

Hydro's Savings Go to Consumers In Lower Rates

Faced With Suggestion of Plunging East in Darkness, Government Bought Frequency Changer

'A HITTING POSITION'

PROCLAIMING anew Hydro's "Back to Niagara" and "Freedom From Power Barons" policies, Attorney-General Arthur W. Roebuck in the Legislature last night announced that annual saving of more than \$6,000,000 effected by the rewriting of two of the contracts would be passed on to consumers in the form of "substantial" Hydro rate reductions in the very near future.

Threats of Reprisals.

For the first time he revealed the reason for the delay in the cancellation of what he repeatedly termed the "nefarious" power contracts—the delay was dictated by "threats of reprisals which we received from certain persons in the Province of Quebec—should we dare to interfere with the stranglehold of the eastern generating companies and in the fact that in the eastern system we were at that time vulnerable."

The threats, he alleged, were twofold—first, a reported statement by Aime Geoffrion on May 9, 1935, "in which that gentleman publicly states the threat which this Government had already received on a number of previous occasions from other sources which it is not my privilege to disclose."

Mr. Geoffrion, director and legal adviser for the Beauharnois Corporation, was quoted as saying in May last: "Premier Taschereau will probably take a very definite stand for a continuance of the present agreements in modified form or no power at all from Quebec. That may seem a very unneighborly attitude, because if Quebec power is shut off all Ottawa and most of Eastern Ontario will be plunged into darkness and in many cities the wheels of industries will be stalled."

That statement, Mr. Roebuck reiterated, had been received "in still more emphatic terms from sources which could not be disregarded."

Shut Off Credit.

The alleged threat number two he saw in a despatch from Ottawa of April 4, 1935. It was that Ottawa "saw no problem in Premier Hepburn's query, 'What are they going to invoke to make us pay, under the power contracts entered into by the Ontario Commission with the Quebec Power Companies?' The banks will simply shut off credit and Ontario will become a new Chicago."

St. James Street and Bay Street had "conspired" to discipline the Government, he charged, by threatening to cut off sources of credit. He named the time that the Government had attempted to float a \$15,000,000 bond issue, and quoted Premier Hepburn as stating that "collusion" had been entered into by the banks to keep interest rates high.

Frequency Changer.

Unfortunately, however, for Mr. Geoffrion, said the Attorney-General, when his statement was made the Commission and the Government already had taken steps to parry the thrust. The Commission had learned of the great frequency changer machine being built at Hamilton for the Maclaren Quebec Company, for which the contract had been cancelled. This machine would enable Hydro to send its 25-cycle Niagara power into the 60-cycle Eastern Ontario area. Its purchase was arranged. While to outward appearances the Government was permitting a period of stalemate, it was really putting Premier Hepburn in a "hitting position." And on Oct. 21 the Commission commenced pulling its switches.

The Attorney-General reminded the House that the publicly-owned Hydro-Electric System of Ontario was the third largest commercial institution in Canada and was surpassed in amount of investment by only the Canadian National Railway and the Canadian Pacific Railway.

The capital investment in the combined Commission and municipal plants, inventories, cash and other assets was over \$400,000,000 and served with power and light some 877 municipalities and companies, and supplied the light and power wants of approximately 630,000 customers.

"For the year ending the 31st of October, 1935, the total revenues of the Commission amounted to the impressive sum of \$30,901,500.29," he said.

"It is not my intention to repeat on this occasion—at least not at any great length, the history of a series of power deals that well-nigh ruined this magnificent public enterprise. That story has been told, and its sordid details are written indelibly into the history of this Province. What the Government and the Hydro-Electric Power Commission now face are the results of the mistaken policies of our predecessors, and it is with these results that I shall be chiefly concerned," Mr. Roebuck said.

Dealing first with the Niagara System, the Attorney-General told the Legislature that that district included the most important industrial area in all Canada, with a population of over 2,100,000 people. Last year, he said, the Niagara System had a capital investment of \$210,000,000.

The total revenue derived by the Commission from the sale of power in this system in the year ending Oct. 31, 1935, amounted to \$22,100,070.12, he said. This represented an increase in revenue over last year of \$684,055.32, or a 3.2 per cent. increase over 1934.

"This would seem to indicate a condition of health and vigor, but unfortunately I have to inform you that the cost of operation was considerably greater than the revenue derived. The total expenses of the Niagara System aggregated \$24,972,940.42, leaving a deficit of \$2,870,870.20.

"A deficit of something less than \$3,000,000 on the operations of 1935 might not appear serious to an institution with a capital investment as of this year of \$210,272,000, but unfortunately this is but the most recent of a series of deficits," he said.

"In the four years ending Oct. 31, 1935," he continued, "there were deficits totalling \$12,521,952. There is no charge for contingencies or obsolescence in these figures, and no sinking fund on the Chats Falls and Decew Falls developments, and the Hamilton Steam Plant. A continuing deficit of nearly \$3,000,000 last year, and an aggregate deficit of over \$12,500,000 in four years is a condition of affairs much too serious to be viewed with anything but concern in a business community."

In 1931 the obsolescence and contingencies reserves amounted to \$14,631,725.88, but all that now remained of that reserve was \$3,848,843.66. "Should the rate of loss be continued during 1936 this reserve would be exhausted at the end of the year," he said.

Had such deficits resulted from inordinately low charges for power and light which the system had sold there would have been corresponding advantages. But such was not the case at all. The average cost of power sold by the Commission to all users in the Niagara System increased by almost \$10 per horsepower per year in the past five years.

"It would be a heartless Government indeed, which countenanced further burdens on the hard-pressed industrialists and home-owners of the Province by running up the bill for power and light," he said. "The industrial and commercial interests of our people preclude the possibility of additional advances. Increased charges are out of the question, and unthinkable. This being the case, the Commission has not charged to its customers the true cost of power sold, but has drawn upon its reserves. For each horsepower which we sold in the Niagara System, to all customers during 1935, we drew from the obsolescence and contingency reserves, on an average, the sum of \$3.40, and we sold our power at an average rate of \$26.20. This method of financing has been followed for the past four years."

Listing economies effected by his Government the Attorney-General said operating expenses had been cut \$410,896.40 over the previous year; the Commission had reduced salaries of executive officers and Commissioners by \$134,607 per year; and total reductions in salaries by reason of decreases and staff changes of \$208,028; legal expenses were reduced from \$114,632 to \$46,300; auditing fees were reduced from \$51,292 to \$14,265; insurance costs from \$158,020 to \$65,055; interest rates were decreased \$560,587; a total saving on expense account of nearly \$1,000,000 per year has been recorded, despite increased business.

Mr. Roebuck continued: "I have already preponderated the question as to why these losses, if the explanation does not lie in the extravagance of management or undue reduction of rates. And I now advance another question. With an increase in revenue over 1934 of \$684,055.32 and a reduction in expense over 1934 of \$675,077.65, or a total gain of \$1,360,174.91, why is the deficit in 1935 of \$2,870,870, within one thousand dollars of the deficit of 1934?"

"The explanation is simple. It lies in the improvident and outrageous contracts concluded by the former Commission and the former Government with the Eastern power companies. All that has been gained in increased business activity and advancing revenue due to a vigorous sales policy, and to reduced expenses due to economies of management, has been absorbed by the ever-mounting exactions under these nefarious agreements with the owners of Eastern sources of power.