

## THE FUSE CONTRACT INQUIRY

The Royal Commission, Sir William Meredith, Chief Justice of Ontario and Hon. L. P. Duff of the Supreme Court of Canada, appointed by Sir Robert Borden to inquire into fuse contracts and certain other specified contracts let by the Canadian Shell Committee to United States contractors held a preliminary sitting at Ottawa on April 20th and commenced the hearing of evidence on April 26th. A notable feature was the almost unprecedented array of lawyers representing the various interests.

At the time of this writing the evidence regarding the actual letting of the contracts with the American companies has not progressed far enough to warrant even a summary. There are two points, however, which have been cleared up sufficiently to justify telling here. The first is that it has been proved by documentary evidence as well as by the statements of Col. Carnegie that the Canadian Shell Committee was the creature of the Canadian Government, responsible only to Sir Sam Hughes who was agent of the Imperial authorities; the second is that it has been amply demonstrated that responsible Canadian manufacturers were willing and claimed to be fully able to undertake the contracts for fuses which were let by the Shell Committee to United States concerns.

### Government Was Responsible.

Col. David Carnegie, a member of the Shell Committee and ordnance expert and adviser of that body, was the first witness examined. He was on the stand for the greater part of six days and contributed a large volume of evidence serving to show the events leading up to the letting of the contracts under inquiry as well as some general information regarding the status and methods of the Shell Committee. In the latter connection he gave evidence of unusual interest in view of the claim of Sir Robert Borden and other members of the Borden government that the Government had no control over the Shell Committee, was not responsible for the Committee or any of its actions and that the Shell Committee acted only for the British Government and under direct instructions from the British War Office. He showed on the contrary that the British War Office did business only with Major General Sir Sam Hughes as Minister of Militia of the Dominion of Canada and that the Shell Committee in turn did business with Sir Sam Hughes as agent of the British War Office.

### Shell Committee Were Contractors.

The status of the Shell Committee as contractors with Sir Sam Hughes, the latter acting for the Imperial Government, was proved by the production of a contract dated October 1st, 1914. The contract was between "Alexander Bertram, Thomas Cantley, George W. Watts and E. Carnegie, of the first part, and Colonel the Honorable Sam Hughes, His Majesty's Minister of Militia and Defence of Canada, acting for and on behalf of His Majesty's Secretary of State for War." It will be noted that the four parties "of the first part" were the four manufacturing members of the Canadian Shell Committee.

The first clause of the contract recited:

"That the parties of the first part agree to manufacture and deliver to the party of the second part one hundred thousand shrapnel eighteen pounder mark III shells (empty) and one hundred thousand 15 pounder mark VII (empty) subject to the following terms and conditions and at the following rates. . . ." There was a subsequent contract in July, 1915, between the same parties and couched in similar terms which is further proof that the Shell Committee did its business, not with the British Government but with Sir Sam Hughes as Minister of Militia of Canada and agent of the British Government. The fact was made quite clear by Mr. I. F. Hellmuth, counsel for the Government, who pointed out that the correspondence and contracts showed that the Imperial Government had refused to recognize the Canadian Shell Committee as an agent and had insisted on treating them as contractors.

### Fuses Could Have Been Made in Canada.

An important point in the Kyte statement which may fairly be said to have been quite substantiated by the early evidence is the contention that fuses could have been manufactured in Canada and that therefore there was no need to go to the United States and practically subsidize Americans to start manufacture by advancing a large proportion of the contract price, thus enabling them to finance the building and equipping of factories. That a similar arrangement could have been made with Canadian manufacturers who were not only willing but anxious for the business is reasonably evident.

In his evidence on the first day of the inquiry, Col. Carnegie stated that in January, 1915, after his return from a trip to England he had gone to Peterborough, Ont., and interviewed Col. Nichols of the Canadian General Electric on the subject of the manufacture of fuses. This was done, he said, because he had authority "to let an experimental order for 20,000 fuses to be made in Canada." On February 15, 1915, Col. Nichols wrote that he had investigated the matter and had decided that before going into the business and incurring the heavy cost of the necessary plant he would require to have assurance of orders extending over a considerable term. On February 22nd, Col. Nichols followed with a letter in which he went into more detail as to the danger of his company embarking on the manufacture of fuses with so small an order and with no certainty that the volume of business that might follow would justify the large outlay for plant and preliminary experimental work. He offered therefore to undertake the order on the basis that the authorities should pay the actual cost of "development" of the first 20,000 fuses. This offer, Col. Carnegie said, was refused as the War Office would undertake to pay only the "manufacturing" cost.