/4-point each, and gains of 5 to 15 cents were posted for Anglo-Huronian, Canadian Maritime, Central Patricia, Omega, Perron, Siscoe, and Sullivan.

LOCAL SILVER MARKET

Futures Close Steady, 1 to 7 Points Higher

Futures closed steady, one to seven points higher, on the local silver market yesterday. The opening was 15 points down to 1 up. Two contracts were traded, in March.

Yesterday's range: Months Open High Low Close. Feb. 44.409 44.409 44.409 44.409. April 44.48 44.88 44.02 44.61. May 44.20 44.68 44.31 44.69. June 44.28 44.28 44.28 44.28. July 44.10 44.48 44.21 44.48. Aug. 44.18 44.18 44.18 44.18. Oct. 44.14 44.30 44.16 44.30. Nov. 44.15 44.15 44.15 44.15. Jan. 44.15 44.15 44.15 44.15. Feb. (1938) 44.15 44.15 44.15 44.15.

PAID-UP CAPITAL AND RESERVE \$5,000,000

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5 1/2% Ten-Year Notes Price: 100 and accrued interest

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International Nickel, 50 cents per share. Louisiana Land and Exploration, 10 cents per share. Canada Wire and Cable, preferred, \$1.75. International Mining Corporation, new, 15 cents. Lake Shore Mines, Limited, 100 per cent. Pioneer Gold Mines of B.C., 10 cents. Wright-Hargreaves Mines, Ltd., 10 cents plus five cents in U.S. funds.

NEED OF SURPLUS MARGIN STRESSED

Bell Telephone President Analyzes Importance of Annual Meeting

RECOVERY REVIEWED

C. F. Sise Points to Notable Gain in Confidence and Other Contributing Factors

C. F. Sise, president of the Bell Telephone Company of Canada, addressing shareholders at the annual general meeting held here yesterday made an outstanding point of emphasizing the importance of maintaining a reasonable margin in the form of surplus, and alluding to this revival of optimism is justified in the past seven years as having provided a graphic illustration.

Pointing out that the company's revenues made reflection of the general improvement in trade and industry during the past year, Mr. Sise suggested that a part in the betterment of the company's condition of affairs was played by recovery of that intangible but vital factor confidence. Mr. Sise made further reference to the company's construction programme for 1937, which has already been dealt with in some detail in these columns.

The meeting was purely routine in the pre-arranged order of business. The election of directors as follows: Hon. Thomas Ahearn, P.C., Ottawa; W. F. Angus, Montreal; George Fovell, Montreal; J. J. Macpherson, L.L.D., Brantford; C. P. Cooper, New York; K. J. Dunstan, Toronto; Sir George Garneau, Quebec; W. Gifford, New York; J. E. Macpherson, Montreal; Hon. S. C. McBurn, K.C., Hamilton; Lieut.-Col. Herbert Molson, C.M.G., Montreal; Glyn Odear, K.C., Ottawa; Arthur B. Purvis, Montreal; C. F. Sise, Montreal, and P. F. Sise, Montreal.

PRESIDENT'S REVIEW. Commenting on the recovery in confidence, Mr. Sise suggested that the progress towards stabilization in Canada and is apparent for several reasons, noting:

1. Industrial activity in many of the leading countries has surpassed the depression level.

2. The world economic improvement, in conjunction with short crops, has increased the demand for principal commodities, particularly grains. The expansion of industrial activity together with re-armament has reached a stage where the world's materials raw materials are once more being sold at remunerative prices. Canada, as one of the great primary producing countries, has benefited from the expansion of the world's raw materials. In 1936 the value of her exports rose to \$1,028 million, 23 per cent. above 1935.

3. The outlook for international trade tends to improve with the slow reduction of trade barriers, tariffs, exchange restrictions etc. and the progress towards stabilization of currencies and foreign exchange.

4. The incomes of primary producers such as the farmer, miner and lumberman who represent nearly one half of Canada's population have been materially bettered by increases in the prices for their products.

The effect of this has been to improve purchasing power which has been and should continue to be reflected in a demand for manufactured goods and an increase in construction activity.

Mr. Sise continued in part: "From the annual report of your directors which has been before you for the past two weeks you would note that your company's revenues in 1936 reflected the improvement in general business activity. The shrinkage in revenue between the high year 1930 and the low of 1933, of over 7 million dollars, made necessary some very drastic economies. The dividend was reduced from an 8 to a 7 per cent. basis, and later to 6 per cent. Vocational employees were reduced to work short time in order to spread the available work. On April 1st of 1932, all salaries and wages were subjected to a 5 per cent. discount, and later in the same year this was increased to 10 per cent. Early in the following year, enforced time off to the extent of a half-day every other week was instituted, with a proportionate reduction in pay, was made effective."

(Continued on Page 23, Col. 5.)

STEEL WARES REFUNDING EXPECTED SHORTLY

IF YOUR PERSONAL AFFAIRS Need Re-adjustment

IN these fast-moving times, men who are normally clear-headed often find themselves too bewildered by changing business conditions to quickly re-adjust their personal affairs.

In most cases it is a problem requiring immediate attention—and cannot be postponed until the "return of prosperity."

The immediate task for every man is to face realities courageously, and re-plan the disposition of his estate on the basis of his present net worth, if his existing will does not fit current conditions.

If your own estate plans were made prior to 1929, would it not be wise to revise them now in the light of current conditions? In this revision we can be of practical help in suggesting specific financial measures for adequate financial protection.

Come in and let us discuss this important matter with you.

Crown Trust Company

WILLIAM I. GEAR, President JOHN JENKINS, Vice-President IRVING P. REFORD, Gen. Mgr.

393 ST. JAMES STREET WEST, MONTREAL Executives - Trustees - Financial Agents

Steel Wares Refunding Expected Shortly It is understood that General Steel Wares, Limited, proposes to call for redemption on May 1, 1937, its entire issue of 6 per cent. first mortgage bonds now outstanding amounting to \$6,577,000, and that arrangements have been concluded for the issuance at an early date of a new issue of first mortgage bonds. The new first mortgage bonds are expected to be placed in serial form, maturing to an amount of \$225,000 in each of the years 1940-1947 inclusive and bearing interest rates from 3 1/4 per cent. to 4 per cent. varying with maturity, and in part in the form of 15-year-sinking fund bonds bearing an interest rate of 4%. Public offering of the new bonds will probably be confined to the 4 1/2 per cent. 15-year portion of the issue.

RISE CONTINUES IN RAIL TRAFFIC

Carloadings for First Fortnight of February 14.58 p.c. Over Last Year (Special to The Gazette.) Ottawa, February 25.—Carloadings, the most reliable index of trade, continue to make impressive gains. For the fortnight ended February 13, they scored an increase of 11.913 loaded cars over the corresponding period of last year, or by 1.88 per cent. which brought the total betterment since the commencement of the current year up to 43,552 carloads, according to a current review by J. J. Macpherson, Ottawa authority. The significance of this strong upward movement will be understood when it is pointed out that in 1936 it was not until the third week of August that the gain over 1935 had reached that figure. It must also be remembered that winter conditions are not favorable to expansion. The chief increases for the fortnight under review were: coal, 1,202; lumber, 880; pulpwood, 1,553; pulp and paper, 1,475; merchandise, 1,962, and miscellaneous, 5,898. The exceptions were a shrinkage of 824 carloads in coke and 618 in the grain group.

Merchandise and miscellaneous combined contributed 6.2 per cent. of the total gain for the fortnight over last year; and all economists would be agreed that such a high ratio points to a very stimulating measure of industrial activity, as well as swelling distribution of commodities. Not since some time before the depression began do the official records show an equal percentage. Joined to that important fact, and scarcely less encouraging, was the continued vigor in pulp and paper, lumber and pulpwood. The last mentioned shows that the newsprint mills are increasing their supply of raw material in order to meet growing demand for the finished products of the industry. Even the contraction in coke, which has been proceeding for the past six months, is on the favorable side, since it is quite definitely due to a lowered surplus available for domestic use at the coking ovens of the iron and steel mills because of the larger requirements for manufacturing purposes of the latter.

All the accepted indices are steadily pointing upward, and it should be noted that this growing impulse in commerce is not only national in its scope but is also continental, since the same degree of expansion is concurrently under way in the United States. There can be no doubt that the forces which are making for economic recovery are stronger at this period than at any time since 1929. The prospects are too encouraging to be questioned. The single drawback is the slow response of the building trades, yet it is a reasonable assumption that such a condition must yield to the pressure of necessity.

Rediscount Rate Unchanged

New York, February 25. — (P) — The Federal Reserve Bank of New York today announced no change in its rediscount rate of 1 1/2 per cent.

National MINING NUMBER

It's out today: the great annual cost-to-coast mining issue of The Financial Post. It is newsy, authentic, complete; a generous 48-page issue. Of these 28 are exclusively mining; the other 20 give you The Post's regular weekly money-making features.

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Donnacona Paper Company, Limited

The substantially increased demand for newsprint paper and sulphite pulp has encouraged the Directors of Donnacona Paper Company, Limited to proceed with the expansion of their facilities for the manufacture of these products. This expansion programme should result in increased earnings.

We believe the Company's 5 1/2% Notes are well adapted to present investment needs through adequate interest coverage, a short maturity and high yield.

Full particulars upon request.

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