Promoters' Profits in Power Project Top $6,000,000

SCORES SENATE TRIO CALLS HENRY "UNFIT"

(Continued from Previous Page)

at $1.00 per share. Your committee is also satisfied that Mr. Henry participated to some extent at least in the withdrawal of company funds for political purposes.

Mr. Henry's connection with Senator McDougald, and their success in despoiling the company of a large sum of money or money's worth for something that on the evidence was entirely worthless, does not commend him to your committee as a fit and proper person to continue in the management of this great public utility.

Principal Promoter

Mr. Sweezey seems to have been the principal promoter of the Beauharnois project. He is now president of the Beauharnois Power Corporation, Limited, and is a civil engineer by profession.

In 1912 he was engaged by the Royal Securities Corporation to investigate certain water powers, and in 1913 was instructed by the present Lord Beaverbrook, the then president of the Royal Securities, to investigate the waterpower now known as Beauharnois. A copy of his report is filed as exhibit No. 123.

Mr. Sweezey states that in 1925 or 1926 Mr. Narcisse M. Cantin brought the matter again to his attention, and it is stated by Mr. Cantin in his evidence, and not denied by Mr. Sweezey, that from the 4th April, 1925, to December of 1925, Mr. Sweezey was chief engineer of the Transportaton and Power Corporation, Limited, the Cantin company.

Had Idea in 1926

As early as the 14th October, 1926, Mr. Sweezey had conceived the idea of forming a syndicate to take up the Beauharnois project, and his ideas of how to go about it are outlined in a letter written by him to Mr. Alderic Raymond, brother of Senator Raymond, on that date. In this letter he states: "To place ourselves in possession of all the rights essential to this undertaking we should pursue the following course:

"1. Acquire the Robert rights which are fundamental in regard to an initial grant which he holds to divert 40,000 C.F.S. He also holds rights granted by charter to expropriate for the proposed canal route. Numerous other incidental rights are included in his holdings which he is anxious to sell, though he wishes to participate partially in the organization syndicate.

"2. Acquire the control of the St. Lawrence waterways and power company stock, which is available to us, and upon which we have already a substantial hold.

"3. Enlist with our syndicate two or three individuals who in addition to supplying some cash as their fair share, can assist us in getting our right extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point. As the whole is entirely within the province of Quebec, our influence has to be exerted only in Canadian political circles—that is, at Ottawa and at Quebec."

Persona Grata to All

He further says: "In connection with personnel of syndicate, I have in mind the individuals we should enlist with us. I have hesitated to accept anyone definitely until certain that each and every one is persona grata to all others."

Asked as to who the persons he had in mind were, he at first could not remember. When later recalled and confronted with his answer on a former occasion under oath, he admitted that they were Senator Raymond, Honorable W. G. Mitchell, and Frank P. Jones, the latter of whom was desired only for his ability to help with the finances.

It is obvious, therefore, that from the very threshold of this undertaking he had in mind that he had to associate with him men who could exert influence in political circles at Ottawa and Quebec. How well he succeeded remains to be seen.

He states that he had talks with Senator McDougald, "and I was trying to get from Senator McDougald his view as to what the difficulties would be in overcoming the political work to be done." This was probably in 1925 or 1926.

Got Their Help

Mr. Sweezey succeeded in enlisting the help of all these gentlemen, first Senator Raymond who was a subscriber for 800 part interests or units in the first syndicate through the Credit Generale du Canada; Hon. Walter Mitchell, who was an equal partner with Mr. Jones in the units purchased by Mr. Jones from Newman, Sweezey and Company, and Mr. Jones himself; and ultimately Senator McDougald, who agreed to join the ranks on the 18th May, 1928.

(9) On the formation of the first syndicate Mr. Sweezey obtained 500 part interests for his activities up to that time, and he subscribed and paid for 300 units at $100 per unit. On the transfer of the assets to the Second Syndicate, his holdings doubled in number, and at the period of distribution, as of the 17th December, 1929, he appears by the books to have been the holder of 1,000 part interests.

LAVISH WITH MONEY POLICY OF SWEEZEY

(10) Mr. Sweezey's idea from first to last seems to have been that in order to secure the approval of the authorities at Quebec and Ottawa it was necessary to deal with a lavish hand with his own moneys and those of the companies concerned. In pursuance of this idea he proceeded to employ a formidable array of legal talent, resulting ultimately in the payment up to December 31, 1930, of so-called legal fees amounting to $626,000.

(11) The bills of some of these legal gentlemen show that the work was not of a strictly legal nature and consisted to a certain extent of lobbying and, in fact, one fee of $50,000 to Senator Haydon's firm was made contingent upon the Beauharnois Light, Heat and Power Co. obtaining approval of its plans.

(12) Mr. Sweezey was also in association with Mr. H. B. Griffith and at least two other unnamed directors, the instrument by which approximately $300,000 of the company funds were misused, as he alleges, for campaign purposes. This is surely contrary to the purposes for which these moneys were borrowed from the public through the issue and the sale of the company's bonds.

(13) Your committee considers that Mr. Henry is general manager and Mr. H. B. Griffith, as secretary-treasurer and director of the Beauharnois Light, Heat and Power Co. and other subsidiaries, are involved in this misuse of the company funds.

Mr. Sweezey's further activities in respect to campaign funds will be dealt with in a separate paragraph.

Must Have Agreed

(14) According to the evidence of Senator McDougald, Mr. Sweezey and he had arranged that Mr. Henry should join the Beauharnois Company and the matter had been discussed prior to the death of the then deputy minister, Major Graham Bell, which occurred on the 13th January, 1929. It is therefore, obvious that Mr. Sweezey must have released him from this arrangement and agreed to Mr. Henry's joining the department of railways and canals at a time when he, Mr. Sweezey, knew that Mr. Henry had arranged to become interested as an employee of Beauharnois and this at a time when Mr. Henry, as the partner of Senator McDougald in the Sterling transaction, had acquired a substantial interest in the Beauharnois Syndicate.

Money For Politics

(1) Mr. R. O. Sweezey has admitted in his evidence that he was responsible for the following contributions:

(2) For contributions for political purposes aggregating $864,000, and which includes the sum of $125,000 paid to John Aird, Jr., of which mention will be made hereafter. Of this total, approximately $300,000 were company funds and the balance was raised by Mr. Sweezey personally and probably at least in part came out of the large profit made on the sale of the syndicate assets to the Beauharnois Power Corporation and, therefore, indirectly out of the monies borrowed on the sale of the company's bonds. Mr. Sweezey states (evidence page 821) that he contributed personally to the Liberal party "somewhere around $600,000 to $700,000."

This large sum was paid to Senators Haydon and Raymond. On page 822, Mr. Sweezey says that the total contributions to the Liberal party would run up well over $700,000 and in this there was included a sum stated by Mr. Sweezey to be in the neighborhood of $100,000 and by Mr. Griffith to be about $120,000, which were company funds.

SUGGESTS RAYMOND RECEIVED $200,000

Mr. Sweezey is unable to state how much was paid to them, but he and Mr. Griffith agree that out of the sums paid to Senator Raymond; the Liberal party of the province of Quebec was to be taken care of. Mr. Sweezey says that he has no knowledge of how much went to the province of Quebec nor does he tell how much of the total amount was paid each of these two senators. He, however, ventures the statement that the amount received by Senator Raymond might have been in the neighborhood of $200,000.

On page 822, Mr. Sweezey is asked the question, "Then you spoke of contributions to the Conservative party. What amounts were they and to whom were they paid?" Answer—"They were small amounts. Some of them were to help personal friends whom I had been helping, as a matter of fact, for a number of years in their campaign work." Mr. Sweezey spoke of contributing $6,000 to the campaign of Mr. Leslie Bell and Mr. Bell in his return under the Dominion Elections Act is said to have published this contribution, as required by section 80 of such act. Contributions were also made, according to the testimony of Mr. Sweezey and Mr. Griffith, to General McCuaig, understood to be a collector for the Conservative campaing fund in Montreal, of $10,000. Mr. Sweezey is not clear as to whether there were any further contributions to the campaign fund of this party. Mr. Griffith, however, states that there was a contribution to Mr. Cartier and that the total contributions to Conservative candidates or party organizers were $25,000. Mr. Sweezey, on the other hand, thinks that the amount was $30,000, but refers to Mr. Griffith for the correct amount.

Contributions were also made to Mr. W. R. P. Parker, president of the Ontario Liberal Association, amounting to about $3,000.

There was also a suggestion with reference to a proposed contribution to the Conservative federal campaign fund through its organizer, General McRae. This, however, was not made. Asked if the reason for its not having been made was that Mr. Bennett would not accept it, Mr. Sweezey, in his reply said: "I do not know that, but I presume that may be so."

$20,000 to Cartier

There apears also to have been a contribution of $20,000 to Mr. Cartier on behalf of the Conservative party of the Province of Quebec, but it does not appear clearly whether this was included in the sum of $30,000 above mentioned or in addition thereto. This item of $20,000 appears in a cheque of the Marquette Investment Corporation, dated the 7th March, 1931, payable to cash, endorsed by Mr. Sweezey and charged to accounts payable. In respect thereto Mr. Sweezey says: "I think probably that must be the item contributed to the Conservative party in Quebec."

Asked by Mr. Jacobs who got that money, the answer was "that went to the funds of the Conservative party." Asked who received the money, Mr. Sweezey states: "Mr. Cartier, I understand it was on behalf of Mr. Houde's party."

INGENIOUS DEVICE IN AIRD PAYMENT

This leaves but one further item to be discussed—the sum of $125,000 paid by Mr. Grffith at the direction of Mr. Sweezey to Mr. John Aird, Jr., of Toronto. This sum, as to $120,000 thereof, was procured by a rather ingenious device: Mr. Griffith purchased 8,000 shares of the Marquette Construction Co. at $5 a share for $40,000, and immediately purported to sell them to the Beauharnois Construction Co. at $20 a share, for $160,000, and took out the difference, $120,000, in cash which he used to purchase through Newman, Sweezey and Co. Dominion of Canada bonds at a par value of $120,000.

Quote Sweezey

Mr. Sweezey says (page 823): "I know we made a contribution to someone who represented himself as standing up for an Ontario fund of this kind," and that this representation was made to him by Mr. John Aird, Jr. Asked what Mr. Aird said, Mr. Sweezey's answer is:

"That he thought a contribution would be in order to the Ontario Conservative party because we would probably be having a lot more dealings with the Ontario people and that gratefulness was always regarded as an important factor in dealing with democratic government."

After Election

Delivery of the bonds is said to have taken place some substantial time after the last Ontario general election, and the conversation between Mr. Aird and Mr. Sweezey is said to have occurred some months before the delivery of the bonds, which were handed over on the 6th of December, 1929.

Mr. Aird says in his evidence that the first interview with Mr. Sweezey took place at the Ritz Carlton hotel, Montreal, in the early fall of 1929, at a time when the Beauharnois organization was negotiating for a contract for the sale of electric power to the Hydro-Electric Power Commission from whom they obtained a contract for 250,000 h.p. at $15 per h.p., on or about the 21st of November, 1929.

Mr. Aird (evidence, page 844) is asked whether the receipt of these bonds was on behalf of any political party, and his answer is "No." Asked on whose behalf it was, his answer is: "On my own." Asked this question: "Was it on behalf of anybody, or was anybody interested but John Aird, Junior, personally in these particular bonds to the extent of $120,000?" His answer is: "No, sir, decidedly not."

Aird's Examination

On page 847 of the evidence there appears the following: By Mr. Jacobs:

Q.—It was not your intention to turn this over to the organization at all? A.—No, I did not give Mr. Sweezey any communication that I was going to do so."

Q.—You swear to that. A.—Yes.

On page 849, by Mr. Jacobs:

Q.—You would swear you did not, directly or indirectly, represent to Mr. Sweezey that you were an emissary of the Conservative political organization in Toronto? (A.—Yes.

Q.—You swear to that? A.—Yes, I do.

(15) Mr. Aird states that he belonged to no political organization of any kind and had not taken any interest in party politics, and also that the arrangement between him and Mr. Sweezey was purely a personal one between the two of them.

(16) Whether the truth lies on one side or the other, it is clear there is no evidence before the committee that would indicate that any of these bonds have reached any political organization, or any person authorized to receive campaign funds.

(17) Mr. Aird's statement is supported by the evidence of various bank officials as per details set out hereunder. Mr. Aird further stated that the coupons were personally collected by Mr. Aird.

How Dealt With

(18) The evidence establishes that the $120,000 par of bonds handed to Mr. Aird by Mr. Griffith on the 6th December, 1929, have been dealt with as follows:

(a) Held for safekeeping or as collateral by the Royal Bank of Canada, the Canadian Bank of Commerce and the Bank of Nova Scotia—$65,000.

(b) Sold—$5,000.

(c) Exchanged—$50,000.

Total—$120,000.

The details of the bonds exchanged are:

(1) $10,000 for £3,100 G.T.P. 1962—£3,100.

£2,600 held at Canadian Bank of Commerce, account concrete masonry—£2,600.

Sold—£500.

Total—£3,100.

(2) $10,000 for $11,000 Province of British Columbia 1955—$11,500.

Later exchanged for $11,500 Province of Alberta 1957—of which held at Canadian Bank of Commerce for safekeeping—$9,500.

Held at Royal Bank, account Champlain Construction Co.—$2,000.

Total—$11,500.

(3) $10,000 for $11,000 Toronto Harbor Commission 1953—$11,000.

Held at Canadian Bank of Commerce for safekeeping—$5,000.

Exchange for Eglinton Hunt—$1,000.

Sold—$5,000.

Total—$11,000.

(4) $10,000 for $12,000 Province of Saskatchewan 1957—$12,000.

Held at Aird, McLeod and Co. as collateral—$4,000.

Held at Royal Bank account Champlain Construction Co.—$8,000.

Total—$12,000.

(5) $10,000 for $12,000 Hydro-Electric Power Commission 1957—$12,000.

Held at Royal Bank on account Champlain Construction Co.—$12,000.

Total bonds—$50,000.

Summary of Sales

Bonds originally obtained from Griffith—$5,000.

Grand Trunk Pacific £500, say $2,500.

Toronto Harbor Commission—$5,000.

Total—$12,500.

For Personal Purposes

Mr. Aird's evidence is that the proceeds of bonds sold were expended for his personal purposes.

(19) Neither Mr. Sweezey nor Mr. Griffith pretended to speak with exactitude as to the actual amount of money contributed for political purposes. In this connection Mr. Sweezey says: "It was a very distasteful thing to me and I personally preferred not to know or remember much about it."

(20) Your committee considers that return should be made immediately of any moneys improperly taken from the company's funds for political subscriptions by those responsible for their extraction.

(21) It is also to be observed that no pretence is made that the personal subscriptions were because of the adherence of Mr. Sweezey to any particular party and we are of the opinion that they were shamelessly, wastefully and needlessly made for the express purpose of obtaining favorable consideration of the company's proposal to the government.

Sweezey Solicited

(22) That Mr. Sweezey was solicited for these contributions appears on page 822 of the evidence, where in answer to Mr. Lennox he states: "I could not deliver that amount of money in one fell swoop. I had to scratch it up where I could from time to time." Further on, in speaking of the $10,000 campaign fund to General McCuaig, Mr. Lennox remarked: "You did not treat us very generously." Mr. Jacobs: "The fact that the party is in power is some indication." Witness: "They did not press me so hard, sir."

(23) The evidence on page 826: By Mr. Lennox: "You said Senators Raymond and Haydon were designated as the proper persons to whom you should pay this fund. Who designated them? Answer: "Nobody specially designated them: I just happened to know it; they came and told me they were."

Haydon's Connection

(1) The first connection of Senator Haydon with the Beauharnois project appears to be in 1924, when his firm incorporated for Senator McDougald and Mr. Henry the Sterling Industrial Corporation on the 5th July of that year and made the application of that company to the two departments of the government for the right to divert 30,000 c.f.s.

(2) His firm was retained by Mr. Sweezey for the Beauharnois Power Syndicate in the fall of 1928 under somewhat peculiar circumstances.

(3) Senator Haydon has been a member of the Senate since March 11, 1924, and was known to Mr. Sweezey to be a member of the Liberal party who collected campaign funds. The retainer was of an unusual character. The firm demanded in excess of $30,000 per year but Mr. Sweezey demurred and finally arranged that the firm of McGiverin, Haydon and Ebbs, would be paid the sum of $50,000, conditionally upon approval of its application by the governor-in-council. On Oct. 3, 1928, this firm received a cheque from the Marquette Investment Company for $7,500 for legal services. On page 728, Mr. Sweezey says in an interview with Mr. McGiverin, "However, by a compromise, I agreed that if the thing got through I would prefer to pay on that basis; if it went through I would pay him $50,000 and a retainer for three years at $15,000; it is human nature to work harder at a price." Asked, in the event of failure, what would happen, Mr. Sweezey's answer was, "Well, he would have his expenses. At least I presume that he would have to have his expenses. I was sure he would charge me something for it." This arrangement was apparently made, according to Mr. Sweezey, some time prior to the 2nd October, 1928.

(4) On the 2nd October, 1928, a transfer was made to Mr. Ebbs of the Haydon firm, from Mr. Clare Moyer of the interest Mr. Moyer then held in the Beauharnois Power Syndicate for Senator McDougald.

(5) Mr. Ebbs, Senator Haydon's partner, acted as syndicate manager for some time representing Senator McDougald.

FIND HAYDON'S FIRM WAS PAID $50,000

The order-in-council was approved, Senator Haydon's firm was paid $50,000 and thereafter received several cheques in pursuance of the arrangement made with Mr. Sweezey by which that firm was to be paid a retainer of $15,000 per year.

Senator Haydon was a man of note and standing in his party. He became the recipient from Mr. Sweezey and the Beauharnois company of sums of money for campaign purposes, said to be in excess of half a million dollars, and it is also to be noted that throughout this firm did not render any detailed bill for professional services as shown by the vouchers (exhibits No. 85 to 87 inclusive).

In these circumstances, your committee is of opinion that the acceptance of the above mentioned contingent retainer and of the $50,000 involved, and of the campaign funds by Senator Haydon was in violation of the trust which was imposed in him when he took his oath of office as a senator of Canada.

Senator Raymond was appointed to the Senate on the 20th December, 1926. He voluntarily, after the permission of the Senate had been granted, appeared before the committee on the afternoon of the 16th July, 1931, and stated that he had subscribed on the 1st April, 1927, at the suggestion of Hon. Mr. Mitchell and Mr. Frank P. Jones, for 800 units of the Beauharnois syndicate at a price of $30,000, which he paid. These became 1,600 units in the second syndicate and as was his right, he subscribed for 1,600 further units, in the name of J. R. Lafebvre, and made his holdings 3,200 units.

Raymond's Profit

On the whole transaction he realized as of the 17th December, 1929, $529,600 profit and 14,040 shares of class A stock of the Beauharnois Power Corporation Limited. Senator Raymond sold all his originally acquired units at the same time that Mr. Frank P. Jones sold his at $550 per unit, and later Senator Raymond bought from W. G. Mitchell 350 units and from R. T. Fuller one unit in the Beauharnois Power Syndicate and he held these at the dissolution of the syndicate on the 17th December, 1929. His total profit was as above mentioned. He states that neither at Quebec nor at Ottawa he did exert or attempt to exert any political influence on behalf of the Beauharnos aplications. His evidence is that he "did nothing to push the deal," on page 794 of the evidence, Senator Raymond was asked:

Q.—Then are we to understand you to say that, having this interest in this project and knowing that there was a very strong opposition and a big fight being put up, you never turned a hand to help it all? A.—I do not know if there was anything in my power to do toward helping it.

Q.—Well, you could help? A.—I thought the only help that I could give was to put my money in.

Q.—I may take it, then, from what you say, that we have your unequivocal statement that at no time did you attempt to exert your personal influence on behalf of this project? A.—At no time.

Later Disclosure

At the conclusion of his evidence one of the members of the committee expressed the view that he ought to be commended for his frankness in giving his evidence. It was, however, later disclosed in evidence that, according to the bill of Messrs. Geoffrion and Prudhomme, counsel for the Beauharnois Syndicates (Exhibit No. 114) from September 10, 1927, to May 23, 1928, there appear some 16 entries charging for interviews with and telephones to and from Senator Raymond. An interview appears to have taken place on one occasion with Honorable Mr. Mitchell; on another occasion in Ottawa with Senator McDougald.

On page 391, Mr. Frank P. Jones states: "I certainly asked Senator Raymond over and over again if he could not do something to get some action."

Rap For Senator

It transpired when Mr. Sweezey returned to give further evidence that Senator Raymond had received from Mr. Sweezey some $200,000 of campaign funds for the Liberal party. The commendable frankness would seem to require that Senator Raymond should have disclosed this to the committee if he wished the committee to understand that he was stating fairly his connection between the government and the Beauharnois promoters.

In view of Mr. Sweezey's attitude throughout and his views as to the necessity for political influence, it is hardly conceivable that Mr. Sweezey would pay this large sum of money over to Senator Raymond unless he at least was satisfied that the senator's influence had been or would be worth the money and it is remarkable that Senator Raymond did not insist on making some explanation of his position in this regard, in view of his evidence.

McDougald's Position

Senator McDougald was first summoned to the Senate on the 25th June, 192. but owing to the dissolution of parliament was not then sworn in and his apointment lapsed. He was again summoned in October of that same year and was sworn in the following year. Since 1922, except for a short interval in 1926, until 1930, Senator McDougald occupied the position of chairman of the Montreal harbor board and, as he stated in evidence, assumed a position of high responsibility in connection with the development of the St. Lawrence deep waterway.

In May, 1924, the then Dr. McDougald was appointed a member of the national advisory committee, whose membership included the Honorable G. P. Graham, as chairman, and Hon. Clifford Sifton, and several gentlemen interested in existing hydro-electric power development.

On the 20th April, 1928, Senator McDougald was appointed a member of the special committee of the Senate to inquire into and report from time to time on the matter of the development and improvement of the St. Lawrence river for the purposes of navigation and production of electricic current and power.

That committee held several meetings in the month of May, 1928, and to which reference will be made more specifically hereafter.

In With Henry

In 1923 Dr. McDougald became associated with Mr. R. A. C. Henry, as has been previously pointed out in this report, and as a result the Sterling Industrial Corp. Ltd. was incorporated and application made to the departments of public works and railways and canals on the 5th and 7th July, 1924, as already indicated.

From this small beginning, the interests of Senator McDougald have expanded until at the time of his giving his evidence he was chairman of the board of the Beauharnois Power Corporation, Limited, elected on the 20th of December, 1929; the holder of management preferred shares; a director of the Beauharnois Light, Heat and Power Company, the Beauharnois Construction Company, the Beauharnois Land Company, and the Beauharnois Transmission Company.

This expansion is almost comparable to the present Beauharnois project as compared with the original St. Louis feeder.

The application of the Sterling Industrial Corporation was allowed to lie dormant until some time in 1928. On the 18th of May, 1928, Senator McDougald agreed to take over 800 units of the first syndicate which had been subscribed for by Mr. Clare Moyer on the 4th of April, 1928, the day upon which that syndicate was dissolved, and upon which day a payment of $15,000 was made by Mr. Moyer of moneys which he says he received in cash from Mr. Winfield Sifton. A further payment was made on the 18th of May, in an amount of $15,000, out of moneys which Mr. Moyer says were received by him from Mr. Sifton by way of a bank draft containing no information as to the person who was providing the funds.

800 Became 1,600

The 800 units thus acquired by Senator McDougald became 1,600 units on the formation of the second syndicate, and he, in the name of Mr. Moyer, subscribed, as he had the right to do, for 1,600 more units at a price of $100 per unit and for which he agreed to pay $160,000 and on which at the dissolution of the syndicate on the 17th December, 1929, he had paid $80,000.

(9) In the meantime, however, namely, on the 2nd October, 1928, these had been transferred from Mr. Moyer to Mr. John P. Ebbs, a member of the Haydon firm, by reason of some instructions from Senator McDougald, about which there seems to be some insolvable mystery, and about which there need not have been any mystery at all if the transaction were an ordinary business one.

(10) As previously pointed out, Senator McDougald, through his representative, Mr. Ebbs, acquired for the five issued shares of the capital stock of the Sterling Industrial Corporation, Limited, 2,000 part interests in the second syndicate. These units were given for a corporation the rights of which, as has been pointed out by Mr. Cameron, chief engineer of the public works department, on page 1019 of the evidence, "would be of no value."

The agreement was made in the fall of 1928, and the Beauharnois company considered these shares to be of such value that they still remain endorsed in blank, and have never been transferred on the books of the company.

No Nuisance Value

It can hardly be pretended that this company had any value, even as suggested, any "nuisance value," or was or could be thought to be any serious obstacle in itself to application of the Beauharnois Light, Heat and Power Company to the governor-General-in-Council then pending. If so, there were two former applications in the department, one of which at least was based on an alleged acquisition of the Robert rights, which rights were the foundation of the Beauharnois application.

Still, the carrying out of the agreement was made conditional upon favorable action by the Governor-general-in council, and it is beyond belief that had that company not been owned by Senator McDougald, who represented himself to be a close friend of the administration, and R. A. C. Henry, soon destined to become deputy minister of railways and canals, or others equally influential, the Beauharnois Power Syndicate would have hardly considered paying for it even the nominal amount that had been subscribed as its capital stock, much less 2,000 units, which ultimately became $300,000 in money and 80,000 shares of the Beauharnois Power Corporation, Limited, but would doubtless have received the same consideration as was accorded the other prior applicants—namely, the privilege of being completely ignored.

WHY AN INDUCEMENT WITH DOUBLE PAY?

It is suggested that the handing over of this large number of units was in order to induce Mr. Henry to go over to the Beauharnois company. Why any inducement, other than a doubling of his salary, which actually occurred, should have been necessary in order to induce the man who had for at least six or seven years been most anxious to be connected with a Beauharnois project, is difficult to understand, and your committee cannot accept that as the explanation. On the contrary, we are convinced that the "nuisance value" consisted in the necessity of a large inducement to Senator McDougald in order that he, a possible obstacle in the attainments of the objects of the syndicate might become so vitally interested therein that any possible opposition on his part might be obviated.

(12) That Senator McDougald was a factor in the success of this venture is apparent from the proceedings of the special committee of the Senate above referred to, of which he was a member. It appears that on the 31st day of May, 1928, he was instrumental in having Mr. Henry, then his partner in the Sterling Company, come before that committee and answer certain questions. These questions had (see page 215 of the proceedings) been prepared beforehand by Senator McDougald and submitted to Mr. Henry.

Of Great Importance

(13) Mr. Sweezey in his evidence makes it very clear that the reason for his having done some of the extraordinary things which he did do was that time was of great importance from the standpoint of financing the enterprise, owing to the threatened financial crisis.

(14)—On the 25th May, 1928, Mr. Aime Geoffrion, chief counsel for the Beauharnois syndicate, and who, according to his bill for professional services, had a number of interviews, starting on the 17th December, 1927, with Senator McDougald, wrote to Senator McDougald urging that there was "no reason for delaying the application to the Dominion executive for approval of the Beauharnois plans under the Navigable Water Act."

(15) The last question which Senator McDougald asked Mr. Henry on this occasion, on the 31st of May, 1928, was as follows: (page 232 of the committee's proceedings).

"Hon. Mr. McDougald: The last question which I have, Mr. Henry, is, in your opinion, should the improvement of the St. Lawrence waterway be gone on with as soon as possible, and if so, why?" It is to be recalled that thirteen days previously, on his own testimony, Senator McDougald had agreed to become interested in this enterprise to the extent of 800 part interests in the Beauharnois syndicate.

Senate Statement

On the 19th of April, 1928, Senator McDougald in a speech delivered by him from his place in the Senate stated: "I want to say here, and to say it with emphasis, that I do not own a dollar's worth of stock in this enterprise, and have no interest in or associating with that company in any way, shape or form. So far as I myself am concerned I cannot add too much emphasis to my denial of the suspicions and aspersions which these dispatches (referring to dispatches of the Toronto Mail and Empire and the Globe of April 18, 1928) have cast upon me as a member of the advisory committee, as a member of this honorable body, and as a private citizen."

Second Utterance

On May 20, 1931, Senator McDougald, in referring to his former statement on this subject, and the date thereof, April 19, 1928, made the following statement from his place in the Senate: "Honorable members of the Senate, before the orders of the day I rise on a question of privilege. According to the newspapers of this morning my honor and integrity as a member of this House have been attacked in another place and I desire to draw attention at once to a statement which I made in the Senate in April, 1928, regarding my position in the much discussed Beauharnois Power Co. Newspaper articles had reflected on myself and other members of the national advisory committee reporting on the St. Lawrence waterway. It was insinuated that our decisions and recommendations were influenced by:

Personal interest in power development on the St. Lawrence. In this House I stated at the time that I had no interest in the Beauharnois Power Co. or in the syndicate. That was absolutely true and correct. I may say at once that up to that time (that is April, 1928) I had been invited on many occasions to become a member of that syndicate, but had always declined. After that date I was asked again, and had the whole project investigated from every angle. When I was satisfied that it was a proper project for me as a member of this Senate, as a business man, and as a citizen of Canada, to take a financial interest in, I agreed to do so. Some six months later, in October, 1928, I took an interest in the Beauharnois syndicate."

On page 930 of the evidence appear these questions and answers:

Testimony Quoted

Q.—That is not a correct statement, Senator, I suggest to you? A.—I suggest, sir, that it is a correct statement.

Q.—Then your evidence yesterday was wrong, because you bought from Sifton in May? A.—I did not appear in it until October. Mr. Ebbs was my representative in October, and I became active in it in October.

Q.—Is that your explanation for that statement? A.—That is my explanation for that statement. I was in the syndicate.

Q.—Why, of course you were in the syndicate; here is your evidence? A.—The end of May, 1930, and not when I made the speech in the Senate.

Q.—You say in your speech distinctly that in October, 1928, you first took an interest in the Beauharnois syndicate. Yesterday in your sworn testimony you admitted that you had purchased from Sifton in May, 1928? A.—That is correct.

Q.—I suggest to you that your statement in the Senate was entirely wrong? A.—It may have been ambiguous, but it was not wrong.

"What I meant was I came into it in October through Mr. Ebbs. That is the first time I came into it —."

Q.—Just before you go on, with that, Mr. White, I want to complete the question I was putting to the senator a moment ago (to the witness) while you were making this ambiguous speech, as you call it now, in the Senate on the 20th May, 1931, of course you were interested with Mr. Henry in the Sterling Industrial Corporation.

A.—That is right.

(19) Further in his speech on the 20th May, 1931, Senator McDougald said: "I might add that I paid into the syndicate dollar for dollar with every other member of it."

Got Shares Cheaper

(20) As previously pointed out in this report, Senator McDougald, Senator Raymond and Mr. Frank Jones, bought their units in the first syndicate for many fewer dollars per share than any other of the members, except possibly Mr. Sweezey, who got some of his for a consideration other than cash.

(21) It is also significant that Senator McDougald received considerable sums of money from the company for travelling expenses.

(22) How one holding the high office to which he has been called, as chairman of the Montreal Harbor board, member of the National Advisory committee on St. Lawrence waterways, a senator of Canada, and a member of the special committee of the Senate above referred to, and as he himself stated, having a high regard for his public duties, should allow his private interest to so interfere with his public duty that he found it necessary, speaking from his place in the Senate to be "ambiguous" and incorrect, it is difficult for your committee to understand.

(23) Senator McDougald's actions in respect to the Beauharnois project cannot be too strongly condemned.

Not Satisfactory

17. Mr. James B. Hunter, deputy minster of public works, and Mr. Kenneth McKenzie Cameron, chief engineer of that department, were called as witnesses and gave evidence. The committee desires to say that the evidence of neither of these officers appeared to be given in the manner which one might expect from departmental officials.

Balance Sheet

(1) The consolidated balance sheet of the Beauharnois Power Corporation Limited, and subsidiaries, as of the 31st December, 1930, discloses:

1. Capital stock—5 management preferred shares no par	$ 5.00
1,799,995 class A common shares, no par	1,799,995.00
	$1,800,000.00
2. Funded debt — Collateral trust sinking fund 6 p.c. bonds, due 1st October, 1959	$30,000,000.00
	$31,800,000.00
The assets consist of—	
Cost to date of property rights and power development in the course of construction	$28,768,816.53
Securities and deposit with the Quebec provincial government and the Hydro-Electric Power Commission of Ontario, etc.	1,021,385.00
Investments (Brubacher et al)	200,168.00
Sundry accounts receivable	221,434.67
Cash and marketable securities held by the Royal Trust Company in escrow	2,325,546.67
Cash on hand and in bank	186,130.73
	$32,723,481.60
Less sundry liabilities	923,481.60

The item of $28,768,816.53 is made up as follows:

Real Estate	$5,189,788.82
Construction accounts	6,193,497.17
Equipment and temporary construction less depreciation	3,012,337.38
Engineering expenses	1,081,431.59
Interest, during construction	1,338,795.43
Property rights and interest	11,357,888.87
Miscellaneous	595,082.32
	$28,768,816.53

Property Interests

The item for property rights and interest of $11,357,888.87 is made up of the items set out in exhibit 127, and consists in part as follows:

Issue of 10,000 part interest at $100 each to members of the Beauharnois Syndicate, as of 4th April, 1928, as part consideration for the taking over of assets and undertakings of Beauharnois Syndicate	$1,000,000	.....
Less net book value of assets acquired	261,000	$ 739,000
Issued to J. P. Ebbs, 2,000 part interests Beauharnois Power Syndicate, consideration for acquisition of capital stock of Sterling Industrial Corporation	.....	200,000
Amount paid to Beauharnois Power Syndicates, 17th December, 1929, as part consideration for the taking over of the Beauharnois Power Syndicate undertaking	4,750,000	.....
Less net book value of assets acquired	2,500,000	2,250,000
Totals	.....	$3,189,000

(Note: This figure represents the profits made by the syndicates and include $1,000,000 which was used to purchase 1,000,000 shares Beauharnois Power Corporation at $1 per share. The actual cash profit to the syndicate member being $2,189,000.)

Further items in exhibit 127 are:

Discount of 10 per cent. on issue of $30,000,000 Beauharnois Power Corporation, Limited, 6 per cent. collateral trust sinking fund bonds, due Oct. 1, 1950, underwritten at 90, $3,000,000.		
770,000 shares Beauharnois Power Corporation class A common stock issued to underwriters on which a book value of $1 per share was placed	.....	$ 770,000
Purchase by Beauharnois Construction Company of 8,000 shares of capital stock of Marquette Construction Corporation at $20 per share	$ 160,000	.....
Less issued price	40,000	120,000
		$7,079,000

An unaudited statement of the 31st May, 1931, exhibit 128, as compared with the consolidate balance sheet as of the 31st December, 1930, disclosed that the property account had increased by $5,781,185.74 to a total of $34,550,002.27, as compared with $28,768,816.53.

Escrow Fund

The Royal Trust Company escrow fund had been decreased by $1,436,396.67 for payments made to the company for outgoings. Cash on hand had decreased by $113,857.31.

In the liabilities the most important increase is a bank loan of $3,500,000 secured by the hypothecation of $5,250,000 of bonds of the Beauharnois Light, Heat and Power Company, being part of an issue of $20,000,000 bonds authorized for temporary purposes on the 15th day of January, 1931. At present the bank loans are, according to Mr. Griffith, about $6,000,000, secured by the hypothecation of $9,000,000 of these bonds.

Accrued interest of bonds had been decreased by $150,000, which means that having regard to the monthly accrual of interest, amounting to $150,000, in the interval between Dec. 31, 1930, and May 31, 1931, $900,000 of bond interest had been paid. Miscellaneous accounts payable had increased by $881,770.15 to an amount of $1,355,252.35.

$17,000,000 Profit

As the situation now stands, the promoters of the Beauharnois project involving the exploitation of a great natural resource have been able to secure to themselves a return of all moneys advanced by them or any of them, a profit of $2,189,000 in cash and $1,000,000 Class A common shares, which, if saleable at the market quotation, would at one time have been worth $17,000,000, and at to-day's quotation of $4 per share, would be worth $4,000,000. This cash profit was paid out of moneys borrowed by the Beauharnois Power Corp. Ltd. by the sale of its bonds.

According to Mr. Henry, in order to complete the project up to the point where 500,000 h.p. will be produced, they will require a further sale of bonds in a capital amount of $46,000,000. If this were accomplished, the power project would have been constructed completely on borrowed money and the promoters would be in control of this vast enterprise, owning 1,620,000 of the Class A shares out of a total issue of 1,799,995, and also the five management preferred shares which for 10 years give to the underwriters practical control of the company's affairs and all of this without the present investment of any money.

CENSURED BY BEAUHARNOIS SELECT COMMITTEE

Senators and company officials were criticized and censured in the report tabled in the House of Commons last night by the select committee that had investigated the Beauharnois project. Senator Donat Raymond (1), of Montreal, is censured as a collector of campaign funds for the Liberal party. He was said to have received $200,000 for this purpose, and the report says it was remarkable that he "didn't insist on making some explanation." Senator Andrew Haydon, of Ottawa, (2), is also named as a collector of campaign funds, and scored for acceptance by his law firm of a $50,000 retainer which, the report says, cannot be defended. R. A. C. Henry, (3), vice-president of the Beauharnois Power Corporation, is involved in the misuse of funds. The corporation president, Robert O. Sweezey, (4), is accused of "misuse of $300,000 of the company's funds for political campaign purposes." The committee found that he "dealt with a lavish hand with his own and the company's moneys."

DEVELOP PROJECT TO SERVE PEOPLE

Ottawa, July 29 (CP).—Recommendations made by the Beauharnois inquiry committee report tabled in the House of Commons last night are:

1. That the parliament of Canada take such action as may be within its power, and without prejudicing the rights of the province of Qu