

Friday, Mar. 7

PETER SMITH DENIES ONTARIO WAS MILKED BY "BLIND" COMPANY

**Has "Nothing to Hide"
and Welcomes Probe —
Admits Provincial Securities
Company Got Higher
Prices Than Others —
Purchased From Dozens
of People**

DECIDED TO BUY IN \$25,000,000 ISSUE

Hon. Peter Smith, former Provincial Treasurer, declares he has "nothing to hide," and is prepared to come before the Public Accounts Committee of the Legislature and defend himself against the charge of his successor that the Province of Ontario was "milked" by a "blind bond company" during the Drury regime.

Mr. Smith returned to his home in Stratford last night, and was interviewed by long-distance telephone with reference to the charge of Hon. W. H. Price, K.C., Provincial Treasurer, that the Province lost thousands of dollars as a result of the policy pursued by Mr. Smith in connection with the purchase of succession-duty-free bonds.

"The charges of Mr. Price are very vague," declared Mr. Smith. "The Hearst Government issued all the bonds that were succession-duty-free. We decided to buy them in, and set a maximum price that we said we would pay for these bonds. Our way of figuring was this—and I have backing for this statement—the bonds were worth more to us than they were to anybody else."

Got Highest Price.

"I would not say that we paid as much to anybody else as we paid to the Provincial Securities Company. But we bought from dozens and dozens of people. The Bank of Montreal were buying in a certain proportion each year as a sinking fund. Other people had agents in London buying up these bonds. That is what caused the increase in price—the competition to get hold of them."

"What was the total issue of these bonds?"

"Offhand, I think it was \$25,000,000. Some of them expired in 1965, and the others in 1947. The long-term bonds, of course, were worth more than the short-term bonds."

Mr. Smith said that every transaction in connection with the bond was set forth in the public accounts.

Cabinet Was Ignorant.

Former Premier Drury, Hon. Manning Doherty, present Leader of the United Farmers in the Legislature, and other former members of the Drury Cabinet now in the House declared yesterday that they never heard of the Provincial Securities Company, a concern which Provincial Treasurer Price characterized as "a blind bond house which milked the Drury Government."

Premier Drury, Hon. W. E. Raney, Hon. Manning Doherty and the others, while admitting that the

principle of purchasing succession-duty-free bonds had been approved by the Drury Cabinet as a whole, stated that the details had been left to Hon. Peter Smith.

Ex-Premier Drury stated that he knew absolutely nothing of the details. Nor can his colleagues throw any light upon the question.

The whole matter is to be thoroughly probed by the Public Accounts Committee, before which the former U.F.O. Cabinet Ministers will be asked to appear for examination.

The Charges of Mr. Price.

The following is the statement of the Provincial Treasurer, made in the Legislature, which will be made the subject of inquiry:

"A friend of mine drew my attention to this outstanding case, namely, that in an estate in which his sister was a beneficiary there was held \$20,000 of 3½ per cent. Province of Ontario bonds, due in 1936. The trust company who were executors and trustees advised the sale of these bonds at 93, stating at the time that the Government would not pay more."

"Upon investigation in the department, I found that on May 5 these bonds were sold by the trust company to the Provincial Securities Company, who, within a few days, turned them over to the Province at par."

"This seemed to me to be a very serious condition—that a widow, who was a beneficiary of an estate could not get, through the trust company, a better price than 93."

Could Not Locate Company.

"Upon investigation to find out who composed the Provincial Securities Company, it was ascertained that they were not a limited company, nor were they a registered partnership. Their name did not appear in the telephone book, and their address was supposed to be '106 Mail Building,' but there is no record there of any premises having been rented them. Letters were sent there to them, but most of the cheques for the business they did for the department were delivered to their representatives personally in the Parliament Buildings, or sent direct to their bank for deposit."

"Investigation shows that the first business of this concern was done with the Government on Feb. 11, 1921; that Orders-in-Council were passed on Feb. 10 accepting their offer to do business with the Government, and purchasing at that time £50,600 of 4 and 4½ per cent. Inscribed Stock."

"Their letter to the Provincial Treasurer shows no printed letter-head, but is typewritten. I have it here in my hand. This company was evidently organized for the purpose of dealing in these securities. The letter was signed by Charles Snyder. This company continued to do business with the Government for some considerable time."

"Upon going through the papers carefully, and looking at the cheques endorsed by the company, it is found that Mr. George R. Harris signed for Charles Snyder under power of attorney, and quite often signed as having received the cheques personally at the Parliament Buildings."

Members of Another Firm.

"Investigation shows that Harris was a member of the firm of Browning, Harris & Northey, and that his firm were also at that time selling securities to the Government—all of this selling being done at a very high rate, costing the Province on Canadian bonds over \$10 per share on each share purchased, and often \$25 to \$30 per share on the English Inscribed Stock."

"It will be interesting for the House to know that Mr. Harris is a son-in-law of Mr. Arthur G. Browning, formerly Deputy Attorney-General of the Province of Alberta, and a gentleman very much in the good graces of the ex-Attorney-General, because he had him appointed to some lucrative position in the Attorney-General's Department about the time the late Government went to the country, and he had to be relieved of his position when this Government came in."

"We have heard of 'blind pigs,' and we have heard the word 'fence' used to indicate where shady transactions can take place with a more or less degree of safety, but it has remained for the late Government apparently to countenance a 'blind bond house' for the purpose of dealing in securities of the Province at a most disadvantageous price to the country."

Provincial Treasurer Price went on to contrast what the Province had actually paid for bonds bought through this company with what it might have purchased them for, the facts showing, he said, that the Province had paid from 10 to 15 points too much.

Mr. Raney and Mr. Browning.

Rising in the Legislature yesterday, Hon. W. E. Raney took notice of the Provincial Treasurer's references the previous day to Mr. Raney's appointment of A. G. Browning as special legal adviser to the late Attorney-General on the O.T.A. Mr. Raney expressed his resentment of Mr. Price's statement.

After he had left the House the day before, declared Mr. Raney, Mr. Price had seen fit to connect his (Mr. Raney's) name with some animadversion. In some manner he was being held culpable because of his alleged association with Mr. Browning.

"It is unfair to Mr. Browning," he said, "and untrue so far as I am concerned."

Instantly Mr. Price rose and demanded, through the Speaker, an unqualified withdrawal.

A rapid cross-fire of words between the Government and Opposition benches followed, and finally, after the Speaker had ruled against Mr. Raney's alleged imputation, Mr. Raney declared that he had had no intention of imputing an untruth, but, "under compulsion of your ruling, I will leave the matter as it was before the statement was made."

He knew nothing of Mr. Browning except by repute, he declared. Mr. Browning came to his notice as a man well acquainted with the enforcement of the Temperance Act, and accepted the offer of the then Ontario Government only with great reluctance. After the new Government came into power it had seen fit to withdraw the correspondence and cancel the appointment.