

"The Provincial Secretary attempted to prove to this House that the cost of certain services rendered had decreased, in some cases 25 per cent., in 1932 as compared to 1923.

"But let us make one comparison in the real money of Ontario, namely 'wheat.' In 1923, when the member for Brant was Provincial Secretary, it required five carloads of wheat to pay for his services as Minister and member of this Legislature. But in 1932, it required thirty carloads to pay for the services of the present Minister, or an increase of 500 per cent. His 25 per cent. reduction looks rather small in comparison."

Deals With Hydro Problems.

The Liberal Party is a firm believer in Hydro, but believes it should be handled in the interests of the public, declared Mr. Elliott, in opening his lengthy reference to the enterprise. He said:

"Whenever any member on this side of the House mentions Hydro, we are apt to be at once accused of being opposed to public ownership; or some of the Government supporters, like the member for Hamilton, will say: 'We have been "approached," as he was, by the "big interests."' Well, he must be more approachable than we on this side, for I can assure him that we have not been 'approached' by anybody; that we are firm believers in public ownership, but that it should be handled in the interest of the public, without any attempt to misrepresent conditions.

"Also, I would like to assure the

members of this House of the source of the information which I will endeavor to present this afternoon. All the facts and figures which I may present to this House today pertaining to the Hydro situation I have secured from the twenty-fourth annual report of the Hydro-Electric Power Commission, and answers received on the floor of the House from the Chairman of the Hydro Commission. I think our friends opposite will consider this is a reliable source.

Hydro's Financial Position.

"We wish for a few minutes to consider the financial position of the Hydro-Electric Power Commission. We note in the Speech from the Throne that the reserves of the Commission amount to \$62,500,000, and the Premier says over \$65,000,000 now, but fail to find, in the latest report available, anything near this amount than can properly be classed as reserves. The assets of the Commission may be divided readily into two classes:

"First, the undertaking of the Commission. (This would include power plants, transmission systems, inventories, office buildings, etc.)

"Second, the investments in securities and the cash on hand.

"Now, looking over the twenty-fourth annual report of the Commission, we find (pages 148 and 150) a list of the undertakings and we notice a rather high value placed on some of these. As an example: Dominion Power and Transmission Company, \$21,489,434.83.

Chats Falls Development.

"Chats Falls Development expenditures to date, \$4,835,702.51. Now, I think, every member of the House will agree with me that even if full value was received for every dollar spent in this work, it is not worth that sum today, as at present scale of cost it would be replaced at least 25 per cent. below the cost when the work was performed, and surely replacement cost is the limit of valuation.

"And so we go on down the list. Thunder Bay system, Georgian Bay system, office buildings and inventories. Now we come to the last item on page 150, which is the first asset which may be included in reserves. Invested in securities of the Province, \$2,113,692.30. Then turning to page 152, the first item we have is insurance funds, \$889,865.74, but on the next page (page 153, item 5) we find a liability of \$924,991.56, showing a shortage in this fund of over \$35,000. The next item (page 152) staff pensions fund, \$2,451,938.84, but again on page 153 we find a liability to this fund of \$2,513,803.20, a shortage of nearly \$62,000.

Reserve Funds.

"Now we come to the reserve funds, which are shown as \$34,308,671.47, and on the same page some other securities which may or may not be an asset, and certain cash on hand. Included in these reserves are municipal debentures valued at \$993,633.99. How much these should be discounted no one knows, but I suggest they would be very heavily discounted if a proper valuation were made. This far, including the securities just mentioned, we have assets (after deducting deficit in insurance and pension funds) of \$37,061,746.75.

"Then on page 154 we have assets composed of balances due by municipalities, rural loans, etc., of \$4,105,884.45; and on page 153, balances due to municipalities, \$1,539,989.17; leaving a balance of \$2,565,895.28.

"Now we claim these items should not be included in reserves as undoubtedly much of this indebtedness is due by municipalities unable to pay, but we are willing to give the benefit of this doubt, and we now have \$39,627,642.03, and this amount includes every dollar of the assets of the Hydro-Electric Power Commission which can, in any way, be classed as reserves. Less than forty millions instead of the sixty-two and one-half millions claimed.

Declares Minister Evasive.

"But near the front of this book (page 12) we find this item: Municipal Sinking Fund equity in Hydro-Electric Power Commission System, \$20,103,275.76, leaving only \$19,524,366.27 as the actual reserves of the Hydro-Electric Power Commission of Ontario. Now a couple of weeks ago we asked the question as to whether these reserves were included in the sixty-two and one-half millions claimed. Either "Yes" or "No" would have answered the question, but the Minister talked several minutes trying to answer, and I doubt if half a dozen members of the House or of the visitors in the gallery were any wiser when he finished. But even if we do not deduct this amount, we have less than forty millions of reserves instead of sixty-two millions. Or even if we add in the insurance and staff pension funds, which are not properly reserves, we have less than forty-three millions.

"Now the only way by which it can be made to appear that the reserves amount to \$62,000,000 claimed, is to add in these items:

"Employed to make repayments to the Province of Ontario under the terms of the Power Commission Act, \$12,450,495.97; employed in retirement of bonds issued or assumed by the Commission and guaranteed by the Province of Ontario, \$6,476,787.14; some of this may have been paid twenty years or more ago.

"But note that these items are not extended in the report as assets, although included in the reserves. The reason for this is very simple. The auditors would not have certified to the accounts had these items been included as assets.

Hon. J. R. Cooke Replies.

Here Hon. J. R. Cooke, Hydro Chairman, interjected: "Did I understand the honorable gentleman to say that there was not over \$40,000,000 in the Hydro reserves?"

Mr. Elliott—Yes.

Mr. Cooke then attempted to read his answer, previously given to the House, detailing the reserves, and after drawing from Mr. Elliott the admission that he would include sinking fund earnings in the reserves, stated that his admission alone would bring the figure up to \$52,000,000.

"I am quite sure," said Mr. Cooke, "the honorable member has no desire to mislead the House, but he has made a statement here which I cannot let go unanswered."

To this Mr. Elliott replied that he was using the Hydro report as the basis of his argument, and if it were wrong, surely he could not be blamed. Mr. Cooke replied: "They (the reserves) are actually real and in bonds."

Mr. Elliott (referring to equities included)—They cannot be classed as a reserve unless they are assets.

Called to Order.

Mr. Cooke continued to argue the point, and was finally called to order by Speaker Kidd, and Mr. Elliott proceeded to read an article in The Globe on Hydro reserves, where Mr. Cooke was quoted as saying that the equity in certain properties was included in the reserves.

Mr. Cooke again interrupted to say: "Does not the honorable member know that an equity cannot be invested until the end of the sinking fund period, and is, therefore, rightly a surplus in the meantime?"

"The fact is," Mr. Elliott continued, "that the \$62,000,000 reserve is the difference between the value placed on the assets of the Commission and the liabilities."

He analyzed the electric radial items included in the assets. The Guelph line was included at \$510,870; the

Sandwich, Windsor & Amherstburg at \$5,878,044; Port Credit to St. Catharines at \$534,143; and the Toronto to Port Credit line at \$913,837.

"Does any Essex member suggest that that valuation is too low?" asked Mr. Elliott, of the Sandwich line. The member was quite critical of the claimed assets in connection with the Port Credit-St. Catharines line. He pointed out that \$343,748 was included in the amount, and that the balance was for construction material purchased less the price received on resale.

"This leaves a right of way that has cost \$72,885, and which is not worth one-half that sum today, as the only asset of value in the whole \$534,143 entered in the report, or less than 14 per cent.," declared the speaker.

Liability Guaranteed.

He claimed that, while the assets of this line are of doubtful value, the liabilities were real. "The Bank of Montreal had advanced \$500,000, secured by the hypothecation of \$1,200,000 of Hydro radial debentures guaranteed by the Province of Ontario," he said.

"The 'liability' guaranteed by the Province—and the 'assets' a right of way purchased fifteen years ago for a railway that has never been, or never will be, built," Mr. Elliott observed.

In a review of highway financing, the Liberal financial critic declared that the highway sinking fund was only imaginary. He declared that "not one dollar of the gasoline tax had ever been expended to construct a road in the Province of Ontario," and charged the Government with misapplying the funds and using them in other services, against the regulation laid down in the Municipal Act.

He asked the Government for an explanation of the estimate for the current year of \$17,135,000 for interest on public debt, and claimed it was more than would be required to meet present obligations.

Attorney-General Price answered to the effect that the difference was to take care of future borrowings.

Commission Government.

Advocating a Commission form of government for a period of ten years, manned by members chosen for their ability rather than because of party affiliations, S. C. Tweed (Liberal, Waterloo North), participating in the Budget debate, stated that such a system would enable Ontario to overcome its present difficulties more rapidly. He scored the Government for having abandoned the debt-retirement plan, and again urged a charity tax upon meals costing more than a certain amount, and an extra tax on hard liquor.

Mr. Tweed also declared that the Government's estimate of the amount required for the year on account of exchange was not sufficient, being some \$668,000 too low if the exchange rate averaged 15 per cent. At this point, Hon. W. H. Price, Attorney-General, interrupted to explain that the Treasury had received the best advice possible on this, and the experts considered that the exchange rate would go down.