

Roebuck Raps T. J. Hannigan And Simpson

Scores Municipal Underwriters in Hydro Report

BILLS ARE LISTED

Charges of gross misuse of funds of the Ontario Hydro Commission were hurled across the Legislative Chamber yesterday by Attorney-General Arthur W. Roebuck when he resumed his searching address into the affairs of Hydro.

The Attorney-General said that Commission funds, to the extent of \$500, were used to finance a radio address delivered on June 16 last by James Simpson on the subject: "A Challenge to the Enemies of Hydro."

T. J. Hannigan, Guelph, was named by the Attorney-General as Secretary of the O.M.E.A., the Hydro-Electric Railway Association and director of the Municipal Underwriters, Limited. Hannigan and his two associations, Mr. Roebuck claimed, received the sum of \$40,290 out of Hydro funds from 1917 to 1923, and of this sum Hannigan had received \$18,416 as "salary."

Regarding Northern Ontario, the Attorney-General said that he would not deal with the story of the Abitibi development, and "the financial operation of its promoters." He would content himself with a presentation of its financial position.

He explained that the set-up of the Northern Ontario properties was totally different from that of all the other systems under the Commission's management. In the other systems, the plants were vested in the Hydro-Electric Power Commission and operated at cost for the purpose of supplying electrical energy to direct customers and to municipal systems. However, in Northern Ontario the properties were owned and operated by the Government, which was responsible for its possible losses.

The district included an area of 330,000 square miles, with a population of 210,000 people. The area was divided into six districts for distribution purposes, with nine generating stations with a capacity of 136,300 horsepower. Only 500 horsepower was purchased.

The revenue last year was \$1,238,311. The five properties other than the Abitibi, included in the Northern Ontario System, showed a revenue, as Oct. 31, 1934, of \$675,761.69, and a total expense of \$534,955.55; and a profit of \$120,806.14. This, he felt, was a very creditable showing.

Municipal Underwriters.

The speaker then recalled how, prior to 1923, the placing of the insurance of the Commission was handled by Mr. Littlejohn, an officer of the Commission. On legal advice, on Feb. 12, 1923, there was incorporated a company known as the Municipal Underwriters, Limited, with an authorized capital of \$40,000.

"The necessity for a company," said Mr. Roebuck, "arose out of a provision in the Criminal Code making it illegal for an insurance company or its agent to rebate any part of an insurance premium to the assured 'as an inducement to insure.' Whether such a device successfully evades the intention of the law need not be discussed, but at any rate the very purpose of the arrangement was to retain the money as Hydro funds for the purposes of the Hydro Act. It was Hydro money.

"Mr. I. B. Lucas made a report to the Commission dated April 30, 1923, in which he said:

"The Municipal Underwriters to hold the net profits derived by the business obtained by it from the Hydro in trust, to dispose of the same in any way that it could be lawfully disposed of, and while under the law it cannot be paid over to the Hydro Commission it could be used directly for the benefit of the municipalities which the Commission represent."

"There is in the files of the Commission a draft agreement between Municipal Underwriters, Limited and the Hydro-Electric Power Commission, one clause of which reads as follows:

"The said company will stand seized and possessed of the net profits from any business obtained by it from the Commission in trust for the Commission, and will dispose of such profits in such lawful manner as the Commission may direct."

Charges Illegality.

"On Sept. 12, 1923, the Commission retained Mr. I. B. Lucas as Solicitor in charge of the Legal Department at a salary of \$750 per month and placed the insurance business under the Legal Department. Such was the set-up. That it was illegal is quite clear, for it violated in spirit the provision against rebating, and to the letter of the provision against one company agents. The legal position was protested by the Superintendent of Insurance to the Attorney-General, and Mr. Price directed the license to issue.

"At no time was the paid-up capital of this company more than \$90 in all, yet between the years 1923 and 1934 it received from the Hydro the sum of \$1,347,459.78, out of which it retained as commission, rebate, or whatever it was, the sum of \$151,781.54.

"What is interesting now is what was done with the money, as an interesting side-light on the general morality of the people with whom we have to deal—the type of thinking going on, and as a prelude to more pertinent matters.

"How were the monies disbursed? They were paid out at first on the recommendation of the Commission itself, but later on the suggestion of Mr. I. B. Lucas, K.C., and of Mr. Gaby the Chief Engineer.

"On Sept. 11, 1923, Mr. Gaby approved of an account of T. J. Hannigan for certain unitemized expenditures said to have been incurred in presenting by-laws" in the municipalities of Grantham, Louth, Thorold, Fonthill, Hamilton, Burlington, St. Catharines, Grimsby, West Flamboro, Nelson and Clinton.

"Political Manipulator.

"Hannigan was the political manipulator of those in charge of Commission affairs, as is indicated by his letter to Mr. Gaby, dated Feb. 14, 1924, in the first paragraph of which he says:

"When in March last year I suggested stepping aside from the Hydro movement you insisted that I stay, and I stayed and continued operation, did what I could during the election campaign to get rid of the Drury Government as enemies of Hydro."

"Hannigan was Secretary of the Hydro-Electric Railway Association, Secretary of the Ontario Municipal

Electric Association, and Director of the Municipal Underwriters, Limited.

"Not only had Mr. Hannigan 'done his best,' but under his guidance so had the associations of which he was Secretary. From 1917 to 1923, he and his two associations had received directly out of Hydro funds by vote of the Commission the sum of \$40,290.77. Of this sum Hannigan had received \$18,416.77 as 'salary,' and the Hydro Radial Association and the Ontario Municipal Association had received \$18,796.50 for 'expenses.' The sum of \$3,077.50 were advances or loans out of Hydro funds, \$1,000 in 1917 preceding the general election of 1919 and \$2,077.50 in 1922 to Hannigan personally preceding the general election of 1923 in which Mr. Hannigan 'did his best.'

"Under these circumstances one is not surprised at finding on the files a letter to the Hydro-Electric Power Commission of Ontario from Mr. Hannigan, in which concern is expressed at the inadequacy of the salaries paid to the Commissioners and their chief executives. Mr. Hannigan says:

"At the annual meeting of the Municipal Electric Association, held in Kitchener May 1 and 2, 1924, it was recommended in the report of the Executive Committee and adopted unanimously, that in view of the investment of two hundred and fifty millions of dollars in the Hydro System by the municipalities of Ontario that the powers-that-be should see that the members of the Hydro Commission and the executive heads of the Departments are given adequate remuneration for their services."

"But \$6,000 per year could hardly be considered enough for a man who had done his 'political best' and for such compliant association as he represented. It seems that the Commission had during the years 1917 and 1932 advanced Mr. Hannigan, out of the funds of the Commission, the sum of \$3,077.50, and as an offset Mr. Hannigan presented an expense account of the Ontario Municipal Electric Association and the Hydro Radial Association for \$6,398.65 for services rendered between 1921 and 1923.

"The matter of this account was brought to the attention of Mr. Lucas by Mr. Pierdon, the accountant of the Commission, in a memorandum dated Dec. 19, 1924, which reads as follows:

"The question arises as to the best method of clearing off the expenses which are attached hereto. I have a very strong feeling that the Commission should not pay these by cheque and have the expenses reflected in its accounts, and therefore I would be very glad if you will consider the matter and let us take it up with Mr. Gaby without delay, so that we can take care of these expenses in some fashion and arrange for the return of the Commission's advances."

"On May 4, 1925, Mr. Pierdon made a further memorandum to the Commission, in which he suggested that the account for the moneys advanced by the Commission to Mr. Hannigan be liquidated by a payment of \$3,077.50 to Mr. Hannigan on account of his bill of expenses incurred in work allegedly done for the Commission.

Text of Letter.

"Accordingly, the Commission wrote the Municipal Underwriters under date of May 6, 1925, authorizing the payment of \$3,077.50 to Mr. Hannigan.

"Mr. Hannigan responded by writing his cheque to the Commission for the same amount, thus conveniently removing from the books a troublesome charge of moneys advanced to a private individual for purposes far separated from the objects for which the Commission had been incorporated.

"Having satisfied Mr. Hannigan's financial requirements, the Commission or its members proceeded to dispose of the balance of the funds. Two thousand five hundred dollars is awarded in the minutes of the Commission of March 31, 1926, to the Beck Memorial Endowment. On Dec. 14, 1926, A. H. Selby, Acting Secretary of the Municipal Underwriters Limited, wrote to the Commission that the Ontario Municipal Association had requested a grant of \$2,500 to meet obligations the 'details of which the writer has no knowledge,' and the grant was made. On Dec. 3, 1930, the Ontario Municipal Electric Association asked and received a further \$1,000.

"As the election of 1934 approached, the attention of those in control of the funds of Municipal Underwriters Limited, turned to political propaganda. The minutes of the Commission record communications from Canadian Labor Press, Toronto; Labor Leader, Toronto, and Labor