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gladly accept the blame insofar as and to the extent that I may have influenced the Premier to authorize them.

With a different background from that of most of the Honorable Members of this House, it is not unnatural that I should view this matter in a somewhat different light. I was not in any way associated with the matter previous to Oct. 12, 1937, when I was sworn into office. For some years previous to that date, I had been entirely removed from the political arena by reason of my official position. So when I first considered these Hydro contracts following my installation in office, I did not have the same fixity of views or prejudices as many of the Honorable Members of this House. I believe that the Honorable Leader of the Opposition and his colleagues will search in vain for any utterance by me during the election campaign or at any other time on this very important question.

Tried to Escape Burden.

Stripped of all detail and verbiage the problem resolves itself to this. From the years 1926 to 1930 a number of contracts were made involving enormous commitments by the Hydro. Since the year 1934 the Government has been endeavoring by legislation and litigation to free the Hydro and the Province from the burden of those contracts. When the present Government took office in October last, matters had been partially settled. The Government has now authorized the entire settlement of all matters in dispute and will, in due course, ask the House to approve of this action. The issue is as to whether the Government has been right in the settlement it has effected.

The criticisms of the Government are twofold and from two sources. First there is the Honorable Member for Bellwoods. I will deal with him later, not because I want to save the best or the worst for the last but because it suits my treatment of this matter to do so. Then there is the Opposition.

When any persons poses as a critic, it is important to know something about him. And what do we find when we examine into the personnel of the Opposition? The Honorable Member for East York, the Honorable Member for Simcoe East, the Honorable Member for Peel and the Honorable Leader of the Opposition, were all members of the Governments which authorized the original contracts out of which all this trouble has arisen. The Honorable Member for East York was also Prime Minister in 1930 when the most indefensible of all these contracts was negotiated.

Recalls Old Maxim.

When these Honorable Members, adopting a holier than thou attitude, stand up in this House and censure this Government, they should remember the old maxim, "that people who live in glass houses should not throw stones" or should at least pull down the blinds. I am going to open the blinds to some extent now and possibly on some future occasion and show this House and the people of this Province the background of all this trouble and who created it.

These threats to Hydro seem to run in cycles. Furthermore, Conservative Governments have always created them and left it for other Governments to get us out of them. About the year 1919 under a Conservative Government, the very foundations of Hydro were threatened by the Hydro radial scheme

That policy if carried to completion would undoubtedly have ruined Hydro and the Province and many of the municipalities. Fortunately, the Province was saved from that catastrophe by the Government under Hon. E. C. Drury. The Honorable Member for Brant was a member of that Government, as he is a member of the Present Government. This Province owes the Honorable Member from Brant a debt of gratitude for having twice assisted materially in extricating Hydro and the Province from such alarming situations.

Holds Contracts Ruinous.

Then in 1926 began the new threat of these power contracts and they in a sense were an even greater outrage than the Hydro-radial project. The scheme of Hydro-radials was fully publicized with public meetings and discussions. The Hydro contracts were certainly not; and, in fact, some were not disclosed until forced into the open in this House.

Surely there can be no question but that the contracts of 1926-1930 were ruinous. I do not understand that the Opposition seeks to justify them. Nor could they successfully do so on the facts and the figures. Very briefly, those agreements obligated the Hydro to purchase 790,000 h.p., considerably more than the total used in the Niagara System in the year 1926. When the first contract was signed in that year and after sixteen years of operation, the Hydro was using 684,000 h.p. in the Niagara System, and yet these very astute gentlemen purchased 260,000 h.p. in 1926, 60,000 h.p. in 1927, 250,000 h.p. in 1929 and 221,000 h.p. in 1930. These are the actual figures. They are not estimates.

I presume that if the Opposition were offering any defense, they would say that conditions were different in those years—that the business outlook was better and the future needs of Hydro apparently greater. But that is no excuse for making these commitments which in 1932 gave us a surplus of 315,000 h.p.; in 1933, 385,000 h.p.; in 1934, 435,000 h.p., and 1935, 460,000 h.p. And if the purchases previous to 1930 could possibly be excused on the ground of over-optimism, what is to be said of the contract of 1930, when they purchased 221,000 h.p. more than a year after the depression had set in?

Clauses Need Explaining.

And furthermore, what is to be said of a most objectionable clause in the agreements, which actually subjected the people and the power users of this Province to the control of another jurisdiction? The Beauharnois agreement, and, in fact, all of the agreements from 1926 to 1930, contained clauses which made the price of power subject to increase should there be any further increase in Dominion, Provincial or municipal taxation or water rentals, and specifically provided that a new Quebec educational tax, which had been authorized but not promulgated, should be considered as a future tax, as a result of which the price of power could be increased. Well, these most startling features will take a lot of explaining and excusing. Certainly the present Opposition, responsible for them, are not in a good position to criticize the present Government.

The financial result of this purchasing spree is vividly indicated by the fact that in the year 1932, the Hydro paid out over \$4,700,000; in 1933 over \$5,700,000; in 1934 over \$6,500,000 and in 1935 more than \$6,900,000, for unwanted or surplus power. Of course, these payments were not made and could not be made by increase in power rates. The law of diminishing returns would interfere with such an attempt. That is not a law passed in this Legislature or in any Parliament, although we do try to legislate on almost every subject. It is an economic law which means that the higher the price, the lower becomes the demand and the financial return. In Hydro that is particu-

larly true because increased rates mean decreased consumption and develop the competition of steam and other power.

So being unable to raise rates to meet this alarming situation, what did they do? They simply drew on the reserves and as has been said by the Hydro Commissioners, the honorable members for Waterloo and Niagara, the reserves were reduced from over \$14,600,000 in 1931 to about \$3,800,000 in 1935. Of course, that was the easy way and, perhaps, the only way to meet the situation. But it was disastrous and if there had been no change of Government in 1934, the reserve would have been entirely wiped out at the end of 1936, so that in this very year 1938, with the reserve gone, the burden would have to be assumed by the taxpayers of this Province.

Says People Fed Up.

The recent conduct and statements of the Premier or of any other person do not in the least alter the merits of the case. The Opposition's efforts to discredit the Premier, even if successful, which they will not be, would not contribute one iota to the solution of this problem. The people of this Province are fed up with political manoeuvring when the finances and the stability of the Province are so vitally concerned. And the people of this Province want this matter determined on its merits, and in a sound, businesslike way. And that is what this Government intends to do. After all, the inter-

ests of the Province are greater than the interests of any individual or any political party, and that is a fact too often lost sight of. I have said that the Opposition will not succeed in its condemnation of the Premier, and as to that I have some observations to make to this House.

When I assumed the office of Attorney-General, the preparation of the appeal to the Privy Council in the Beauharnois case then pending, was one of the first matters that confronted me. I recall quite distinctly that a few days after I was sworn in the Premier impressed upon me the importance of the appeal and instructed me that I should leave nothing undone to make sure that our case was fully prepared and that we were adequately represented before the Privy Council.

Following these instructions from the Premier, I spent considerable time and thought on the conduct of the Beauharnois case. If substantiation of that statement is required, it is supplied by the correspondence between the legal department of the Hydro and me or my department.

Heard Settlement Possible.

This correspondence indicates conclusively that right up to December, 1937, the active prosecution of the appeal was engaging my attention. Furthermore, I spent considerable time familiarizing myself with the facts and the law, and discussed the matter with my own officers and with the Legal Department of the Hydro-Electric Power Commission.

Dr. Hogg was appointed and sworn in as Chairman of the Commission on the first day of November. Some time after his appointment and then only, I heard for the first time from Dr. Hogg that there was a possibility of negotiating a settlement of the Beauharnois matter.

Following his appointment, I discussed the matter with Dr. Hogg, on more than one occasion, and I understood very definitely from him that the terms under consideration were satisfactory and were such as to enable us to settle the whole question of these contracts and leave the Hydro in a sound position as to power costs, reserves and generally. Finally and early in December, Dr. Hogg outlined to me in considerable detail the proposals for settlements he had negotiated.