

ABITIBI PAPERS WILL BE TABLED IN LEGISLATURE

Debate on the Abitibi Power & Paper Company Limited reorganization issue, flared yesterday in the Ontario Legislature into a brief but bitter exchange between Premier Hepburn and A. W. Roebuck, K.C., when the Government Leader charged that his former Attorney-General, by acting for the common shareholders of the company, was "prejudiced" and was therefore not competent to speak.

The charge, which led to an appeal for a ruling from the Speaker, came immediately before the House voted to accept the motion of Col. George A. Drew, Conservative Leader, that all the correspondence, telegrams and memoranda, relating to the rights and reorganization of the company, since Jan. 1, 1937, be tabled.

In the first heat of the charge, the leavening influence of humor stamped the proceedings, when the Premier turned to the Speaker for a ruling and found that the chair was occupied by Roland Patterson, Grey North, in the temporary absence of Hon. James H. Clark. Members of the Cabinet grinned their appreciation of the difficulty in which the recently elected Clerk of the Committee of the Whole House was placed.

Mr. Patterson ruled that if Mr. Roebuck "has" a retainer that he is barred from speaking. Mr. Hepburn interjected, arguing that if he "had" a retainer he was still prejudiced.

Mr. Roebuck reminded the House that at the beginning of the Abitibi debate Monday, he had advised the House that he had acted in the court proceedings last year for a block of British common shareholders and that he was then speaking in his capacity of a member on behalf of those whom he represented.

Mr. Patterson suggested that the matter be referred to the Speaker for a ruling, and that in the meantime the debate be held over until his ruling was given.

"He is prejudiced," continued the Premier, "and accepted a retainer from the very interests he now attempts to serve in this debate."

"I am not representing these interests, and I have a right to continue the debate," insisted Mr. Roebuck.

The matter was then concluded, but when it came to the voting, the Bellwoods-Toronto member emphasized that he had not voted, so that there could be no question raised as to his interests in the issue.

In the debate, Colonel Drew again pressed for further protection for the junior security holders, and Leopold Macaulay accused the government of "handing over the second largest paper industry in the world into the stock brokers' hands."

Demands Memoranda.

Colonel Drew said the house should have all memoranda and data regarding the Abitibi announcement, so as to know the facts on which the decision was reached to announce the order-in-council extending the company's rights to timber limits.

"The government is acting as judge and jury in the case," he said. "Without all the facts before them, they are deciding regarding two plans which have been in court without their proponents reaching any agreement."

The opposition leader said the bondholders' plan, submitted by James P. Ripley of New York, and the plan submitted by holders of preferred shares had been discussed by Hon. Peter Heenan, minister of lands and forests. Colonel Drew claimed the Ripley plan did not make adequate provision for the junior security holders.

"Unless the order-in-council was intended to be used as a club over the junior security holders for acceptance of this Ripley plan they have found unacceptable, I know of no reason for publicly announcing the order-in-council which said the province would extend timber rights to the company after it was reorganized or sold," Colonel Drew said, adding that continuance of the rights could have been taken for granted.

The opposition leader said that a reorganization or sale to take the Abitibi company out of bankruptcy would not place an additional log in paper production or an additional man at work unless the company was taken out of the pro-rata limitation placed on all paper companies.

Ready to Produce Records.

The Premier, in reply, said he had thought he had intimated clearly that the government was prepared to produce all the records, and at the same time emphasized that the government had done all in its power to assist the different parties in their attempt to reach an agreement by negotiation.

"If the Leader of the Opposition has the thought it would be possible to get the parties together in agreement I would remind him of a conference which was held by the Minister of Lands and Forests in the Cabinet Council room and that he had to leave the room to avoid bloodshed. That's how close they were to coming to an agreement," he said, adding that it was only after the government had "exhausted itself in an attempt to bring about a reorganization" that the recent order-in-Council was passed.

"I can't see where the government is open to criticism," he continued. "We are not holding a club over any one." He saw in the government's action simply a move to assure any group which might take the company out of the hands of the receiver that the administration was prepared to turn over the timber limits.

Hon. Leopold Macaulay was of opinion that if the same assurance had been given in 1937, before values decreased and the outlook of the security holders was different, the entire matter would have been cleared up.

Urges Equity Protected.

"You are in the confidence of Ripley," he told the Prime Minister, "who is a cold-blooded and shrewd New York business man, not in the paper business at all. You are handing over the second largest paper industry in the world into the stock brokers' hands."

He claimed that the equity of shareholders in the company should be protected even as the equity of a homeowner was protected against foreclosure on his mortgage. Mr. Hepburn claimed that protection for all the interested parties rested in the Supreme Court. Mr. Macaulay indicated assent.

"Well then, what are you worrying about?" asked the Premier.

"I am worrying because Ripley the Ripper came up from New York and ripped away all the rights of the Canadian stockholders," replied the Conservative member.

"The point I want to make is this. If the Government or the Minister of Lands and Forests would exercise a little pressure in an equitable way the parties would be brought to an agreement."

"You want us to wield the club now," countered the Premier.

"I hope it will not turn out with having another Backus in control of the pulp of Northern Ontario," said the member.

Rights of Bondholders.

Mr. Hepburn maintained that the bondholders who had invested \$50,000,000 into the company wanted to get it back and he believed they had a right to it. Colonel Drew, while agreeing that they had certain priority rights, claimed the Premier had left the impression that the preferred shareholders had not loaned \$25,000,000 of their money in the same way.

"This is the crux of the situation," he said. "The man whose proposal is before you is J. P. Ripley."

"There is no reference to Ripley in the statement," said the Premier.

"Now, Mr. Prime Minister, do you deny that the proposal referred to is not the Ripley proposal?"

Hon. Gordon Conant: "There is no proposal."

"I think the Premier has been misled by the Minister of Lands and Forests," said Colonel Drew, "and as he has said, he came in without information on what had gone on before."

Mr. Conant declared that under a judicial sale there was ample opportunity given to everybody to protect his rights. Colonel Drew held it was not within the function of the government to take the stand it was impossible to get 75 per cent of each group of stockholders to agree to reorganization terms and that there was no encouragement for them to attempt an agreement unless they had some assurance that the company was not going to be sold under the bond mortgage.

Hon. Peter Heenan, Minister of Lands and Forests, said the government was taking the only course open to it in amending the 1937 Order-in-Council, which ordered that the government must approve any agreement reached by conflicting parties for reorganization of the \$155,000,000 company, which has been in bankruptcy and managed by the liquidator since 1932.

"I agree with the Leader of the Opposition that the Government should not be expected to act as referee," Mr. Heenan said. "That is the very reason we amended the 1937 Order-in-Council and announced continuance of timber rights after the company has been sold or reorganized."

Mr. Roebuck said announcement of the new Order-in-Council had given bondholders the idea they may "put the screws on and obtain this valuable property for themselves."

He referred to Premier Hepburn's remark that Mr. Heenan, "the Minister of Lands and Forests, nearly lost his life in conference a few years ago with security holders," and added: "But I would suggest he put on armor plate and try again."

Mr. Roebuck said he preferred to take the assurance of the government that the recent Order-in-Council would not permit bondholders to coerce junior security holders. "But if it does the Premier will be held responsible by 10,000 junior security holders," he added.