

Saturday - March - 23rd.

# GOVERNMENT DENIES USING HYDRO REFUND TO TIDE OVER DEFICIT

## Detailed Statement Given to Public Accounts Committee

Opposition suggestion that the \$2,108,170.08 which the Ontario Hydro-Electric Power Commission refunded to the Government on October 26, 1928, may have been paid back for the express purpose of tiding the Treasury over a deficit for the fiscal year ending five days later was firmly denied before the Public Accounts Committee of the Ontario Legislature yesterday by W. W. Pope, Secretary of the Commission, and by Hon. William Finlayson, Minister of Lands and Forests, who is representing the Ferguson Ministry on the committee.

The sum in question represents the expenditures (plus interest) which the Government made on surveys and other preliminary work in connection with the Hydro enterprise prior to 1925. According to Mr. Pope the matter has been one of long standing and for several years both Government and Commission have been negotiating for settlement. While at no time was there any dispute between the two as to the amount of the moneys advanced, there had been some differences as to how it should be re-allocated, and the actual agreement on the refund was not settled until October 26.

Mr. Finlayson stated that as early as last summer the Government had known what was to be repaid, and, in answer to a question of Hon. Harry C. Nixon, Progressive, Brant County, admitted that it would not have spent the sum had it not realized it was to be forthcoming. In any event, glibed Mr. Nixon, it was a lucky "break" for the Treasury that it arrived when it did.

Mr. Pope appeared before the committee, on summons, for the purpose of

testifying regarding the \$2,108,170 refund. From him the committee accepted a detailed statement of the situation, which Liberal Leader William E. N. Sinclair, who called the inquiry, will have the privilege of studying in its entirety before he resumes examination of the witness on Wednesday next. This statement of the Hydro Commission Secretary follows:

"I would like to say that to attempt to allocate and produce the books, cheques, vouchers and documents to fully conform to the requirements of the committee would mean the examination of records covering a period of seventeen years, many of which have been placed in storage, and I question if such could be completed before the end of the present session.

### Expected by Beck.

"I take it that the desire of the committee is to obtain some details in respect of this payment, and I have concluded to bring forward the attached statements which show the purpose for which the money was expended. I would like to point out that since 1925 the Commission has taken care of services (such as those embodied in the repayment) for which formerly the Province was providing the funds. From my long association with the Commission, and the late Chairman, I know that he fully expected that the Provincial moneys used for the purpose of the establishment and for the ultimate benefit of the power systems would eventually be paid.

"Following the receipt of a statement from the Government summarizing the expenditures made by the Province on account of the Commission's activities over the period from 1909 to 1925, inclusive, the Commission gave instructions that the Government's statement be checked for the purpose of ascertaining what expenditures represented therein were incidental to the establishment and for the ultimate benefit of the power properties.

"A careful analysis of the expenditures represented by this statement showed that there were certain expenditures incidental to the establishment and for the ultimate benefit for the

power properties. Out of the total sum submitted by the Government amounting to \$2,203,344.82 it was found that the sum of \$1,312,316.32 was expended in connection with the power systems and was for the establishment and ultimate benefit thereof. This sum, together with interest calculated at the rate of 5 1-2 per cent. per annum (simple interest), amounting to \$810,853.76, was paid to the Province in full settlement of all claims in respect of advances other than those relating to

capital accounts. The total payment therefor amounted to \$2,123,170.08.

### Extinguishing Debt.

"The amount referred to in the Public Accounts is \$15,000.00 less than this sum. This is accounted for by the fact that the Government has applied \$15,000.00 of this payment in extinguishing the debt of the Hydro Commission to the Province for moneys advanced under special warrant dated July 20, 1927, for surveys on the Mississauga, French and Montreal Rivers.

"Since the first of the fiscal year, 1926, the Commission has not found it necessary to make application for Government assistance in meeting expenditures of a nature similar to those comprised in the repayment, but have absorbed all such in current operations. This plan was adopted and will in future be followed now that the power systems are fully established and are financially able to defray such expenses.

"With the repayment of this sum the Commission has definitely removed a contingent liability and placed itself in the position of having provided all of the funds required in the establishment and for the ultimate benefit of the power systems since the inception of the Hydro movement."

### Summary of Amounts.

Mr. Pope's summary of the amounts paid by the Province which were expended on Hydro development and extensions "to the ultimate benefit of the power systems and municipalities comprised therein" is appended:

Year.	Commission to Pay.	Interest to Oct. 31, 1928.
1909	\$ 32,024.07	\$ 33,465.15
1910	42,107.75	41,686.67
1911	76,339.70	71,377.62
1912	152,975.14	134,618.12
1913	105,142.54	86,742.59
1914	107,371.27	82,675.88
1915	118,066.16	84,417.30
1916	22,362.70	14,759.38
1917	15,102.11	9,136.77
1918	66,664.18	36,665.30
1919	107,975.79	53,448.01
1920	188,151.69	82,786.74
1921	114,600.55	44,121.21
1922	83,652.50	27,605.32
1923	41,153.23	11,317.15
1924	53,581.10	11,787.84
1925	15,250.01	2,516.25
	\$1,312,316.32	\$810,853.76
Total,	\$2,123,170.08.	

### Expenditure 1905-1925.

Summary of expenditures for the Commission from 1905 until 1925. It is as follows:

Engineering assistance to municipalities, \$442,200.13; hydrographic surveys, etc., \$709,071.15; audit, administration, salaries, etc., \$247,570.98; preliminary surveys, \$3,802.10; standardizing municipal equipment, \$3,910.86; engineering assistance, Department of Public Works, \$2,710.23; reports on overhead and underground construction for municipalities, \$23,760.85; rules and regulations for installation of systems, \$27,254.54; farm demonstrations, \$155,860.40; shop and development work, \$12,849.18; illuminating engineering investigations, etc., \$4,492.54; engineering investigations, surveys and reports, Water Power Regulation Act, 1916, \$34,953.75; data, statistics, surveying, etc., re construction Municipal Electric Railway, \$211,486.13; municipal estimates, power supply, etc., \$18,040.88; electrical inspection, expenses, etc., \$376,395.56; data and statistics for annual report, \$5,120.67; legal expenses \$1,750; expended for power investigation, surveys and reports on electrical inspection, \$24,086.20; interest on expenditures, \$5,810.37; total, \$2,311,126.52.

R. H. Kemp, Progressive member for Lincoln, asked before the committee if the money advanced by the Province had been carried from year to year in the public accounts as an asset, and Mr. Finlayson stated he did not think so, because the exact amount had not been "ascertainable."

# FRAUDS BILL SCORED BY LIBERAL LEADER AS "MERE GESTURE"

## Says "Brokers' Audits" Will Create Sense of False Security

## SAFEGUARD, SAYS PREMIER

Second reading, in the Legislature yesterday, of Attorney-General Price's Security Frauds Prevention Act amendment, which provides for, among other things, the establishment of "Brokers' audits" on the Standard and Toronto Stock Exchanges, furnished Liberal Leader William E. N. Sinclair and Premier G. Howard Ferguson with an opportunity to air their views regarding the question of protection for the "gullible public."

Mr. Sinclair denounced Colonel Price's bill as a "mere gesture," that would create a feeling of false security in the minds of the investor. Premier Ferguson admitted that the measure was not "absolute protection" but claimed that it went a long way in safe-guarding the public interests. No law, he maintained, could be devised that would guarantee an investor against loss.

### To Prevent "Collusion."

The Liberal Leader contended that the audits of the brokerage firms contemplated should be conducted by the Province at stated intervals as well as random ones and should be conducted in an independent way so as to prevent possibility of any "collusion" between them and the brokers. "What this Legislature should try to do," he stated, "is to give absolute security for the public's investments." His observation that many people did not consider stock-dabbling gambling, but, rather, investing, was met with a long-drawn "humph!" from the Government benches. Brokers should be compelled, he claimed to carry on their business as efficiently and honestly as bankers carry on their businesses.

All that the bill before the House would accomplish, he maintained, was to lead the people to believe that they were protected when they were not.

All that Premier Ferguson believed the Legislature could do was to give "fair protection and insist upon honest dealing." The legislation in question was the result of many months of study by the Attorney-General, officials of his department, and big business men in the brokerage world. He was not in favor of Government audit.

"Just think what would happen," he said.

"Yes, just think what would happen," observed the Liberal Leader.

### Seen as Guarantee.

The Prime Minister went on to say that if a Government audit was made of a firm, the audit would be interpreted by the buying public as a Provincial guarantee of the reliability of the firm and the stock in which it was transacting, and if anything were to go wrong, later, the public would come to the Government and insist upon it making good any loss that might have been incurred.

"Oh, no," put in Mr. Sinclair.

"Oh, yes," said Mr. Ferguson.

While the Government should insist on "fair dealing" at all times, it was not its duty, the Prime Minister argued, to step in and run brokers' businesses for them.