

March 2

Hepburn Will Probe Lake Sulphite Tangle If Charges Are Made

**Macaulay Asserts Plant Put
in Operation Only to
Provide Jobs During
Election Period**

WONDERS ABOUT CASH

Renewing his argument that the recent financial collapse of Lake Sulphite Limited should be investigated either by the Securities Commission, "in performance of its duty," or by a special committee of the Legislature, Opposition Leader Macaulay yesterday said that there was at least one definite angle about the whole undertaking which brooked no denial.

"It held together long enough," he told the House, "to get by the election, providing a lot of temporary work for men in the bush, and also about 1,300 votes for the Liberal member in that district. But the aftermath is now on the doorstep of the City of Port Arthur, where a lot of other timber deals have had their aftermath."

Any committee of investigation appointed, submitted Mr. Macaulay, should take pains to find out:

1. Why Lake Sulphite seems immune from inquiry?
2. Where the money went to?
3. Why all the money subscribed did not go into the company's treasury?
4. Why a lot of money was spent on the Nipigon Timber Company, although no reference is made to it in the company's prospectus?

No wonder pulp and paper conditions in Northern Ontario today, said Mr. Macaulay, were "chaotic." Prior to the last election Mr. Hepburn and Hon. Peter Heenan, his Minister of Lands and Forests, had boasted about the number of mills that were in construction. They claimed that agreements for at least eight or twelve mills had been signed; but, he asked, where were the mills?

One of the mill sites, he said, was Kenora. And on election day the reported superintendent of the construction had gone about that town telling every one what the plant would mean to the district, and how support of the Government could ensure early operation of it. Great sums—"even for Peter's riding"—were to be spent on the project, he said, but, remarkable to relate, nothing had seemingly been heard of it since the election. "Nothing has been done about it," he added, "and people are beginning to wonder."

Mr. Macaulay said that following his criticism last session of the Sensenbrenner-Alstead deal, which involved an area of 2,600 square miles, and under which these people got the right to export raw pulp, and had Government aid in the building of a sluiceway to Lake Superior, the Government had entered into a subsidiary agreement with the company, providing that construction of a pulp mill, with a capacity of 100 tons of pulp per day, ready for operation not later than Oct. 31, 1940, should be started.

Cites Jokers in Deal.

Jokers, Mr. Macaulay charged, were included in this "pre-election document." These were:

1. That the export pulpwood charges may be reduced by Order-in-Council;

2. That fire protection charges may be varied from time to time by the Lieutenant-Governor-in-Council instead of being fixed at \$6.40 per square mile as named in the original agreement;

3. That ground rental of \$5 per square mile may be changed by Order-in-Council;

4. It is not provided that such amended charges for fire protection or ground rental are to be of general application throughout the Province.

Dealing directly with the Lake Sulphite situation, Mr. Macaulay said: "The question I asked last Friday was, and I repeat it today, Why did not the directors call on R. O. Sweezy & Company, Limited, to pay for the bonds which they, the directors, represent as having been purchased by R. O. Sweezy & Company? That is what they undertook to do when they became directors and issued their prospectus.

Why Wasn't It Probed?

"My second question is, in the absence of a single word of enlightenment from the Directors or from R. O. Sweezy and Company, Limited, why has not the Ontario Securities Commission investigated this transaction and taken the necessary steps to compel R. O. Sweezy and Company, Limited, to put the sum of \$6,060,000 in the Treasury of this Company as they agreed. This may be a matter for the shareholders to consider, but it certainly is also a matter for the Securities Commission and the Attorney-General to consider.

"If this had been some small dealer with a few thousand dollars involved, I have no doubt swift action would have been taken by the Securities Commission long ago to clean up the situation.

"It is no wonder that the shares of this Company have dropped from \$26.50 per share, the price at which they were issued, to \$3 or \$4 a share. The shareholders of the Company are supposed to be meeting in Montreal to protect their rights. So far they have had no help from the Government, and the fact that R. O. Sweezy and Bethune L. Smith have been Directors of the Company and active in its promotion and also connected with the new power deals of the Province of Ontario, has led the Province to believe that is the reason for the delay in the Government investigating this colossal failure.