

WOULD PROVIDE FUTURE POWER WITHIN ONTARIO

Legislature Probe Urges
Commission Take Steps
to Secure Further Rights
of Diversion at Niagara

REPORTS CONFLICTING

Immediate concentration of effort to furnish Ontario's future power supplies from developments entirely within the province is urged upon the Hydro-Electric Power Commission in a "majority" report from the special committee of the Legislature which investigated the Beauharnois and other Quebec contracts last summer.

With difficulties arising from these agreements now definitely out of the way, as these majority or Liberal members of the committee claim, the Power Commission should take steps to meet any further power needs by securing further diversion rights at Niagara and by securing agreements with the Province of Quebec for development on the Ottawa River.

The internal management of Hydro, the Liberal members of the committee additionally recommend, should be made the subject of careful study by the members of the commission, "so as to provide for such rearrangement and reorganization as will promote greater harmony and efficiency, consistent always with economy in administration."

Two Reports Tabled.

The "majority" report in question was tabled in the Legislature yesterday by Attorney-General Conant, who was chairman of last year's bitterly fought probe. A "minority" report was also tabled by former Highways Minister Leopold Macaulay, who led the Opposition attack, in connection with the probe, and whose sessional charges of 1938, that Premier Hepburn had deceived the public with his "Back to Niagara" policy of the 1937 election campaign, directly precipitated the investigation.

The two reports, in nearly 100 per cent of their conclusions, are contradictory—leaving the long contentious Hydro issues practically as undecided—from the layman's point of view—as they ever were. For instance, the "majority" report finds that Mr. Hepburn was fully justified in advocating the "Back to Niagara" policy at the time he did. "Hon. Mr. Hepburn," it says, "cannot be held responsible for the fact that the chairman of the Commission (then T. Stewart Lyon) refused to accept or read the report of its chief engineer, and thus supplied the Prime Minister with information not in keeping with the actual situation."

This report also "completely exonerated" the Prime Minister of the allegation that he had, directly or indirectly, been negotiating the Beauharnois contract prior to the election. "The first steps toward negotiations were undertaken by Dr. T. H. Hogg (present Hydro chairman) a few days after his appointment as chairman of the Hydro Commission, on Nov. 1, 1937, and no negotiations of any kind were instituted by any one prior to that date."

Says Hepburn Knew.

On the other hand, the Macaulay Opposition, or "minority" group, maintains: "There can be no doubt that Mr. Hepburn knew, or should have known, prior to the provincial election, of the critical power shortage, and that it would be necessary, immediately after the provincial election of 1937, to sign new contracts with the Quebec companies in the place of those which had been cancelled. There is conclusive evidence that Mr. Hepburn deceived the public with his assurance of a 'Back to Niagara' policy."

The staff of Hydro and at least two members of Mr. Hepburn's Cabinet—this report finds—knew in June, 1937, that demands for power reserves "made a new contract with the Beauharnois or Maclaren Quebec power companies, or both of them, inevitable."

The terms of the new Quebec contracts negotiated by Hydro under the Hogg chairmanship are "eminently

fair and satisfactory from the standpoint of the power users of the province," the majority report finds. "They represent, it says, a tremendous saving in power costs spread over a long period of years, as compared with the original contracts."

"There is no foundation," says the Macaulay protest, "for the statement that a saving of \$92,000,000 is assured under the new contracts. On the contrary it is possible, under certain circumstances, that the new contracts may be less favorable to the province than those which were cancelled."

No Raid on Treasury.

No justification was found, says the Liberal sum-up, for charges that the province had made raids on the Hydro treasury, but on the contrary the readjustment of financial relations between the province and the Hydro have been to the material advantage of the Hydro system by making possible a substantial saving in interest charges.

"The evidence clearly shows," the Macaulay report states, "that there was political interference with the management of the Hydro-Electric Power Commission periodically during the last four years."

Mr. Macaulay and his associates claim that the conduct of Oscar Hudson & Company—Hydro auditors—is "open to the most serious criticism." They deleted sections of the report which they filed as auditors of the Hydro-Electric Power Commission, and withdrew another report which they had prepared from the records of the Commission, for the obvious purpose of taking off the permanent record their own criticism of the conduct of the commission."

"The committee feels," says the Liberal-complexioned report, "that it cannot condemn too strongly the action of Mr. McCrimmon (A. Murray McCrimmon, dismissed secretary and comptroller of Hydro) in giving evidence that mistakes totalling \$70,000,000 had been found in the Hydro books, and that the auditors had to correct these errors, thereby casting on the Hydro auditors and accounting staff a criticism and condemnation which were proven to be wholly unwarranted and unjustified, particularly when Mr. McCrimmon was, or should have been, fully aware of the conditions which made the adjusting entries necessary."

Holds Claims Unfounded.

The Liberal "majority" report holds that there are no grounds for the claims of former Chairman Lyon and former Attorney-General and Hydro Commissioner Roebuck that they were dismissed from office in order to get them out of the way before the signing of the Beauharnois agreement.

"All of the evidence," this report says, "leads the committee to the irrefutable conclusion that Hydro matters had nothing to do with Mr. Roebuck's dismissal in April, 1937, which was due entirely to the C.I.O. issue and the Oshawa strike situation. The Beauharnois question was not discussed in any way at the time of Mr. Roebuck's dismissal, and it is quite evident that even for some months after his resignation he still maintained that his disagreement over the C.I.O. question was the reason for it. The committee, therefore, finds no foundation for the suspicions and innuendoes of Mr. Roebuck that Beauharnois was responsible for the demand for his resignation, but on the contrary the committee find the C.I.O. issue and the Oshawa strike were the sole reasons for Mr. Roebuck's dismissal."

Regarding Mr. Lyon, the Liberal report, in part, says: "The committee is satisfied from the evidence that the demand for the resignation of Mr. Lyon was made on account of his refusal to co-operate with the provincial treasury in financial matters of major importance, and that the question of a settlement with Beauharnois did not in any way enter into it. There was also the implied understanding, at the time of his appointment in 1934, that it would be for only a short period of time. Mr. Lyon's own evidence provides convincing proof that no settlement with Beauharnois was contemplated previous to election day (Oct. 6, 1937), and for some time afterward, since he asserts that arrangements for prosecuting the Beauharnois appeal before the Privy Council were going on actively up to the time of his resignation on Nov. 1, 1937."

Justifies Hepburn Action.

The Liberal report justifies Mr. Hepburn's action in authorizing negotiation and settlement of the new contract with Beauharnois, and claims that "the whole cause of the difficulties" from which the Hydro Commission had to extricate itself, was "the unique and unwarranted action of the commissions from 1926 to 1930 in making the original agreements with the Quebec power companies."

Never at any time—the Macaulay document holds—was there any foundation for the contention of government spokesmen that the Hydro "faced bankruptcy" unless the earlier contracts were cancelled. On the contrary, the commission had reserves which fully protected its financial standing.

"The wisdom of the course followed in signing new contracts," this report stresses, "is not so much in issue as the unequivocal pledge of Mr. Hepburn that he would not sign new contracts if returned to power. In spite of unconvincing nature of some of the evidence, the only reasonable conclusion from the facts disclosed is that Mr. Hepburn deliberately misled the public and sought re-election upon an undertaking which he was well aware could not be fulfilled."