

The financing of the above expansion was under the sponsorship of American and English financial groups, so that it would appear that the extension of credit by Canadian Banks did not influence this construction.

The balance of the new tonnage was installed by the following Companies and in the following proportions:—

	Tons	Per Cent
St. Lawrence Paper Mills, Ltd.	480	10.78
Price Bros. & Co. Ltd.	240	5.40
Mersey Paper Company, Ltd.	240	5.40
Maclaren Power & Paper Company	240	5.40
Bathurst Pulp & Paper Company	70	1.57
	1,270	28.55

So far as I am aware, the installation of this tonnage was not brought about by any uncontrolled extension of credit by Canadian Banks, the fact being that the earning record of the Canadian newsprint industry up to 1927, and even later, was so satisfactory as to command ready supply of capital by investors through the public issue of securities, and it was not, therefore, necessary to rely on the Banks to any abnormal extent for financing this expansion—in fact, earnings continued on a fairly satisfactory basis up until 1930.

Your letter asks me to refer to the creation of the Canada Power & Paper Corporation.

In January, 1928, St. Maurice Valley Corporation was amalgamated with Laurentide Company, Limited; this was accomplished through the formation of Canada Power & Paper Corporation, which issued its own debentures to the extent of \$28,800,000 principal amount in exchange for an equal par amount of the shares of the Laurentide Company, Limited, Canada Power & Paper Corporation giving, in addition, one common share for each \$100 par value common share of Laurentide Company, Limited. For each common share of St. Maurice Valley Corporation, the new Corporation issued 2½ shares of common stock. At no time did Canada Power & Paper Corporation issue or sell any of its securities for cash or make any appeal to the public for capital, directly or indirectly.

These exchanges were approved at meetings of the respective Boards of Directors of St. Maurice Valley Corporation and Laurentide Company, Limited.

No bank or financial house had any part or, so far as I am aware, received any fees, remuneration or profit in connection with the transaction.

In October, 1929, the Canada Power & Paper Corporation acquired the common shares of Port Alfred Pulp & Paper Corporation, issuing 2¾ shares of Canada Power for each common share of Port Alfred. They also, at the same time, acquired the shares of Wayagamack Pulp & Paper Company, Limited, issuing \$50 of Canada Power & Paper Debentures and 1½ shares of common stock for each common share of Wayagamack Pulp & Paper Company.

At no time did Canada Power & Paper Corporation, directly or indirectly, promote the installation of any new newsprint machines. The latest installations by any of the subsidiaries of Canada Power & Paper Corporation, were four machines ordered by Port Alfred in 1925, and completed during 1926, these machines having a capacity of 144,000 tons per annum; and two machines ordered by St. Maurice Valley Corporation in 1926, completed during that year, and having a capacity of 72,000 tons per annum.

During the first four months of 1934, consumption of newsprint has increased by more than 46 per cent over the same period of last year, bringing the consumption for April of this year to the highest point of any April in the history of the industry, excepting in 1929 and 1930.

The history of the newsprint industry in former depressions would indicate that it might reasonably be expected to respond very substantially to continued improvement in general business conditions. The difficulties of the last few