CHAPTER XIII.

THE FINANCES OF THE COMPANY.

Very scanty information.—In fifteen months £8,800,000 spent, and only 1,103,000 metres excavated, out of 125,000,000.—£22,275,000 already raised to this day, and yet M. de Lesseps still adhering to the fiction of £24,000,000.—£57,125,000 in cash must still be raised to finish the work, presuming that the Chagres offers no difficulties, and that there are no contingencies unexpected by M. de Lesseps.—The future business of the company will start with a deficit of £3,300,000 per annum.

We have sketched out the various efforts made to solve the problem of interoceanic communication, and we have shown that the present Panama Canal Company is not an enterprise that was brought into existence by any careful and serious consideration of the elements which make up that problem, but it was rather the jobbery of a few men who were bent upon making use of the honoured name of M. de Lesseps, who allowed himself to be ensnared into the trap laid by them.

We have shown that the Panama Canal, begotten of unworthy purposes, was bound from the beginning to prove a great failure, because not only was it badly designed in itself, but its projectors also overlooked the great difficulties presented to the engineering art. Indeed, this rude project was conceived on a misapprehension of its own financial bearings, and in defiance of the most rudimentary principles which should control even an undertaking of much smaller proportions.
We have endeavoured to show how persistent M. de Lesseps has been in misleading his capitalists, not only as to the engineering difficulties, but also as to the financial difficulties; how he makes light of the unsolved problems of the Chagres, and how he is still saying that the canal will cost £24,000,000, and will be ready in 1888. That the canal cannot be ready in 1888 we have shown from the work that is still to be done; and that the canal cannot cost only £24,000,000 we have also proved from the official data furnished by the company itself. We will now show how much money has been raised and how it has been spent; and having in view the work still to be accomplished, we will demonstrate that the Panama Canal, if it is ever to be finished, must cost so much as to prove a ruinous investment to the unlucky believer in the luck of M. de Lesseps.

In studying the finances of the Panama Canal Company, we are from the start confronted by the great difficulty that the data furnished us are very meagre indeed. In France the balance-sheets are only presented for study and discussion one year after the closing of the fiscal year that is balanced. At present, for instance, the last balance-sheet to be had refers to the year from July 1882 to June 1883. Only at the general meeting of the company to be held in July 1885 we will have the inventaire for 1883-84.

The least possible is said in such balances, and this fact, taken in connection with the late date at which they are published, renders the task of the student most difficult.

However, without claiming to be as precise as we should like to be in such case, we will do our best to
collate all the elements that we may have, in order to
get at a clear view of the finances of the Panama Canal
Company.

The company was formed in 1881. In June 1884
we were furnished by M. de Lesseps with the financial
condition of the undertaking up to June 1883. We
do not pretend to transcribe literally M. de Lesseps'
very meagre statement, but taking his own figures as
our basis, we will collate them with well-known facts,
and show in our own way, and as clearly as possible,
what the condition of the Panama Canal Company was
in June 1883.

In that month the financial position of the concern
was as follows:—

**Estimated cost, as per M. de Lesseps**  
£24,000,000

**Raised up to June 1883:**

50 per cent. on 590,000 shares of 500f.  
5,900,000

Realized on 250,000 debentures of 500f.  
issued on September 7, 1882, at 437.50  
4,375,000

Actual cash received  
£10,275,000

**To be added:**

Value of 10,000 paid-up shares to concessionaires.  
200,000

Rebate on the Five per Cent. Debentures  
250,000 × 62.50  
625,000

Total liabilities incurred  
£11,100,000

Less cash in hand and moneys due from correspon-
dents  
2,320,000

Total net cash spent  
£8,780,000
THE FINANCES OF THE COMPANY.

Thus in 1883 the company had used about 37 per cent.
of its estimated cost.

Let us now see how, in June 1883, that sum of £11,100,000 had been disposed of.

Preliminary expenses, with "propaganda"
of M. de Lesseps and his immediatefriends, &c. ........................................ £904,000
Paid-up shares to concessionaires £200,000
Cash to concessionaires ................................ 200,000

"Comité Américain" (really a corruption fund) ........................................ 480,000
Rebate on Five per Cent. Debentures, September 1882. .... 625,000

Total spent, not including cost of a single pickaxe, nor of excavation of
a single cube .................................................. £2,409,000

To be added:

Panama Railway—68,534 out of 70,000 shares ........................................ 3,755,000
Company's offices in Paris, including furniture, &c. ......................... 72,800
Company's offices in Panama, including furniture, &c. ..................... 227,200
Financial service on shares and debentures for 1882-83 ..................... 880,000
(For 1881-82 we have no exact data.)
Administration for 1882-83 in France and Panama ......................... 248,000

Probable expenses with finances (interest, &c.) and administration up to June 1882 400,000

Carry forward ........................................ £7,972,000
**THE PANAMA CANAL.**

Brought forward . . . . £7,972,000

Expenses with the works of the canal proper:
- Machinery, tools, buildings £640,000
- Other expenses (salaries, &c.) 152,000
- Cash on hand . . . . . . . . 2,320,000

\[ \text{Total} = 792,000 \]

\[ \text{Total} = 11,104,000 \]

Thus in about fifteen or sixteen months M. de Lesseps had managed to spend in round figures upon:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary administration and financing expenses</td>
<td>£3,910,000</td>
</tr>
<tr>
<td>Panama Railway</td>
<td>3,755,000</td>
</tr>
<tr>
<td>Offices in Paris and Panama</td>
<td>300,000</td>
</tr>
<tr>
<td>Machinery and other expenses of the canal proper</td>
<td>300,000</td>
</tr>
</tbody>
</table>

\[ \text{Total} = 8,765,000 \]

In his *exposé*, presented at the meeting of July 23, 1884, M. de Lesseps makes the expense about £300,000 less. The difference is, that some of the money due to the *Comité Américain* was not paid as yet, and some accounts were due, but not fully settled.

It must be confessed that, in a formidable work like the Panama Canal, the preparatory expenses are very heavy. But, on the other hand, it must also be admitted that to have thus disposed of more than one-third of the proposed cost of the canal, and to have nothing to show for it except 1,000,000 cubic metres of excavations in the way of canal building proper, is a poor show, to say the least. Less than 10 per cent. of the money thus spent went into the canal proper.
TI/E FZSVIZNCES OF TI/E CO. 163

The Panama Railway was acquired at a price that leaves the Canal Company a deficit of about £60,000 a year beyond the service of the loan raised for the purchase. Considering the usefulness of the road to the company, and its having the right of way in Panama, the purchase, however, was wise.

The material which the company had acquired, and already in the isthmus, consisted of 4 dredges, 10 scows, 18 excavators, 29 locomotives, 15 remorqueurs, 10 portable steam-engines, 42 kilometres of rails (for 30 kilometres of railway), 190 waggons for Panama Railway, 561 excavation waggons. Besides these, the company had ordered 1 dredge, 52 boats, 46 excavators, 69 locomotives, 1,190 waggons of all classes, 43 kilometres of rails, and 7 portable engines, all of which were then in construction. Not a great deal indeed for the enormous amount of money which had already been spent.

Thus, in July 1883 there were 1,103,703 metres excavated, out of a total now fixed at between 125,000,000 and 150,000,000; and there was hardly enough material to commence the works vigorously.

At that date any man might already see that it was impossible that the canal should cost only £24,000,000.

The expense already incurred was, roughly £8,800,000
Adding to that: 124,000,000 cubic metres at the low average of 6s. 37,200,000

The cost, it is evident, would greatly surpass the total put down by M. de Lesseps. In July 1883 any one could see that the price of mere excavation alone—supposing the total amount to be 125,000,000 cubic metres—would be 50 per cent. more than the whole sum put down by M. de Lesseps as the ultimate cost of the canal, which, we repeat, was but £24,000,000.
Such was the condition of the company in June 1883. Let us now see what money has been raised since.

On September 15, 1883, M. de Lesseps asked for 300,000,000 at 3 per cent. in 500 cf. debentures, to be issued at 28½f. He issued £12,000,000 in obligations, which brought him £6,840,000, the payment being extended over nearly one year. At the price of issue these debentures yield a revenue of 5½ per cent., and as they are redeemable at par there is a bonus of £8 12s. per debenture. The subscription was open on October 3, and met with great success.

On September 25, 1884, M. de Lesseps applied for another loan, this time for £5,160,000, or 129,000,000, in Four per Cent. Debentures, redeemable at par in sixty-five years. The interest of 16s. per annum per debenture, having in view the price of issue (which was 333½f.), is equal to 6 per cent. per annum.

So that in September 1884 the company had raised—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 per cent. on 590,000 shares</td>
<td>£5,900,000</td>
</tr>
<tr>
<td>5 per cent. loan of September 7, 1882</td>
<td>4,375,000</td>
</tr>
<tr>
<td>3 per cent. loan of October 3, 1883</td>
<td>6,840,000</td>
</tr>
<tr>
<td>4 per cent. loan of September 25, 1884</td>
<td>5,160,000</td>
</tr>
</tbody>
</table>

Making a total of £22,275,000

This, we repeat, is merely cash raised, and not the total sum for which the company is liable. That sum is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 per cent. on share capital</td>
<td>£5,900,000</td>
</tr>
<tr>
<td>Loan of 1882</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Loan of 1883</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Loan of 1884</td>
<td>7,747,740</td>
</tr>
</tbody>
</table>

Total: £30,647,740
The interest that the company is paying for this capital is as follows:

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Capital</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 per cent.</td>
<td>£5,900,000</td>
<td>£295,000</td>
</tr>
<tr>
<td>5 per cent.</td>
<td>£5,000,000</td>
<td>250,000</td>
</tr>
<tr>
<td>3 per cent.</td>
<td>£12,000,000</td>
<td>360,000</td>
</tr>
<tr>
<td>4 per cent.</td>
<td>£7,747,740</td>
<td>309,909</td>
</tr>
</tbody>
</table>

Total interest: £1,234,909

Adding half of 1 per cent. on loans for amortization: 123,369

Total annual charge: £1,358,278

That is the total sum that has been raised, and the interest and amortization charged on it.

We have to wait until July 1885 in order to obtain an idea of the finances of the company, with some detail, up to June 1884. Since June 1884 the only data that M. de Lesseps has given out to his shareholders as to the condition of his company are those contained in the short statement which accompanied his circular of September 5, 1884, previously to the issue of the 387,387 Four per Cent. Debentures, just referred to. But the statement does not say anything that would throw light on the real condition of the company; it contents itself with showing what are its resources, which are placed at £23,000,000, or £9,320,000, of which £3,420,000 were in cash, and £5,900,000 in the uncalled 5% on the shares.

Let us now see what is the probable position of the company at present, and its prospects for the future.

In his statement made in September 1884 M. de Lesseps said that he had in cash at that time £3,418,400. Now, he had raised up to that time the following sums, including the loan issued in that month:—
50 per cent. on shares | 147,500,000—or £5,900,000
Loan of 1882 | 125,000,000—or 5,000,000
Loan of 1883 | 300,000,000—or 12,000,000
Loan of 1884 | 193,692,500—or 7,747,700

Total | 766,192,500—or £30,647,700

In the issues of debentures, amounting altogether to 618,692,500—or £201,218,295, there had been a rebate of 201,218,295; so that the company only realized 417,474,205—or £16,698,968, which, added to the £5,900,000 of the called-up share capital, makes up £22,598,968, which represents the available net cash resources placed at the disposal of M. de Lesseps up to September 1884 inclusive.

In order to express a judgment as to the prospective condition of the company when the canal will be thrown open: supposing that the Chagres will offer no insurmountable difficulty, and that money will be forthcoming whenever M. de Lesseps asks for it—in short, that everything will run smoothly for him: we must first find what is the amount of work left undone in September 1884, and add its cost, together with the cost of finding the money and interest, administration, &c., to the above £30,647,700, less whatever he had in hand in that month.

In the beginning of it M. de Lesseps had raised altogether 572,500,000—or £32,900,000, of which he had still in cash £3,418,000, and therefore the total amount issued and spent, or disposed of, was £19,482,000. During the month M. de Lesseps issued his loan for £7,747,700, which added to that balance on hand, makes the total gross amount at his disposal at the end of September 1884, £11,165,700.
THE FINANCES OF THE COMPANY. 167

Now, in September of last year there were still to be disposed of no less than 116,905,420 cubic metres of excavations. The excavations hitherto done are among the easiest; and yet, in face of repeated promises of M. de Lesseps to have 2,000,000 cubic metres a month, the average for the first (and best) five months of this year (1885) has been 668,000 metres per month, or 8,000,000 a year. In the opinion of experts who have visited the isthmus, the company is now removing as much earth and rock as it will ever remove. M. de Lesseps has had all the money required, and he boasts that he finds easily any thousands of labourers he may require; in fact, he bewilders us with the large multitude of workmen he now employs. However, we will assume that the total excavation henceforth will be increased by 50 per cent. beyond its amount in the past.

Let it not be supposed that anything like that increase is to be expected. A year ago some wonderful increase had been promised—from 210,000 metres a month to 2,000,000 (see pages 122 and 123). We have just seen that the average in the first five months of 1885 has been only 668,000 a month, and from the table in page 126 our readers may see that the average for the five months April to August of last year (1884) was 654,472 metres; so that there has been hardly any increase in the work since last year.

However, we will assume that M. de Lesseps will be able for the future to take away the annual average of 12,000,000 metres, beginning from September 1884. As at that time there were 116,905,420 metres to be disposed of, it follows that there will be work for nine years and nine months, commencing from September last.

We will now calculate what will be the position of the
company at the end of that period of construction. Let us see how much the canal will have cost.

Raised and disposed of up to September 1884: £19,482,000
Cash on hand, same month: £3,418,000
Fresh loan, ditto (nominal): 7,747,700

Resources in Sept. 30, 1884: £11,165,700

EXPENSES TO FINISH THE CANAL:

(a) Excavations, £16,905,400 c.m. at even such low price as 5s. each: £29,221,355
(b) Other works: subsidiary channels, Chagres problem, improvements in Panama and Aspinwall, as low as: 8,000,000
(c) Interest on sums already raised in Sept. last, or £1,338,647 per annum for 9½ years: 13,051,866
(d) Administration in Paris and at the Isthmus, £320,000 a year: 3,120,000

The works, interest on sums already issued, and administration, will require £53,893,000 in cash. With the discount at which the debentures will be issued, that total will be raised to £72,400,000.

Carry forward: £72,875,161
THE FINANCES OF THE COMPANY.

Brought forward . . . . £72,875,161

OTHER EXPENSES:

e) Discounts, premium, and expenses of issuing new capital: say 40 per cent.
on £53,400,000, less the £5,900,000, the uncalled amount on shares, on
which there will be no discount, or 40 per cent.
on £47,500,000 . . . 19,000,000

(f) Interest and amortization on sums to be raised (£72,400,000), say 5½ per
cent. for four full years
on the whole sum . . . . . . . . . . 15,928,000

TOTAL GROSS COST OF THE CANAL £107,803,161

Contingent expenses in our calculation, £100,000,000
Gross sum still to be raised . . . . 77,155,461
Gross sum already raised . . . . 30,647,700

Let us see now what will be the financial outlook of
the company. And here we have first to consider the
expected traffic of the canal.

The Paris Congress took as the basis 6,000,000 tons,
but it seems to us that there is exaggeration in that
estimate. Here is an instance of it.

At the Congress of 1879, Admiral Ammen, U.S.N.,
presented a paper (prepared by the Bureau of Statistics
of Washington) showing that the movement between
the Atlantic and Pacific coasts of the United States, and
the commerce of the latter country with all nations or colonies in the Pacific comprised 971,455 tons only, whereas Mr. Szarvady at the same time was "demonstrating" that there were 3,443,000 tons, which number M. Levasseur consented to lower to 2,000,000 by a process of figuring which is only too analogous to that of all the figuring of this Panama Canal business.

In order to show how curiously these figures were handled it is enough to mention the fact that M. Levassieur, the reporter of the committee on statistics, gravely said (Compte Rendu, page 78) that "M. Mendes Leal (the Portuguese Minister in Paris), an exposant la situation commercial du Brésil a témoigné de l'intérêt que le grand Empire de l'Amérique du Sud avait aussi au percement de l'isthme." Now, Senhor Mendes Leal, whose exposé is published alongside, does not say any such nonsense; for Brazil, indeed, has no interest whatever in the canal; on the contrary, her interest is the other way. Vessels going to the west coast of South America and to the Cape of Good Hope now pass by Brazil; henceforth they will not. Brazil has no direct trade with Australia, and has hardly any with California.

In the second place the number of tons is not so important to our purpose as the reasonableness or unreasonableness of the dues. At the Congress of 1879, M. Gauthist, Secretary of the Society of Commercial Geography, brought to its notice that while a ship of 4,500 tons would pay only 45,000f. to pass the Suez Canal, she would be required to pay 120,000f. according to the tariff proposed by M. Wyse and Colombia,—nearly three times as much.

Now, can the Panama Company maintain that high tariff and attract the 3,000,000 or 6,000,000 tons, as the case may be? Every one is aware of the extreme com-
petition in prices of all leading products, and there are products, such as the guano, the phosphates and nitrates, and the copper of Peru and Chile, that are stated by eminent authorities not to be able to bear the 15s. tonnage by the canal. They are goods that may as well be transported in sailing vessels.

And we must not forget that the Panama Company is placing too exaggerated a reliance on the growth of California, so far as business by the canal is concerned. The official publications speak of the growth of California as if the exports from that State were entirely dependent on water transportation.

M. de Lesseps forgets, so far as the United States are concerned, that there are numerous lines of railway competing with each other and carrying goods from the West to the Atlantic coast at ridiculously low rates, and, as Mr. Edward Atkinson has just shown in his latest publication, the tendency is towards a still further reduction in the tariffs.

However, allowing 5,000,000 tons for the business of the canal, and admitting the high price of 12s. per ton, as it has been proposed, the company would have an annual revenue of £3,000,000. Let us see now what charges will have to be deducted:—

\[
\begin{align*}
5\frac{1}{2} \text{ per cent. on } & 107,903,000 \text{ for interest and amortization} & \quad \text{£5,934,000} \\
\text{Running expenses, say} & & \quad 400,000 \\
\text{Revenue} & & \quad \text{£6,334,000} \\
\text{Annual deficit} & & \quad \text{£3,334,000}
\end{align*}
\]

Even 10,000,000 tons would not pay expenses and the fixed charges on the capital, with shares and debentures
That seems to us to be the best possible showing for M. de Lesseps, and that is, we once more repeat, assuming that the difficulties of holding the Chagres at the height, during great freshets, of 100 feet above the canal, do not prove to be, as stated by impartial experts, truly insurmountable; for we really think that the annual deficiency of £3,300,000 is not so important as the Chagres, which may in twenty-four hours destroy nearly all the work of the canal, or, at the very best, may require a tremendous annual outlay in dredging the canal from the detritus brought by it with the force of a tropical torrent.

Such, we think, is the financial outlook of the Panama Canal Company. Is it pleasant to contemplate?