

# SECURITIES BOARD LAX, HE CLAIMS

Legislature Committee  
Called for Unless  
Hepburn Acts

APATHY QUESTIONED

Port Arthur Propaganda  
About Company Term-  
ed Lying by Premier

Unless the Hepburn Government, of its own volition, undertakes a complete inquiry into the financial collapse of Lake Sulphite Ltd., the Conservative Opposition will demand an investigation by a special committee of the Legislature. Hon. Leopold Macaulay announced yesterday.

"In spite of the fact that I have been pressed for weeks to take some action in this situation," said Mr. Macaulay, "I have held off, not wishing to prejudice the shareholders' meeting next week in any way. I have even refrained from placing questions in relation to the company upon the order paper of the House. But Mr. Hepburn has opened the discussion, and we might as well clear things up at once."

#### Charges Dereliction of Duty.

The Opposition Leader's declaration of policy came immediately after he had furnished the first stirring moments of the 1938 Legislature session with charges that Attorney-General Conant and the Securities Commission had been derelict in their duty in not probing the company's prospectus, and with the suggestion that the "apathy" of the Government might be entirely due to the fact that R. O. Sweezey & Co. were the underwriters, and Bethune Smith (Treasurer of the Ontario Liberal Party), a director of Lake Sulphite.

Mr. Macaulay labelled the prospectus "false" in that Mr. Sweezey had failed to implement it as he should have done. The prospectus, he maintained assured an underwriting of first-mortgage bonds to the amount of \$3,000,000. If the directors, he submitted, had called upon Mr. Sweezey to carry out this commitment there would be no need for the present receivership situation in which the company finds itself.

Nor would the stock be down to \$3 from the high levels of \$26 and \$30 at which it was bought, and former employees of subcontractors engaged on the plant construction at Red Rock would not be "walking the woods" now looking for the money still owing them, he contended.

#### Calls for Investigation.

"I'm not going to use the word 'fraud,'" said Mr. Macaulay, "but certainly an investigation by the Attorney-General or the Securities Commission is required. I want to know why the Commission has not been acting as it should instead of allowing the financial magnates of St. James Street to put a stranglehold on the Province of Ontario."

The storm of argument which broke upon the House with electrifying suddenness was precipitated when Premier Hepburn took exception to "deliberate lying propaganda," emanating, he said, from Acting Mayor George Wordrope of Port Arthur—"a former Tory candidate, still nursing the wounds of defeat"

—and carried in the Toronto Star, a paper very "unfriendly" to him (he said) because he had elected to differ with it on the C.I.O. question. The Star, alleged the Premier, was now getting into the biased class of Saturday Night and Hush. On this sharp gibe, he was brought up short by the Opposition Leader, who reminded him that Hush had been one of the Liberal Party's most enthusiastic supporters in the last election, and had carried pages of Government advertising backing the Prime Minister and his policies. A detailed statement of those advertising payments would be sought immediately, Mr. Macaulay further stated. Before the hectic half-hour ended, it was revealed that no Hydro contract with Lake Sulphite had ever been signed, and Hon. Peter Heenan, Minister of Lands and Forests, had characterized the proposed company development as one of the greatest ever projected in this Province, and one which, he felt confident, would be completed on its original basis once the financial tangle was ironed out.

#### Defends Government.

Mr. Hepburn warmly defended the Government's position in the matter, and said that in so far as the Province was concerned the company was in no default. All obligations had been lived up to. An unexpected set of circumstances, coupled with an underestimation of costs, and the business recession in the United States, had forced the concern into receivership. To Mr. Macaulay's assertions that more would be heard about the situation once the Throne Address debate got under way, the Prime Minister said: "If the shareholders find anything irregular, they of course have recourse to the courts. And I hope they take that recourse to the courts."

Heatedly, Premier Hepburn referred to suggestions that the Government was in league with Mr. Sweezey, suggestions that were borne of the claim that a Port Arthur delegation to Queen's Park in respect to power negotiations with the company, had found the Lake Sulphite Company President with his lawyer in the Premier's office.

Premier Hepburn claimed that the power negotiations had been conducted by the Hydro-Electric Power Commission, and that if the resulting agreement had been signed, it would have produced a net benefit of \$66,000 to the Thunder Bay power district.

#### Projected Power Agreement.

The Commission, he said, had been selling off-peak power there for \$2.30 per horsepower and the company was planning to produce electrical energy by steam at a cost to them of \$13.50. Under the contemplated agreement, the company was to pay the Commission \$16 per h.p. for 4,000 h.p., and the balance of their requirements, which could be recalled at six months' notice, was to cost the company \$8.50 per h.p.

The Commission, under this agreement, would have had a return of \$81,000 as compared with the \$14,000 it was getting from present sales of surplus power.

"The irony of this charge," said the Premier, "is that the agreement was never signed," and he nodded to Hon. W. L. Houck, Hydro Commissioner, for confirmation.

The Opposition Leader then confirmed previous predictions that the Conservatives planned to carry an attack into the Government forces on the Lake Sulphite and Ogoki diversion propositions. The discussion, he said, was only anticipating the debate that was going to be presented over the timber deals prior to the election. The Premier hadn't dealt with the merits of the case in trying to transfix the newspaper, he charged.

"What I want to know," said Mr. Macaulay, "is why the Securities Commission has not been acting as it should, instead of allowing the financial magnates of St. James Street to put a stranglehold on the Province."

#### Queries Securities Board.

"I'd like to know why R. O. Sweezey and Company has not been made to live up to its liabilities. Why has the Premier's Securities Commission allowed that company to go into receivership and hold meetings down in Montreal while it is an Ontario company, and no effort has been made to make the underwriting company carry out its obligations?"

The Premier claimed that it was not the function of the Commission to act as a policeman for every private company. He said if anything irregular has occurred he hoped the shareholders would take action at the meeting on Monday.

The Government had seen to it that wages were paid and that the sub-contractors had been paid off. He declared that the thing that annoyed him most was the fact that after the men had been paid they flocked into Port Arthur, expecting to be carried on public charity. The old idea of thrift had gone, he claimed. It was time that people

got back to the principles of their forefathers.

#### Says Employee Owed Company.

Mr. Macaulay retorted that he had had one of the Lake Sulphite employees in his office, who, after working for the company two months, owed \$2 to his employers.

He said he was not gullible in believing the man's statement, and he revealed that the account showed \$1 a day board, which Mr. Macaulay believed was excessive, and heavy hospital charges when the man became ill with a cold. He said he would be glad to place the man's entire account before the House next week.

He charged again that the Securities Commission was apathetic. "You can't tell me why Sweezey and Company was not called to make good their commitments after underwriting the sale of the \$3,000,000. In the meantime there are men in the bush waiting for their money."

#### Dr. Hett Bill Petition Presented to Legislature

A petition for a private bill to permit Dr. J. E. Hett, Kitchener, to resume the practice of medicine, was presented yesterday to the Legislature. The petition will be referred to the Private Bills Committee. Dr. Hett was struck from the registry of the College of Physicians and Surgeons when he refused to disclose the formula of his cancer treatment or to submit the treatment to investigation.