

The companies had not been able to agree on a combined offer. Beauharnois, MacLaren and Ottawa Valley joined in one offer, and Gatineau made a different offer on its own behalf.

The three companies offered to reduce the amount of the Hydro's aggregate commitments, including Gatineau, from 733,000 horsepower by an amount of 191,440 horsepower, leaving the Hydro to absorb a balance of 542,000 horsepower. An abatement in price was suggested, and refused, so that this amount of power at \$15 per horsepower would involve a payment annually of \$8,130,000.

Aside from the energy now being temporarily used for the production of steam, as the Hydro's requirements this winter will not exceed 100,000 h.p. primary demand, or, at the contract price of \$15, an amount of \$1,500,000. The companies' offer was on a basis of loss to the Hydro of \$6,630,000 per year.

This, the Government immediately announced to be impossible, notwithstanding that it was pointed out that the loss would decrease should the demand for power increase.

The Prime Minister inquired as to whether the representatives of

the companies were armed with authority to amend their contracts. The reply was in the negative. It was admitted that no accredited representatives of the bondholders were present. It was thought, however, that the bondholders would later approve some reasonable concession.

Spokesman on behalf of the Hydro Commission asked if the companies were prepared to sell to the Hydro the amount of power that the power users required and no more. This suggestion on behalf of the Hydro was declined by the companies.

The parties having reached an impasse, the conference was adjourned in order that the Government might meet with the representatives of the Gatineau Company.

As spokesman for the Gatineau, Mr. Graustein offered a revision of the contract by the elimination of certain objectionable features. The company was not prepared to surrender its complete rights to shift to the Hydro increased costs due to new Quebec taxation. This reservation, the Premier declared, was fatal to any agreement.

The Gatineau Company proceeded to offer to supply the Hydro with the 100,000 horsepower required for this winter's maximum demand and to continue to supply power in additional amounts as demand grows, throughout the years until the full 260,000 horsepower mentioned in the contract is again absorbed.

The power at present being used for the generation of steam, the Gatineau is prepared to continue to supply until such time as the Hydro's customers can equip their plants for the production of steam by coal-fired boilers, and to charge for this energy pro rata on the basis of the time for which it is used. This power is now being sold by the Hydro at less than \$2.25 per horsepower, though purchased at \$15 per horsepower, involving an annual loss of over \$2,000,000.

Following the conference with the Gatineau representatives, the Cabinet went into Council. The situation was fully considered, and in view of the altogether unsatisfactory offers received and the inability of the company representatives to surrender the contracts for revision without further authority from the bondholders, it was decided that the Act must be proclaimed. An Order-in-Council was accordingly passed, and the fact was announced to the companies.

Further negotiations will be carried on by the Hydro Commission for the purchase by the Hydro of the power it actually requires and no more.

"The battle with the power companies had now reached a critical stage. The definite step of cancellation had been completed. The future of the Ontario Hydro System was hanging in the balance. With the courage seldom, if ever, equalled by any public man in the history of Canada, Mr. Hepburn, in his capacity as Prime Minister, had accepted the final responsibility as head of the Government, in a declaration of war against the millionaires of the financial districts and the power octopus which had held Ontario in its grip and had drained its domestic and industrial power users of many, many millions of dollars.

"Under such circumstances one would have imagined that the Leader of his Majesty's Loyal Opposition would have refrained from joining

hands with the enemy and giving comfort to the foe, and attempting to embarrass the Province's responsible representatives in the discharge of their difficult and responsible duties. Rules of Parliamentary debate make impossible a fitting description of the quality of the act of the Leader of the Opposition when he actually suggested that the power companies open the sluice gates on the Quebec side of the Chats Falls development and sabotage the Commission's generating plant. I hold in my hand a press report of an interview on the day following the proclamation of the Act, in which the Leader of the Opposition took sides with the power companies in their battle against the people of Ontario, and actually suggested, and apparently justified, the theft of Ontario's waters by the Quebec companies, in an offensive warfare to cripple the Commission's plants, and by bringing about a power shortage in the Niagara system compel the Hydro Commission to pay to the power companies the price of peace. It is to the credit of the power companies that they refrained from a criminal act of open warfare to the Commission, of which the Leader of the Opposition had egged them on. This is what he said: 'I wouldn't be surprised if Premier Hepburn reconsiders his decision before very long, when he finds out what he has done,' former Premier George S. Henry predicted today, asserting that 'Ontario's cancellation of the Quebec power contracts had left Hydro powerless to prevent the Ottawa Valley Company from opening its sluice gates at Chats Falls, thus ruining Hydro's half of the joint development.' Nor does it add anything of credit to the sorry picture of the honorable gentleman in this connection when we learn of the glee with which he observed the supposed predicament of the power-users of the Province. I read from his published interview: 'So that is the kind of insurance for Ontario Hydro that Mr. Roebuck has,' laughed Mr. Henry. 'We need Chats Falls, for we cannot generate even the power on our side of the river without their co-operation.' The time may come when the honorable gentleman will laugh on the other side of his face.

"When one realizes that the Prime Minister had invited the power companies to send their salesmen to the Hydro Commission, with a suggested hope that they might perhaps sell power, one might perhaps have expected the Leader of His Majesty's Opposition to refrain at this point from attempts to boost the price, and yet we find the Member for York East declaring that \$15 per h.p. is justified. This is what he says: 'Premier Hepburn's continuation of the \$15 per h.p. price for the power still purchased from Gatineau showed that the \$15 price apparently is justified,' Mr. Henry asserted.

"Evidently the gentlemen opposite are still prepared to accept 733,000 h.p. from their power baron friends and to pay a price of \$15 per h.p. or \$10,965,000 per year. They have done everything in their power to bring that result about. The country has not yet forgotten the thirty-six hour

filibuster saged by the Conservative Opposition in this House at its last Session, in their futile attempt to prevent the passage of the Power Bill. And may I remind them of the declaration of the Leader of the Opposition of that time that, the Niagara and Eastern Ontario Systems are now taking sufficient power to warrant continuing the contracts.'

"Nor can one forget the implied

threat of the former Attorney-General, the member for Parkdale that should the Conservative Party be returned to office, it would repeal this Government's Power Act and re-establish the contracts with the power barons. I read from a newspaper report of the honorable gentleman's speech in this House on Friday, April 12, 1935:

If this Government can repudiate, perhaps the next Government will come along and repudiate the acts of this Government.

"The suggested attack on the Commission's Chats Falls plant, and the attempt to maintain the power price at \$15 per h.p. is in keeping with the policies pursued throughout the entire Conservative Opposition.

"The Act was no sooner proclaimed than the member for South York, former Minister of Highways, rushed to the aid of his power baron friends. I read from the press report of his interview on Dec. 7, 1935:

Cabinet action is a grave mistake. This removes the last hope that by amicable settlement Premier Hepburn might repair the harm done by passage of the repudiation legislation.

"And even my friend from Toronto High Park takes up the cudgels for the power companies and their exorbitant price.

Continuation of purchasing power from Gatineau at \$15 per h.p. is an admission by the Hepburn Government that the price was right. I hoped when the Government delayed so long in proclaiming the Act that the Government concluded it made a mistake and was trying to get out of it gracefully. I have a great deal of admiration for Mr. Hepburn's courage but he has been badly advised by his Attorney-General.

"The events of the next few days proved how groundless were the Opposition's fears, and how unjustified was their attempt to maintain the \$15 price. I stated that when the cancellation of the contracts was announced not a motor would stop turning, and not a light would go out. That prediction was fulfilled, and in due season the power companies sent their representatives to deal with the Hydro Commission. A totally different situation was then presented. The contracts had been cancelled, and the companies were free from attack by the bondholders in entering into new agreements, and on Dec. 20, 1935, the Hydro Commission accepted in broad outline, and subject to confirmation by the Government, the terms of agreements which have now been executed in formal documents. It is my privilege to bring to the attention of the House the new agreements, by which the Government and the Commission have secured for the Province both its present and future requirements, limited however to amounts which can actually be used, at prices in striking contrast with the improvident agreements which have been cancelled."

"I shall deal with the Gatineau new and old agreements first," proceeded the Attorney-General.

"The working conditions of the two agreements are of sufficient similarity that nothing is to be gained by reading many of the clauses important in themselves. I shall content myself with noting the striking comparisons between the two agreements. Under the old contract, deliveries commenced on Oct. 1, 1928, and were completed at 260,000 h.p. on Oct. 1, 1931, and were to continue for a period of thirty years from the first-mentioned delivery. Under the second agreement 260,000 h.p. is to be held available for