OSWALD S. CROCKET IN PARLIAMENT ON CENTRAL RAILWAY COMMISSION REPORT

Following is the Hansard report of the speech of Mr. O. S. Crocket, in reply to Mr. Pugsley, on the Central Railway resolution:

Mr. O. S. Crocket, (York, New Brunswick)—Mr. Speaker, I would not have thought that any hon. member of this House, much less one occupying the responsible position of a Minister of the Crown, would have ventured to defend himself against such grave findings as are contained in the report of this Royal Commission, upon such flimsy pretexts as those that have been advanced by the Minister of Public Works this afternoon and this evening. I ask hon. members on both sides of this House to ponder the passages which have been quoted from that report by my hon. friend from West Elgin (Mr. Crothers), and then ask themselves if in all the heat and verbosity and repetition which the Minister of Public Works has exhibited there is one single statement that breaks down or in any way impairs the force of the arraingment with which he stands confronted before the country today. I ask the members of this House what they think of all this talk about a typographical error, which does not affect in the slightest degree one single transaction of the very many transactions for which this Commission has condemned the Minister of Public Works. My hon. friend from West Elgin has already dealt with the typographical error.

That $430,000 Misprint.

I was surprised that the Minister of Public Works would attempt in this House to represent that that error in the statement regarding the capital stock of the New Brunswick Coal and Railway Company was a deliberate attempt on the part of the Commission to deceive the public. Why, if the hon. Minister had looked **AT THE OPPOSITE PAGE OF THE REPORT HE WOULD HAVE SEEN THAT THE COMMISSION SET OUT FULLY THAT THE CAPITAL STOCK OF THE COMPANY WAS $100,000 AND THAT THE NUMBER OF SHARES MR. SKINNER DISPOSED OF AMOUNTED TO $43,000, AND COULD NOT POSSIBLY HAVE AMOUNTED TO $430,000.** But, Mr. Speaker, as in a former case in which the Minister of Public Works was involved, this typographical error has been used for the purpose of drawing a herring across the trail. Now, Mr. Speaker, I have read with the greatest care the evidence on which that report is founded, and I am prepared to say, speaking as a member of this House, that there is not one accusation or finding in that report that is not absolutely borne out by the evidence. The Minister of Public Works has stated in his closing remarks that he has endeavored to show the inconsistencies and errors and mistakes that appeared in that report.

Tested By The Evidence.

I am here tonight to show by the evidence, which I have with me, that the statement which the hon. gentleman has made to this House tonight with reference to these matters is absolutely contradicted by the evidence, and much of it by his own statement before the commission; and I regret very much that the Minister of Public Works, under the pretext of giving us an opportunity of discussing this question freely should have seen fit to withdraw from this House, because **I INTENDED TO PUT A FEW QUESTIONS TO HIM IN REFERENCE TO THE MATTERS WHICH I SAY HE HAS REPRESENTED IN A FALSE MANNER BEFORE THIS HOUSE.**

Mr. Foster—Let him be called back.

The Commission's Findings.

Mr. Crocket—This report finds that the New Brunswick Coal and Railway Company, of which the Minister of Public Works (Mr. Pugsley) was the leading spirit was guilty of every conceivable form of malfeasance.

After a full examination of every officer and member of the company, of every banker who did business with it, of the company's solicitor, of every man who was supposed to have any knowledge of its affairs, this Commission found that there was **A MISAPPROPRIATION OF $134,000, THAT BONDS HAD BEEN ILLEGALLY ENDORSED AND GRANTED, THAT SUBSIDIES HAD BEEN ILLEGALLY PAID, THAT BOOKS AND ACCOUNTS HAD BEEN FALSIFIED.** In short they found this company guilty of a violation of every principle and rule of conduct which should govern the administration of trust money, and in addition found it guilty of the violation of every one of the statutory safeguards which were thrown around it in the public interest. I would like to know if the editor of the Toronto Globe will be agreeably disappointed when he reads the speech made by the Minister this afternoon and evening. I would like to know if the editor of that journal will be of the opinion that the Minister of Public Works has defended himself in so convincing a manner that no fair minded man could fail to acquit him at the bar of public opinion.

PUGSLEY'S STATEMENTS CONTRASTED

Contrast the statement made by the Minister with the evidence he gave before the Commission. The hon. Minister denied that he was the general manager of this company and characterized the statement to that effect as absolutely false and not borne out by the evidence. He sought to create the impression that he was not the head and front of this company. Well, in this connection I desire to refer to the evidence of that bosom friend of the minister, Mr. Geo. McAvity, who was president of this New Brunswick Coal and Railway Company. Mr. McAvity stated, as will be found in that report of his evidence at page 534, that Mr. Pugsley was the financial head of the compay.

Pugsley As Manager.

And at page 363, Mr. McAvity further said that Mr. Pugsley substantially controlled the whole business. Again at page 534, Mr. McAvity, when asked:

"If your manager told you, would you issue a check?

"Mr. Powell—Mr. Pugsley was your manager?

"ANS.—**WE CALLED HIM THE FINANCIAL HEAD OF THE COMPANY.** He was the representative of the Government in the company."

Mr. Carvell—Where does the general manager come in? You said you were going to prove from Mr. McAvity's evidence that the Minister of Public Works was the general manager.

Mr. Crocket—Mr. McAvity's statement was that Mr. Pugsley was the financial head of the company.

Mr. Carvell—**THAT IS RIGHT.**

Mr. Crocket—And further, that Mr. Pugsley substantially controlled the whole business. What further evidence does my hon. friend from Carleton want of the Minister of Public Works acting as general manager, than the statement by the president of the company that he **CONTROLLED THE WHOLE BUSINESS?** There is another piece of testimony on this account also, which will be found in the statement the Minister of Public Works has himself referred to. That is the statement made by Mr. Sharpe, and it is spoken of as an audit of the affairs of this company. It will be found at page 199 of the reports, orders in council and other documents.

As Managing Director.

On the 31st of May, 1904, there is a charge in that statement **OF THE MANAGING DIRECTOR'S SALARY AND FEES, $5,000.** I would ask my hon. friend from Carleton (Mr. Carvell), seeing that the Minister of Public Works has departed, to whom that could have reference, if not **TO THE MINISTER OF PUBLIC WORKS?** Mr. Pugsley, when asked what salary he got, if he got any as managing director replied that Mr. Sharpe had submitted a proposal that he should get $5,000, but that the other ex-officio director of the board, the Provincial Secretary, now lieutenant governor of the province, **HAD TURNED THE PROPOSAL DOWN.** And this, I take it, is the $5,000 which the Minister referred to as the salary of the managing director. There can be absolutely no question that the Minister of Public Works was the controlling spirit, **THE HEAD AND FRONT OF THAT COMPANY.** There can be no doubt at all either that he not only managed all the financial affairs of the company but that the idea of the formation of that company **ORIGINATED IN HIS FERTILE BRAIN.** As has been pointed out, there was the late A. I. Trueman, who was the partner of the Minister of Public Works, there was his friend Mr. McAvity, there was Mr. Skinner—every member of the directorate and every member of that company was known as belonging to the Liberal machine in the province of New Brunswick. And also as has been pointed out, **NOT ONE OF THEM PUT A SINGLE DOLLAR INTO THE TREASURY OF THE COMPANY;** every dollar that the company handled they got out of the treasury of the province of New Brunswick or out of the treasury of the Federal Government at Otawa.

NO ACCOUNTS FOR VAST EXPENDITURE

Now the Minister of Public Works has sought to cast discredit upon this Commission by representing to this House that they were not justified in the statement that this company kept no books, and he— rather ingeniously, I thought—quoted from the reports the statement in reference to the books which were kept at Norton and which related to the portion of the Central road from Norton to Chipman, and asked the members of the House, in view of that statement, what they thought of the statement that this company had no books or records? Why, at the very bottom of the page from which the Minister quoted was a statement that outside of these books there were no records kept by the company, and more than once in their report the Commissioners state that the books at Norton and so far as that portion of the road was concerned were well kept. But the books, the lack of which the Commissioners commented upon, are books relating to the construction of the so-called 15-mile section and the other expenditures in connection with the purchase of the Central Railway and the receipt and disposal of moneys procured as subsidies and raised from bonds, etc. This company was incorporated in 1901 to build a line of railway from Chipman to Gibson, opposite the City of Fredericton, a distance of 45 miles. A contract was entered into between the Government and the company granting the subsidy for the building of that line.

No Books Found.

THERE IS NOT A BOOK TO BE FOUND AND THERE WAS NOT A BOOK AVAILABLE FOR THE EXAMINATION OF THIS COMMISSION WITH REFERENCE TO THAT PORTION OF THE WORK. There was a secretary to that company, and a treasurer and a president. The Minister of Public Works referred to J. J. F. Winslow, of Fredericton, who became, after the death of Mr. G. W. Allen, the secretary of the company, and who, in Mr. Allen's lifetime, acted as his clerk. And it appears by the evidence of Mr. Winslow, who was actually the secretary of this company that he **DID NOT KNOW EVEN WHO THE TREASURER OF THE COMPANY WAS, THAT MR. ALLEN KEPT NO BOOKS,** that he (Mr. Winslow) after he became secretary, endeavored to make up a book from scattered data which Mr. Allen furnished him, a statement which is on the face of it incomplete, and which never professed—and nobody ever stated that it professed—to represent the complete transactions of the company. **IT IS IN THE EVIDENCE OF MR McAVITY THAT HE HAD NO BOOKS.** He states in his evidence not only that he had ne books,but that he could not find any books except the books of the company at Norton. And there had been no contention made, until the effort of the Minister of Public Works today, to controvert the statement that there were no records or books of account that could be relied upon to show the expenditure of the large amount of money that passed through the hands of the company.

Barnes' Accounts Missing.

Not only had this company **NO BOOKS OF ACCOUNT,** but the books of account of the Barnes Construction Company to whom they let the contract for the construction of the Fredericton-Gibson section **WERE NOT AVAILABLE.** The Minister of Public Works sought this evening to create the impression that again this Commission had attempted to deceive the public by stating that the company had no books by making reference to the statement that Mr. Shannon, the auditor of the Intercolonial Railway, made when he examined the books of the Barnes Company that he was making up a statement of cost for the purpose of obtaining a federal subsidy. Why, that statement appeared in the report itself, that Mr. Shannon had access to the books that the Barnes Company had at the time. But when the Commission sought to obtain these books,**THEY WERE NOT AVAILABLE, THE BOOKS HAD DISAPPEARED** and the Commission made an effort to find the books of the Barnes Construction Company, and notwithstanding this they were not produced before the Commission. But I propose to read from the evidence of Mr. Barnes with reference to that, I refer to page 643 of the evidence:

"Q.—Have you any cheques or drafts that were given by you or accepted by you in connection with this transaction?

A.—I did not keep any track of them.

Q.—Have you any cheques or drafts in connection with this matter between you and the company?

A.—I don't think it. The business was wiped out and that was the end of it.

Q.—Did you destroy your drafts?

A.—I did as a general thing.

Q.—Your cheques?

A.—I destroyed them. At the end of the year the cheques are checked over and that is the end of them.

Q.—Is that your invariable custom?

A.—As a general thing I do.

Q.—**HAVE YOU HEARD ANY ONE TELL OF YOUR BOOKS SINCE?**

A.—**NO.**

Q.—**HAVE NO IDEA WHERE THEY ARE?**

A.—**NO.**"

This is the evidence of the manager of the Barnes Construction Company with reference to the books which this Commission sought to get before it, to determine as to the correctness of the payments made to him. Not only with reference to the Barnes Construction Company were books found to be missing but when we come to loans alleged to be made by the New Brunswick Real Estate, Loan, Trust, and Investment Company, of which the Minister is practically the sole owner, the evidence is that there were no books. I desire to give the vidence with reference to that, which will be found at page 697. Judge Trueman, of whom the Minister of Public Works made mention, was the secretary, it appeared of this company a company that kept no books and **MADE LOANS WITHOUT ANY RECORD, AND WITHOUT CHARGING INTEREST:**

"Q.—I should like to know about the credits or payments made to you before this $5,000 was got by you?

A.—If Judge Trueman were living, I would assume you could get it from him or from Mr. Allen, the secretary."

Mr. Pugsley Testifies.

This, it will be understood, is the examination of the Minister of Public Works.

"Q.—Mr. Allen had no books? A.—Mr. Allen told me he was keeping a correct account.

Q.—You cannot give us the amounts that were paid to you on account of these advances you made to Mr. Evans or the company or for the use of the company, down to the 1st day of July, 1904? A.—No, I can't; my reason is this, **I KEEP NO PERSONAL TRACE OF MY MONEY MATTERS AT ALL.**

This is the evidence of the Minister of Public Works:

"Judge Trueman had the power of attorney and my secretary had power of attorney as well; these accounts I know were loaned and Judge Trueman reported to me on the 30th of June that there was considerably more that $5,000 due to the company."

That is the New Brunswick Real Estate, Loan and Investment Company.

"Q.—I was asking you if you could give us the amounts? A.—That is the reason.

A.—We are to understand that you did not keep books of your own financial transactions?. A.—Yes, I could say that, I can say that I did not. Since I have been in business I have kept partial books of accounts, no credit amounts. All these matters I trusted entirely to Mr. Allen and to Mr. Trueman."

Further, on page 698:

"Judge Trueman was treasurer and secretary and was running the transactions."

And yet there is the statement of the Minister of Public Works that the secretary and treasurer of that company, with its name, the New Brunswick Real Estate, Loan and Investment Company, carried on its business without keeping any books. Yet the Minister reflects upon the Commission because they had not brought before them the executor of the Trueman estate to question him with regard to Judge Trueman's books and papers. He does this although when before the Commission **HE HIMSELF STATED THAT THERE WERE NO BOOKS KEPT BY THIS COMPANY.** Not only in reference to these two companies—the Barnes Construction Company, to which thousands of dollars were ostensibly paid out of the treasury of the New Brunswick Coal and Railway Company, and the New Brunswick Real Estate, Loan and Investment Company by which loans were alleged to be made to the New Brunswick Coal and Railway Company—were the books missing and the records lost, but even in regard to the firm of J. M. Robinson and Company, who discounted bonds to the amount of $373,000. Would you believe that when Mr. Robinson was before that Commission and was asked about the record of that transactions, he stated that he could not find his books or the record of that transaction.

Mr. Carvell—I want my Hon. friend to tell me where he finds that evidence, because he must know that Mr.Robinson produced his books, statements and accounts for every cent of it and we have the accounts submitted to the Commissioners containing every cent of that amount. I think my Hon. friend is not doing himself justice.

Mr. Schaffner—Do not worry about him.

Mr. Crocket—At page 649 this evidence of Mr. J. M. Robinson will be found:

"Q.—Did you find your books of that year?

A.—No.

Q.—Have you instituted a search for them?

A.—I searched all over my papers and was unable to find them; I presume they were destroyed.

Q.—Were the books of that year destroyed?

A.—**YES—WELL I CANNOT FIND THEM.**

Mr. Robinson's brother was also brought before the Commission and gave precisely the same evidence, that the books could not be found. I think, after hearing these extracts from the evidence, the House will be able to measure at their true value the statements made by the Minister of Public Works with reference to the books and records of the company.

Auditor Could Find Nothing.

Furthermore there is the evidence of Mr. Corbett who was appointed to make an audit and who claimed that he could not make an audit from the data put before him. On page 175 of the evidence, Mr. Corbett said that he could not find any book of accounts from which he could make these things up. So I might quote from several other witnesses. Mr. C. M. Skinner was referred to. I believe he acted as solicitor for this company. Mr. Skinner was asked in reference to an item of $1,800, that he seems to have got out of the treasury of this company. He stated that he had nothing to show what he got the $1,800 payment for and he had no account against the company. That was the class of evidence with which the Commission had to deal. As I said before, every officer of this company, in cluding the president and every director who was living, was summoned before the commission and questioned in regard to all these transactions, and there is line after line and page after page in that report of nothing but: I cannot remembmember, I do not remember, I do not know anything about it. Yet in view of a record of that kind, the Minister of Public Works has the termerity to come before the parliament of Canada and draw upon the fact that the great majority of the members of this House are not familiar with these transactions, making a statement which he hopes to spread broadcast throughout this country for the purpose of discrediting this commission.

THAT $10,000 UNEXPLAINED F. P. T. NOTE

One of the first errors in the report which the minister pointed out was a statement that there was a note of $10,000 which was discounted by the Hon. F. P. Thompson in the month of November, 1902, of the proceeds of which no trace could be found. The minister stated that if the commission had turned up the account of the Barnes Construction Company they would have found that amount credited there. I have the account of the Barnes Construction Company with me here now, and I would challenge the Minister of Public Works, if he were here, or his counsel the member for Carleton (Mr. Carvell) to show—

Mr. Carvell—I accept the challenge.

Mr. Crocket—In the month of November, 1902—

Mr. Carvell—if my hon. friend will permit me—just give me time to look up my papers. I persume my hon. friend has the Barnes Construction account here. I ask him to turn to page 502.

Mr. Crocket—Yes, find me a payment of $10,000 in the month of November.

When Will Carvell Explain?

Mr. Carvell—Now, I will tell the hon. gentleman that if he will look down **UNDER THE DATE OF FEBRUARY, 21——**

Some hon. members—Oh, oh.

Mr. Carvell—Hold on, now.

Some hon. members—Sit down.

Mr. Deputy Speaker—Order.

Mr. Carvell.—I tell my hon. friend and he knows it, the $10,000 is there and——

Some hon. members.—Oh, oh, order.

Mr. Carvell—And if he will turn up to——

Some hon. members—Oh, oh.

Mr. Carvell—Mr. Chairman, I ask—

Mr. Deputy Speaker—Order.

Sir Wilfrid Laurier—Order.

Mr. Deputy Speaker—Order. I rise to order and the hon. gentleman will please take his seat. The hon. member for Carleton (Mr. Carvell) was speaking, I understand, with the permission of the hon. member and in that case he should be heard.

Mr. Crocket—I was quite willing that the hon. gentleman should point out that payment. **HE ACCEPTED MY CHALLENGE TO POINT OUT THE PAYMENT IN THE MONTH OF NOVEMBER, 1902, OF $10,000, AND HE HAS NOT DONE IT.**

Mr. Deputy Speaker—The hon.member for Carleton, New Brunswick, in accepting the challenge and privilege granted to him should confine himself exactly to the terms of that privilege.

Mr. Carvell—I **WILL EXPLAIN THIS AT A LATER DATE.**

No Trace of the $10,000.

Mr. Crocket—In that connection, the statement of the commission was clear that there was a note discounted in the month of November, 1902, marked 'F.P.T.,' which are the initials of the Hon. F. P. Thompson, and that no trace can be found of the proceeds of that note which were obtained from the bank in the month of November, 1902. The Minister of Public Works stated that if they had looked at the account of the Barnes Construction Company they would have found that amount credited there. That statement is **ABSOLUTELY CONTRARY TO THE EVIDENCE AND THE ACCOUNT OF THE BARNES CONSTRUCTION COMPANY WILL SHOW THAT THAT STATEMENT IS NOT CORRECT.** Nearly every other statement that the Minister of Public Works made this afternoon is capable of contradiction and of refutation from the evidence brought before the commission. He spoke of the Hon. F. P. Thompson as a prominent and honorable man against whom nothing should be said. I have no desire to reflect in the slightest degree upon the Hon. F. P. Thompson, but, I think, in view of the reference which is made in this report itself to the Hon. F. P. Thompson, the Minister of Public Works would have been well advised if he had left out the high encomium which he pronounced upon that gentleman. At an earlier page in the report it stated, and the evidence is on record in this book, that when this contract was entered into between the government of New Brunswick and the Central Railway Company and when the contract in pursuance of this contract was let by the Central Company to Dr. DeBertram for the transfer of the provincial subsidies, **DR. DEBERTRAM WAS REQUIRED TO ASSIGN TO THE SAME HON. F. P. THOMPSON AND A FRIEND IN FREDERICTON, NO LESS A SUM THAN $28,000 BEFORE THE GOVERNMENT WOULD CONSENT TO THE TRANSFER OF THESE SUBSIDIES TO DR. BERTRAM.** The Minister of Public Works this afternoon, notwithstanding what was admitted by Senator Thompson and Sheriff Sterling on the stand, comes into Parliament and states that some gentlemen who are thoroughly familiar with the affairs of the Central Railway Company have told him that this statement is absolutely false. As a matter of fact, there is no man in Canada today who is more familiar and has been more familiar with the affairs of the Central Railway Company from their inception down to the present time than the **MINISTER OF PUBLIC WORKS HIMSELF.**

Memorial of 1892.

I may say in that connection that there was a memorial presented to the Lieutenant Governor in Council in New Brunswick in the year 1892 containing **SEVENTEEN SPECIFIC CHARGES OF CORRUPTION** and malfeasance against members of the Government at that time, **AMONGST WHOM WAS TO BE FOUND THE MINISTER OF PUBLIC WORKS.** Paragraph 5 of the memorial reads:—

"That the said Central Railway Company, or those representing their interests and managing the earning and obtaining payment of the subsidies under their contract with the Provincial Government, were unlawfully and corruptly asked and compelled to pay and did pay the said Attorney General Blair and **THE HON. WM. PUGSLEY, THEN AND NOW SOLICITOR GENERAL, AND MEMBERS OF THE EXECUTIVE GOVERNMENT OF THE PROVINCE, LARGE AMOUNTS AS PART OF THE ARRANGEMENTS FOR AND TO ENABLE THEM TO GET PAYMENTS OF THE SAID SUBSIDIES** under their said contract, and the payment of the said subsidies were delayed until payment was made to or for the said Attorney General and Solicitor General, and other members of the executive, to aid them in their elections, or the election of their supporters of the general assembly."

So you will see that the name of the Minister of Public Works has been connected with the affairs of the Central Railway Company from their inception away back in the year 1889.

Mr. Foster—Was that $28,000 paid to Messrs. Thompson and Sterling for construction work?

It Was Pure Graft.

Mr. Crocket—It is hardly necessary for me to say that it was not. That was paid—and there is no evidence to the contrary—**FOR NO OTHER PURPOSE THAN GRAFT.** I have no hesitation in saying that it was a pure graft. There is no evidence adduced before that Commission to justify in any manner at all the payment of that $28,000 of public moneys out of subsidies voted by the Government to these two gentlemen, absolutely none. But, Dr. DeBertram, who obtained the contract, was required to assign the subsidies **AND THAT AMOUNT WAS PAID TO THESE GENTLEMEN.** So much for the very first inaccuracy or error that the Minister of Public Works has pointed out in this report.

ILLEGAL PAYMENT OF SUBSIDY

Now, he has also stated that there is no foundation for charging illegal payment of subsidies in connection with the construction of the 15-mile section from Chipman to Minto. In order that the House may understand this matter I will give a brief resume of the legislation under which the subsidies were paid. In the year 1882 there was a general Railway Subsidy Act passed by the Legislature of New Brunswick which was called the Lobster Act and which provided for the payment of subsidies to the Central Railway among many other railways that were projected at that time in New Brunswick. That Subsidy Act provided for a payment of $3,000 per mile. The distance from Chipman to Gibson was 45 miles, which would make a total subsidy payable for the whole 45 miles of $135,000. Of that amount, before New Brunswick Coal and Railway Company was incorporated, $13,000 had been paid on account of work that had been performed under previous contracts in the years 1890 and 1896. Out of the subsidy $5,000 was paid, in 1890, on account of work performed by Dr. DeBertram and $8,000 on account of work alleged to have been performed under a contract in 1896. Of the subsidy voted by the Legislature, $13,000 was exhausted before the New Brunswick Coal and Railway Company obtained its contract, and the right to receive any moneys from the Government. That $13,000 had been paid on account of the 15-mile section which, at the rate of $3,000 a mile, would entitle it to a subsidy of $45,000. But $13,000 had been paid which left a balance available under the Act of $32,000.

An Interesting Order.

This contract, which was entered into with the New Brunswick Coal and Railway Company for the construction of the 45 miles of railway, provided, not for a subsidy of $3,000 a mile as provided for by the Act, but for a subsidy of only $2,500 a mile and in that regard there is a very interesting order in council to which I wish to direct the attention of the House. The order in council is dated July 2, 1901, and this extract from it appears on page 4 of the proceedings:—

"That the Provincial aid so to be given shall be at the rate of $2,500 per mile, for a distance not exceeding 45 miles, and that the Lieutenant Governor shall cause the first mortgage bonds of said company to the amount of $250,000 to be guaranteed by the Receiver General pursuant and subject to the provisions of the said Act passed at the last session of the legislative assembly."

Under the order in council a contract was entered into by which the Government granted a subsidy of $2,500 per mile to this company. At $2,500 per mile the total amount that would become payable to this company for the construction of the whole 45 miles would be $112,500 or the total amount for the 15 miles which were constructed would be $37,500, $13,000 having been paid under the prior contract. That would leave a margin of $22,500 between the amount of the subsidy fixed by the Legislature at $3,000 per mile and the amount that the Government contracted to pay over to this company.

WHERE THE $25,000 WENT TO

There is a very interesting story in connection with how that difference of $22,500 was disposed of. I have already referred to the order in council of the 2nd of July, 1901, and that order in council, after providing for the payment of a subsidy of $2,500 per mile to the company although the Act provided for $3,000 per mile, makes this further provision:

"The Provincial Secretary also reports that there has been paid by the Receiver General to the Central Railway upon and on account of the subsidy of $3,000 per mile, payable under the said Act, 45 Vic., chap. 34, in respect to the line between Chipman and Fredericton the sum of $13,000, and the said Central Railway Company has also lodged with the Receiver General orders against such subsidy to the additional amount of $8,500, and as the subsidy payable under such Act is $3,000 per mile, and the work done on said line has by reason of the lapse of time since it was done and for other reasons become of comparatively little value, he recommends that the said sum of $13,000 shall not be deducted from said subsidy, and also that the amount of such orders or such portion thereof as the Lieutenant Governor in Council may deem just, shall with the approval of the Legislature be paid to the holder or holders of such orders, said amount to be paid pro rata as each section of 10 miles is completed."

The Pugsley and Skinner Orders.

Now, the orders for $8,500 which are there referred to are orders, **$7,500 OF WHICH WERE HELD BY WILLIAM PUGSLEY AND C. N. SKINNER AND THE ORDER IN FAVOR OF W. T. WHITEHEAD FOR $1,000.** Mr. Pugsley had himself received $2,250, and Mr. Whitehead $300 on these orders previous to the passing of this order in council. And yet this order in council makes that provision, an order in council which on its face appears to have been drawn **BY THE ATTORNEY GENERAL HIMSEIF.** There is another order in council passed on the 12th of April, 1902, which is to be found on page 44 of these documents and that makes further reference to the $8,500 of orders which were held by the Minister of Public Works. This second order in council on this subject is rather interesting and it sets forth—

Mr. Foster—What is the date?

Mr. Crocket—12th of April, 1902.

Mr. Foster—He was then Attorney General?

Mr. Crocket—Mr. Pugsley was then Attorney General. It says:—

"That there was paid by the Receiver General to the Central Railway Company on account of the subsidy of $3,000 per mile, payable under said Act between Chipman and Fredericton, the sum of $13,000, and the said New Brunswick Coal and Railway Company have shown to the satisfaction of the Provincial Secretary that they are liable to pay the sum of $8,500 for work done on the railway between Chipman and Fredericton, which the company undertake to pay and for the payment of which the Lieutenant Governor in Council engaged to ask legislative authority to pay."

Bear in mind that the only orders amounting to $8,500 that were lodged with the deputy Receiver General were orders lodged by Mr. Pugsley and Mr. skinner for $7,500 and another order for $1,000 lodged by another member of the New Brunswick Legislature, W. T. Whitehead, another member of the Grit ring in the province.

How It Was Managed.

"That on further considering the provisions of the said 45 Vic., chap. 34, the Provincial Secretary is of opinion that the company **IS BY LAW ENTITLED TO BE PAID A SUBSIDY AT THE RATE OF $3,000 PER MILE.** No legislative authority for payment of said $8,000 is necessary."

There are the orders of Messrs. Pugsley, Skinner and Whitehead:—

"That the said sum of $13,000 as paid on account of work done by the Central Railway Company, and said amount should be deducted from the subsidy to be payable to the New Brunswick Coal and Railway Company, that the company is, however, willing that in addition to the said sum of $13,000, there shall also be retained by the province the further sum of $1,000, which, as the distance from Chipman to Gibson is 45 miles, would make the subsidy actually available to this company $2,500 per mile. It is recommended that there be paid to the New Brunswick Coal and Railway Company **THE SAID SUM OF $8,500, THE SAME TO BE CHARGEABLE AGAINST THE SAID SUBSIDY OF $3,000 PER MILE,** the same to be paid on the understanding with the said company that the said sum of $13,000 said sum of $8,500 to be now paid and said amount of $1,000, or $22,500 in all, shall be deducted from the subsidy of $3,000 per mile, payable under the said Act, so that the total remaining subsidy to be paid to the company (including said $5,000) shall be at the rate of $2,500 per mile, and that Provincial debentures for the said amount to be issued by the Receiver General in amounts of $500 each, bearing interest at a rate not exceeding 4 per cent. per annum, such debentures to be signed by the Provincial Secretary and to be under the great seal of the province; that the said debentures be issued as provided for by section 6 of the said Act, that the same be sold **AND THE PROCEEDS THEREOF APPLIED TO THE PAYMENT OF THE SAID SUM OF $8,500."**

How It Was Divided.

That is the way, Mr. Speaker, that the difference in the aggregate of the amount in the subsidy payable under the contract with the company and the subsidy provided by the act is accounted for; $13,000 having been previously paid, $2,250 of that on the orders of the Minister of Public Works and Mr. Skinner, and $8,500 more on the same orders upon which $2,250 had been paid and another $1,000 that seems to have been lifted at the same time. In view of these records, I think that the statement made by the Minister of Public Works about there being no ground for saying that there was any illegal payment of subsidies will not carry very much weight. The records show indisputably that the company **RECEIVED ON ACCOUNT OF THIS FIFTEEN MILE SECTION $57,000, ALTHOUGH UNDER THE CONTRACT THEY WERE ENTITLED TO BE PAID ONLY $37,500 ON ACCOUNT OF THE FIFTEEN MILE SECTION.**

$77,000 Instead of $45,000.

The statement will be found on page 42 of this case. There was paid on account of the fifteen mile section and the branches $77,000, of which $20,000 was for the branches, leaving $57,000 of subsidy paid to this company for fifteen miles where $45,000 was the maximum that was payable to the company under the provisions of the Act. There is no question but that the amount of $77,000, including the $13,000 previously paid, has been paid in subsidies under the Act of 1882 in respect of the main line, exclusive of the branches, on account of which $70,000 was paid under a later Act. Notwithstanding that only fifteen miles of railways have been built which would justify a subsidy of $45,000. So that there has been illegally paid in connection with that fifteen mile section $25,000 of subsidy. I have already indicated what became of $8,500 of this amount, that amount having been paid under these orders, which were held by the Minister of Public Works, Mr. Whitehead, and which appear in the records here as having been lodged with the deputy receiver general,and having been first charge on the subsidy as it should be earned under the contract.

Another Mystery.

There is another interesting fact in connection with the payment of this $2,250 to Mr. Pugsley and Mr. Skinner. I will put on the record the references in the report so that there may be no misapprehension. There will be found on the record an assignment from Dr. DeBertram to Wm. Pugsley and C. N. Skinner for $7,500 on pages 92 and 93. Then there is an order from Mr. Pugsley and Mr. Skinner to the receiver general to pay $2,750 to the Bank of New Brunswick at page 97. Then, the Attorney General, the late Mr. Blair, writes to the deputy receiver general, enclosing the order of Messrs. Pugsley and Skinner and directing him to write to the Bank of New Brunswick stating that that $2,750 will be a first charge on the subsidy, and will be paid out of the first moneys earned—at page 98. The deputy receiver general accordingly writes to the bank—page 99. Then there is an order from Messrs. Pugsley and Skinner to the receiver general directing him to pay David O'Connell $2,000, and Mr. Pugsley encloses order to Mr. Babbitt, deputy receiver general, the same day and asks that a letter be sent to Mr. O'Connell similar to the one that was sent to the Bank of New Brunswick. Mr. O'Connell, I may say, is a money lender in the city of St. John; so that Messrs. Pugsley and Skinner do not seem to have lost very much time in hypothecating the assignment of the subsidies they obtained. Then there is a further order signed by Messrs. Pugsley and Skinner to the receiver general for $550, and a letter asking the receiver general to send to Mr. Trueman a letter addressed to the bank similar to the one that was sent to O'Connell; that is dated the 4th of January, 1896, and is found at page 103. So that there were orders outstanding against against the $7,500 assignment, amounting to $5,300. I have already referred to the order in council that was passed providing for the payment of a further sum of $8,500 on account of these orders; and it is very significant that the deputy receiver general should be instructed later on to make a payment of $5,630 out of the subsidy that was paid under the order in council of 1902 to David O'Connell, the money lender, who was Mr. Pugsley's creditor under the other assignment, and that he should receive a payment out of a further subsidy that was voted by the provincial legislature and out of a subsidy that was paid illegally. So that when the records and the evidence are examined, it will be found that there has been no warrant, to say the least, for the statement that the Minister of Public Works has addressed to the house on this subject this afternoon.

THE MINISTER AND THE BOND GUARANTEE

The Minister of Public Works has also stated that the reference made in this report to the guarantee of bonds is unfounded and false; he spoke of it as one of the most serious misrepresentations made in the report. The reference is to be found at

Continued on Page 5.