

Scotching Ontario's Hydro

A Review by Arthur Pound

NIAGARA IN POLITICS. By James Mavor, Professor Emeritus in Political Economy, University of Toronto. New York: E. P. Dutton & Co. \$2.00.

PROFESSOR MAVOR, whose massive "Economic History of Russia," recently published, seems destined to preserve his name many years after he passes from this scene, has turned from his academic researches to a courageous piece of literary journalism. After wrestling with the woes and wrongs of a nation half a world away, he now proceeds to battle against error on the home front in his own province of Ontario.

This critique of the Ontario Hydro-Electric Power Commission will be read with close attention by both the champions of government operation of public utilities and its opponents. Its interest is by no means confined to Canada. Niagara Falls is the reason for Hydro's being, and Niagara Falls is half American. Moreover, the rapid development of electric energy from water powers in this country gives the experience of Ontario, as set forth by Mavor, a here-and-now meaning for American States and municipalities.

Hydro has had its claque, not only in Ontario, but in the United States as well. To the advocates of public ownership and operation it has stood forth in the power field as the Glasgow railways stood forth in the traction field — as a marked success. In his book, "Public Ownership," Carl D. Thompson says:

The greatest electric light and power plant, or rather system of plants; in the world. Greatest of all publicly owned systems, it is also the greatest of all, whether public or private. Moreover its remarkable success and rapid growth, and especially its almost revolutionary reductions in rates make it the most significant example of public ownership in the electrical field.

Professor Mavor makes it clear that he has no quarrel with public ownership, providing such ownership has been honestly acquired. But public ownership does not necessarily imply public operation. In Ontario, as here, public operation comes eventually to mean political operation. His indictment of Ontario Hydro is two-edged; he challenges the honesty of the methods by means of which the Commission gained its monopoly, and he challenges, also, the efficiency of Hydro's operations and the correctness of its accounting.

The charge is made that in building up the Hydro system contracts entered into in good faith were abrogated by law without adequate compensation to private

Since the war, the United States has been agitated by the problems of Muscle Shoals and its power development. President Coolidge, in his last message to Congress, suggested that the project be turned over to a private corporation as soon as possible, thereby acknowledging the failure of the Government to operate such a huge plant successfully. Mr. Pound's review forms in effect a summary of Professor Mavor's interesting discussion of the problems which Canada is facing in its use of the huge power resources of Niagara Falls

persons who had invested funds in constructive enterprises on the basis of those contracts. The law behind Hydro is declared to be so faulty that "it is doubtful if in the strict reading of the law as it stands any of the Hydro Commission's bonds are legal and valid."

SO amateurish has Hydro legislation been from the beginning that costly litigation pends between municipality and municipality and between separate municipalities and the Provincial Government.

Hydro has cost Ontario already more than \$200,000,000 and is very seriously embarrassing the credit and finances of Canada's richest province by its reckless borrowing and uneconomic investment. It is true that it sells current cheaply; but that is no achievement when operating deficits can be referred to future taxpayers for ultimate payment. Government investigations of Hydro affairs have revealed inadequate provisions for sinking funds and other serious lapses from accounting standards which big business, public or private, should follow in order to safeguard solvency over a long period. Of such stern stuff is the Mavor indictment made.

TO the student of politics, more interesting still is the story of Hydro's rise to a point where it dominates the Government that created it. On more than one occasion it has demonstrated this power, bringing irresistible pressure from press and public upon the Provincial Parliament. Hydro's employees are not merely clerks and laborers; they are also agitators for Hydro. In many eyes Sir Adam Beck seemed for years a Plumed Knight of Canada, beating down rapacious private interests and performing mighty deeds of business organization. Here he appears as a shrewd and ruthless politician, a master organizer of propaganda, a clever manipulator of narrow local prides and interests. Instead of a doer of unselfish deeds for the common weal, we are shown a man hungry for power: a Napoleon who built too fast and too ruthlessly to found an enduring structure.

Professor Mavor notes, as every traveler passing from the United States to Canada must note, a slowing down of trade and of enterprise as one crosses the international line. He thinks that one reason for our swifter development, higher wages, and better economic condition is to be found in our relative freedom from Government operation of business affairs. The Ontario Hydro-Electric Power Commission is but one of Canada's efforts to eliminate profit from various essential businesses.

These enterprises discourage initiative in the people, according to Professor Mavor, and their returns to the state are usually far less than the taxes which would accrue from private industry of equal scope. The high scholarship of this author and the deadly array of facts which he presents combine to make a book which cannot be disregarded in any argument on Government ownership and operation of public utilities.



(From "The Niagara Region in History")

A view of the Falls