

CENTRAL BANK SHUNS ONTARIO, SAYS WALTERS

**Refused to Buy Treasury
Issues of This Province,
He Tells Public Accounts
Committee of Legislature**

TENDERS NOT CALLED

Charging the Bank of Canada with not giving the support to Ontario it should, Chester Walters, Controller of Revenue, yesterday before the Legislature Public Accounts Committee, quoted Governor Graham Towers as having told him in the spring of 1935 that the bank "would never buy treasury bills of Ontario except as an open market transaction."

Mr. Towers, he said, had been "very friendly" during a conference with members of the cabinet sometime previously. But at subsequent meeting with the bank governor, said Mr. Walters, "he had the cold eye of a banker and said the bank would never buy them."

"Perhaps," suggested William Duckworth (Con., Toronto-Dovercourt) "that was about the time the government was considering repudiation of the Hydro contracts."

Mr. Walters assented, and emphasized that, while the Bank of Canada refused to buy Ontario treasury issues, it had purchased debentures from one or more of the Western provinces. He said he had mentioned the bank's policy to Finance Minister Dunning and the minister had replied that he "didn't interfere with the Bank of Canada at all."

No Tenders Called.

Mr. Walters, called before the committee on motion of Leopold Macaulay, revealed that the government did not call for tenders on its loan issued.

He said that on the one occasion tenders had been called by the Hepburn administration, none had been offered. Colonel George Drew, Opposition Leader, reminded him that the one occasion had to do with the situation arising from the repudiation of the Hydro bonds "in which the brokers themselves decided not to tender."

"Don't you think tenders ought to be received on a great funding operation of \$46,000,000?" asked Mr. Macaulay.

"No, I don't," replied the witness. "I think that in the experience of this government better prices can be obtained by negotiations rather than by tenders."

Mr. Walters believed Ottawa secured its loans by both tenders and negotiations and held there was a bigger demand for Ottawa's issues. "And besides, the province is not in the same position as the Dominion," he added, "the Dominion has the Bank of Canada behind it."

"Is there no competition among the banks?" pressed Mr. Macaulay.

"Well, I think they all drink their coffee together," replied the treasury official.

Sold to Syndicate.

Mr. Walters said Ontario's issues were purchased chiefly by a syndicate of chartered banks acting through Wood, Gundy & Co., and claimed that Ontario secured its loans at a rate which compared more than favorably with the other jurisdictions in the Dominion.

He admitted to Opposition questioning that the province's ability to obtain cheap money was an indication that business was in a sick condition. "Cheap money is nearly always an indication of bad times," he added, pointing out that few investors wished to let money out on anything except government debentures.

Mr. Walters emphasized that, as a policy, the cabinet, near the end of the fiscal year, passed an Order-in-Council providing that all accounts properly applicable to the fiscal year ending March 31 must be in by April 20. He was satisfied there was no outstanding highway accounts at the present time, and declared he had no knowledge of a report there were a number of highway contractors' accounts held over into the 1938-39 accounts from the fiscal year preceding.

He believed the Ontario Hydro-Electric Power Commission would ultimately pay off its debt to the province and would undertake its own financing. At the same time he was doubtful if the Hydro, today, could borrow at as low a rate as the province if the Hydro bonds were not guaranteed by the province.

Questioned by Mr. Macaulay, Mr. Walters revealed there was no definite earmarking of funds for highway expenditure purposes.

"Have you considered the recommendation of the Chevrier Commission that funds be so earmarked?"

Mr. Walters said he had not read the commission's report and declined to give an opinion as to whether or not the recommendation should be acted upon, on the ground that it involved government policy.