

March 4

famous speech in the City of Toronto, threatening to plunge the Eastern district into darkness and to still the wheels of its industry, that the Hydro Commission was at the very moment rushing to completion an addition to its equipment which would make that great district independent of Quebec power. I trust that the country will now perceive one reason for the long delay in the much-heralded conferences between the Ontario Government and the power companies and of the numerous and highly publicized prospective conferences between the Prime Minister of Quebec and the Prime Minister of Ontario, which somehow did not take place.

"True to schedule, the foundations were laid by the Commission's construction department, and the great machine was assembled at Chats Falls, and was delivered complete and in place by the Westinghouse Company on Oct. 15, 1935. A few days afterward the Commission cut off its entire supply from the Gatineau Company, and 60,000 horsepower surged through the great machine at Chats Falls and took up the burden of the Eastern district without so much as the flicker of a light. In the meantime the Commission had been active in many directions readjusting its complicated electrical system to the receiving of its supply from its Niagara plants in substitution for the power which formerly arrived via the Gatineau line. For seven years the Hydro System had been adjusting itself on the basis of power from the East, and an almost unbelievable number of minor changes and arrangements were required for the adjusting of the system to supplies from the West. To outward appearances the Commission was enjoying a period of stalemate and delay, in striking contrast to the almost feverish activity within. The truth is that Hydro was working Mr. Hepburn into a hitting position, and was preparing to protect itself and those depending upon its services from the threatened sabotage to these favored customers.

"The system was now in a position to protect itself, and, accordingly, on Oct. 21 the Commission commenced to pull its switches on the power companies. By Oct. 22 we had ceased taking power from Ottawa Valley Power Company, the MacLaren-Quebec Power Company, and the Beauharnois Company.

"But the threat of power shortage in the Eastern District was not the only attack upon the Province of Ontario in connection with the power companies. I hold in my hand a newspaper despatch from the City of Ottawa, dated April 4, 1935. It reads as follows:

"Ottawa today 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,' it was declared.

"Even Mr. Hepburn won't be able to collect his salary, nor will any Ontario public servant, if a serious effort is not made to save him from his own folly,' a Cabinet Minister said, after confessing he did not know whether or not Mr. Bennett had made any decision on disallowance of the Ontario Act to declare the contracts invalid.

"On the same day the Canadian Press sent out a report of meetings being held in Toronto by the Ontario Municipal Electric Association, and certain financial organizations interested in power bonds. I mention this as indicating the company kept by an Association purporting to represent the power-users of Ontario, and whose utterances are apparently inspired by Mr. T. J. Hannigan, and Mr. Alfred Maguire.

"That the threat which emanated from the financial interests at Ottawa and was voiced by a Cabinet Minister of the Bennett Government was no idle threat was later abundantly proven. Under its former contract with the MacLaren-Quebec Company the Hydro was obligated to take an additional 27,000 h.p. on July 1, 1935,

and on June 10, 1935, the press carried the news that the Hydro management would refuse to accept the delivery. This was the first overt act which conveyed to the financial interests the unwelcome news that the Government of Ontario was in deadly earnest in connection with the power contracts, and actually intended to carry out its resolve to protect the power-users of the Province. Now, it happened by a mere coincidence that about the same time, the Ontario Government offered for sale an issue of Provincial bonds of \$15,000,000. It is not my intention to recount at this time the details of the incidents that followed. Sufficient to say that St. James St. combined with Bay St. in an attempt to discipline the Government of Ontario for its power policy and to coerce the administration of the Hydro Commission into submission to the power barons, by a conspiracy to cut off its financial supply. The situation is best described in a statement which Mr. Hepburn issued at the time.

"As everyone knows, the Government won, and the credit of the Province stands higher today than at any time in all history.

"The people of Ontario flocked to the support of a courageous Government and the answer of the Commission was a further refusal of additional deliveries, falling due as follows:

Beauharnois Power Corp., 67,000 h.p., Oct. 1, 1935.

MacLaren-Quebec Power Co., 33,000 h.p., July 1, 1936.

Beauharnois Power Corp., 54,000 h.p., Oct. 1, 1936.

MacLaren-Quebec Power Co., 25,000 h.p., Nov. 1, 1936.

"As I stated before, the Commission had demonstrated its ability to rely upon the resources of its own System, and on Oct. 19, 1935, the Commission forwarded to the Government, a resolution which reads as follows:

Dear Mr. Prime Minister:

At a meeting of the Commission held on Friday, Oct. 18, 1935, at which all members of the Commission were present, it was unanimously decided by the undersigned to forward to you the following recommendation:

The Hydro-Electric Power Commission of Ontario recommends that the Power Commission Act, 1935, be forthwith proclaimed.

The Commission advises that it is in a position to carry on its operations, and give all essential services to the power and light users of the Province, without dependence on power supplied under the agreements mentioned in the said Act.

"This resolution was published, and, as already stated, by Oct. 22 the Commission had opened the switches on Beauharnois, MacLaren and the Ottawa Valley Company, and had reduced its take from Gatineau to 201,000 horsepower. Accordingly the power companies approached the Government for a conference. A meeting was held in Toronto on Oct. 23, 1935, with all four companies represented, and with the full Cabinet present. The representatives of the companies were heard, and at the conclusion of the meeting the Prime Minister handed out a statement.

"As intimated in the report, negotiations did continue, and a further meeting was held between the Government and the companies, but the companies were unable to agree among themselves. The Gatineau Company argued, and with some force, that its being the original contract that it should enjoy a preferred position. To this the other companies would not consent, and moreover the companies' management appeared to be quite unable to reach an understanding with the holders of their bonds, and it became quite obvious that the companies were unable to alter the agreements because of the terms of their bond mortgages. I have in hand the trust deed of the MacLaren-Quebec Power Company, under authority of which that company issued bonds in the amount of \$18,000,000 on the security of a pledge of its assets.

It is further hereby declared and agreed that any and all of the said agreements referred to in sub-clause (II) of sub-clause (a) of Section (1) of this Article 4 may from time to time be modified, added to, cancelled or replaced by the company with the approval of the trustee, provided that the trustee be of the opinion that such modification, amendment, addition, cancellation or replacement will not be prejudicial to the interests of the bondholders, upon such terms and conditions as the trustee may impose.

"I have also in hand a trust deed of the Gatineau Power Company securing an issue of \$37,500,000 of bonds, on a pledge of the company's assets. On Page 98 of this document there appears the following paragraph:

The company will not consent or be a party to any other changes in any of the said contract, except such as in the opinion of the Board of Directors of the company, expressed in a resolution authorizing or approving the change, and adopted by a majority of the Board of Directors at a meeting duly held, are important to the proper administration of the contract or to the relations between the company and the other party to the contract, or are otherwise in the best interests of the company and the bondholders, and involve no fundamental reduction from the basis specified in the contract in respect to the quantity of power covered thereby or the price of power thereunder.

"It is quite obvious on a reading of these paragraphs that the companies were not in a position to deal without the consent of the bondholders, and it seems that no machinery was set up in the trust deeds for enabling a

committee to act in such a matter on behalf of the individual holders. It would appear that unanimous consent of the bondholders was required to an alteration of the agreements which would fundamentally affect either quantity or price. The inability of the companies' managements to deal on their own authority was admitted in the second conference between the Government and the power companies, which took place on Dec. 7, 1935, and the companies admitted that they had no authority from the bondholders. Obviously, therefore, the only way in which the companies could be relieved from their binding obligations with respect to the agreements as defined in their own trust deeds was the cancellation of the agreements by the proclamation of the Hydro Power Commission Act, 1935. This was accordingly done, and at the close of the conference the Government issued the following statement:

The Ontario Government this afternoon met representatives of the Quebec power companies, and after prolonged negotiations failed to reach any agreement. The proceedings finally closed in the Premier's office, when, in the presence of all members of the Cabinet and Mr. Symington, as spokesman for the Beauharnois, MacLaren and Ottawa Valley Company, and of Mr. Graustein of the Gatineau Company, the Prime Minister announced that, in view of the companies' inability to submit any offer which was possible of acceptance, the Government would forthwith proclaim the Power Act, and would refer to the Hydro Commission the question of the future purchase of power, on the distinct understanding that no more power will be purchased than is actually required.

Continuation of negotiations as to purchase of the Hydro requirements must necessarily await the conclusion of the Ottawa conference. In the meantime, conditions as they now exist will continue.

No power is now being received from Beauharnois, MacLaren or Chats Falls, and a limited amount of approximately 85,000 horsepower is being taken from Gatineau on the primary demand, and about 113,000 for steam generation purposes.