

March 2

# Back to Niagara Deceived Voters, Legislature Told

## Hepburn Blames Policy Reversal Upon King Because of Attitude to Long Lac Project

### DENIES SECRET DEAL

## Claims Refusal to Put Ontario Aim Before U.S. Caused Change in Whole Outlook

Denying sharply that any secret deal had been made with the Quebec power companies, Premier Hepburn, yesterday before the Legislature, defended the reversal of his "back to Niagara" power policy by placing responsibility directly upon the King Government at Ottawa.

The Premier, but a few minutes before, had been the target of Hon. Leopold Macaulay's attack—an attack which was most vigorously directed by the Opposition House Leader against the Premier for having in the election fought on a program that held there was sufficient power reserves, that there would not be any trade with the "power barons," and that there would be developed a purely Ontario power policy.

Right at the outset of his explanation, the Premier admitted, "it is true that I said there was no immediate power shortage. It is true that I said we would have no dealings with the Beauharnois Power Company."

### Claims King Refused.

There were other factors, he said, and prominent among these factors named was "Mr. King refused to communicate to the United States our desire to divert the waters from Long Lac."

At the same time Mr. Macaulay reminded the Premier sharply that on Sept. 7, shortly before the election, Mr. King had notified the Government in his letter to Hon. H. C. Nixon, Provincial Secretary, there was little or no chance of the United States Government agreeing to the diversion that must be made before more power could be developed in the Niagara area.

The Government prior to the election, said the Premier, had an option on 120,000 horsepower from Gatineau and through negotiations with the Dominion Government, had signed an agreement that would enable the Commission to draw water from the Welland Canal to the Decew Falls plant, in the Niagara district.

This agreement was based, he emphasized, on the question of whether or not Ontario would be permitted to divert water from Long Lac under an international agreement. At that time, he said, it appeared fairly certain that this permission could be secured. T. Stewart Lyon, Hydro Chairman, he claimed, was satisfied that it could be secured.

It was on this predication, he said, that the Government entered the election on the back-to-Niagara program. After the Government was returned and the Cabinet formed, Prime Minister King informed him—and he gave a summary of the letter—that the United States was unwilling to sidetrack the St. Law-

rence scheme, in any negotiation that might be entered.

Mr. Hepburn charged that Mr. King did not communicate Ontario's wishes to the United States Government, but "simply cited to us the opposition of the United States Government.

"What about that letter Mr. King sent to you on Sept. 7, as shown by the White Paper tabled in the House of Commons yesterday?" asked Mr. Macaulay.

This letter, he averred, was received in plenty of time before the October election—time enough to indicate to Mr. Hepburn that there was strong doubt if the diversion program could be carried out without entering into an agreement on the broader issues.

"The point I am trying to make is this, continued Mr. Hepburn: "Prime Minister King refused to communicate to the United States our desire to divert waters from Long Lac."

### Policy Said Tied Up.

Mr. Macaulay again brought in the matter of the King letter as Mr. Hepburn emphasized his claim of non-co-operation from the Federal Government. As a result of this, the whole movement and whole policy of returning to Niagara for power was tied up, and the Government had, he claimed, to take other steps to secure greater power reserves.

Mr. Macaulay returned: "He showed in Sept. 7, 1937, that it was tied up with that."

Mr. Hepburn: "This is when we brought it to a head. We were headed off until we agreed to the St. Lawrence waterways development."

"Another factor," the Premier continued, "was the recommendation of the new Attorney-General, who said we would have no hope of expecting a reversal of the appeal court's decision by the Privy Council. I may say that no negotiations were carried on by the Government and the power companies. I have a letter from Dr. Hogg in which he stated that no negotiations were taken by him prior to his appointment, but after his appointment as Hydro Chairman, and that the agreements are advantageous to both parties.

"My honorable friend has said that a secret deal was made. There was no secret deal, and never have I, directly or indirectly, discussed this with the Quebec power companies."

As a result of the appeal court decision, peace was made with the Quebec companies on the "best terms we could," the Premier continued.

"That was after the election," he stated.

Mr. Macaulay: "You had legislation to override the courts. We had a special session to pass it."

"Yes," the Premier replied, "but the Attorney-General convinced me that he had no confidence in that legislation."

"You were a year late in finding that out," the Opposition Leader shot back.

"Well," the Prime Minister retorted, "it worked out all right."

### Says Statement Foolish.

"One thing that particularly annoys me," he continued, "is foolish statements from the Opposition Leaders." He quoted a speech delivered by Mr. Macaulay to a Conservative Club in which the Oppo-

sition Leader stated the Province let timber limits to big organizations at lower stumpage dues than the ordinary settler pays.

"Does he know," the Prime Minister asked, "that settlers pay no stumpage?"

Again quoting the Conservative House Leader, Mr. Hepburn recalled Mr. Macaulay's statement that United States paper men had visited the Premier with a view to "continuing the export of pulp to break down the newsprint business in Canada."

"Does he know," Mr. Hepburn asked, "that there has never been any pulpwood exported from here for newsprint manufacture?"

### Compares Contracts.

Referring to Mr. Macaulay's contention that the old Quebec power contracts had been renewed in much the same terms, the Premier said, "Let's make a comparison, let's see."

Under the old contracts, he said, the Hydro Commission would have been obligated to accept 791,000 horsepower instead of 566,000 horsepower under the new contracts. The cost under the old contracts would have totalled \$11,865,000 yearly, while under the new contracts the cost would be only \$7,075,000. He argued, therefore, that an annual saving of \$4,790,000 had been effected.

"And furthermore," he said, "all the objectionable features of the old contracts had been removed."

Mr. Hepburn contended that if the original contracts had been restored "this Government would have had to increase hour rates drastically. But what actually happened was that the Hydro Chairman achieved not only what he considered to be fair agreements, but, better still, he was able to arrange for the sale of 110,000 horsepower of surplus power to United States interests. As a result we made application to Ottawa for a license to export that power under legislation. We may secure an export license from Ottawa, and in that case we come out of the whole thing with flying colors. The present low rates will be maintained, and peace and quiet will reign in the land."

"And don't forget," he added, nodding toward George S. Henry, "it was your Administration that left those old contracts on our doorstep. We have made the best we could out of them."

As he referred to the rapid advances made in the extension of rural services as evidence of the benefits of the Government's Hydro policy, Mr. Hepburn declared that "we saved Hydro. I have no apologies to make, nor have any of my colleagues."