

A. & G. W. RAILWAY INQUIRY

(Continued from Page 5.)

"That letter is putting it pretty strong."

Faulkner on the Stand.

When the commission resumed this morning Mr. Johnstone continued the examination of Faulkner. Counsel produced a letter written by witness to A. Hawes, in which he said he had secured the charter from Cornwall and Senator Roy and would get aid in subsidy from the attorney general's department, which had been instrumental in securing the first charter. The witness explained that he had never met Senator Roy and that the latter portion referred to work done by Mr. Biggar as law partner of the attorney-general and not by Mr. Cross himself.

Faulkner Originated Construction Co.

A letter from Faulkner to Cornwall in 1907 said the latter would receive \$25,000 in the construction company to be formed, in addition to shares through the syndicate.

"Who originated the idea of the construction company?"

"I did."

"As far back as this time?"

"Yes."

Faulkner said he had explained the idea of the construction company to Cornwall but he did not seem to take much interest in it. The idea was that the construction should be the real company and the railway merely nominal.

Wanted Aid from Ottawa.

Johnstone then took up the third visit of the witness to Edmonton, having dealt with the first two visits yesterday. This was the time the 1907 legislature was in session. Hawes was looking after the financial end and Cornwall working up enthusiasm. It was then granted, he said, that Kuthford, Cross and Boyle should go to Ottawa to obtain a subsidy. Later Cornwall wrote that they had been unsuccessful in securing a subsidy from Ottawa. He said Sir Wilfrid had told them if the company built 50 miles themselves it would be an evidence of good faith and they then might look for assistance.

Division of Profits.

"When did you meet Bowen?"

"He was introduced to me by Minty in June, 1908."

Witness told of the first Bowen option secured, and later extensions with the taking up of the syndicate charter.

"You remember the division of payment from Bowen?"

"I cannot recall the date. I recall much of the money used in taking up outstanding accounts."

Johnstone submitted to witness a scheme of apportionment of profits as drafted by Emerson. Faulkner said he had not seen that draft but saw one something like it.

"Did Cornwall agree to that?"

"I think he did, but can't remember."

Witness said that when Clarke took up and paid for the option he understood that the syndicate would have \$100,000 stock in the Waterways Co. The construction company was not then discussed.

Money Still in Bank.

"Can you give any reason why the balance of the syndicate cash in the Home bank still undivided?"

"No, no one seemed to want it."

"Do you know anything of the construction company?"

"No, I do not."

"Are you still a member of the syndicate?"

"No, I sold out to Clarke in St. Paul last November."

"What did you get for your shares?"

"\$1,000," witness explained who the money was paid.

Johnstone then took up the meeting of Faulkner and Parkin of Calgary at the Royal Alexandra hotel two weeks ago and their efforts to secure the stock of the syndicate.

Parkin's Object.

"What was Parkin's object in obtaining copies of Emerson's correspondence relative to the syndicate?"

"He wished to ascertain if the shares were valued."

"Did you see Clarke in Minneapolis?"

"I did not."

"When did you see Parkin last?"

"He disappeared from me in Minneapolis."

Bennett then began the cross-examination of the witness.

"You visited Edmonton three times to interest the government and the result was a failure," he asked.

"Yes."

"Are you not mistaken in saying that Boyle was to go to Ottawa?"

"I think he replaced some other member who could not go."

"Did they go?"

"I think they did."

"The result of their visit was a failure if you think?"

"Yes, I think the syndicate was to blame that did not push the scheme further."

Faulkner said he believed in the telegram read yesterday which passed between Clarke and Minty with reference to a hold-up. Clarke had no reference to the Athabasca syndicate, Minty, he said, had given them no good and that they could never get any assistance under it.

"Do you recollect who any of them were?"

"I can not think of any at present. It was a kind of a hold-up on Cornwall's part. He said practically, 'You fellows can't get this through. I can. Minty advised us that we would have to be very careful about doing anything that might involve political considerations.'"

"So you discussed the political end before you went to Edmonton. And Cornwall told you to leave the political end to him?"

"You assume that some one had to be fixed. We did not contemplate that."

"Do you know that Parkin's endeavor to secure stock in Winnipeg was an attempt to hold up Clarke?"

"I don't know."

P. J. Nolan followed in further cross-examination asking the witness with reference to the Cushing meeting several weeks ago when Cushing told him of McKenzie and Mann built the road there would be a million asked.

"Did he say the Canadian Northern might yet build the road?"

"No, he did not."

Didn't Say C. N. R. Was Interested.

"Did you tell Emerson, as he said a few days ago, that third parties, the G. N. R., had an interest in the railway?"

"No, I did not."

O. M. Biggar asked the witness a number of questions with reference to meeting the government in Edmonton. There was no detail of the bond guarantee then discussed with the cabinet, he said.

"You spoke of an interview with J. R. Boyles?"

"I think it was between Hawes, Cornwall and Boyle. The railway passed through Boyle's constituency and he was interested in the development. The purpose for which we saw Boyle was to secure his intervention with the cabinet. I don't know the details of the arrangement by which Boyle was to go to Ottawa. It was made by Cornwall and Hawes. Boyle was to maintain an independent attitude."

Wanted to Buy Bonds.

"Were you then interested in a subsidy from Justice Beck and the other thing that he did not know the cost and it might be over \$200,000. He was looking for a profit also."

Mr. McArthur said he next met Mr. Clarke in Ottawa last September when the latter was looking for a subsidy against the Waterways as well as the best that has been in its favor. The two witnesses were J. D. McArthur, millionaire railway contractor, and E. A. James, general manager of the Waterways, and probably the most experienced railway builder in Canada. He has been twenty-five years in railway work with the Canadian Pacific and Grand Trunk as well as the Canadian Northern. He is the most enthusiastic advocate of the railway yet had and knows the way construction completely. He said he had only knowledge of the Waterways and not of the financial affairs of the Waterways, and his answer to B. Bennett showed that he had the details of his finger tips. Frequently he corrected Mr. Bennett on the details of the railway work and at no time did the instant witness's knowledge, scope on him. After a brief cross-examination Mr. Bennett sat down.

A First Class Road.

Mr. James is a rapid and fluent talker, with a snappy manner, and he showed a disposition to put it over the insurgents' counsel at every opportunity. President Clarke had told him he said to build a first class road, and the purchases throughout had been in view of the fact that the road would be between \$25,000 and \$30,000 per mile if built as he intended.

B. Bennett asked Mr. Clarke if he was apparently a disinterested witness in his own graft way he told Mr. Clarke first met him in Chicago last July, till the witness called off negotiations in September. It was evident that he did not hold much of an opinion of Mr. Clarke. The Kansas man had told him in August last that he would build the road at \$17,000 a mile, but he had no definite information to base his estimate upon.

Mr. Clarke's response to Mr. McArthur last fall was that he give him a cheque for four hundred and fifty figures, as his expenses, and subscribe in all one million dollars of capital stock of the proposed construction company. For this payment to Mr. Clarke, Mr. McArthur was to be reimbursed out of the bond.

Wanted Half Interest.

Mr. Clarke wanted to have a half interest in the construction company without paying any money, and the solicitor for Mr. McArthur said that he would put his brother in and get power of attorney from him, thus covering the difficulty. Light on President Clarke's financial condition was shown by Mr. McArthur's statement that he had \$2,000 in his pocket when he last September, claiming he had no money, till the bond issue was about.

Mr. Walsh questioned the witness closely on whether Mr. Clarke had told him if any of the \$450,000 was for political purposes, but Mr. McArthur said he did not. He had been given no idea of what the claim was for. After Mr. McArthur had called to build the road, but to this he would not consent.

"Was there ever any discussion with Mr. Clarke as to leaving the money with Leslie, manager of the Imperial Bank here for Senator Roy?"

"Then if there are statements that the construction company should put \$10,000 into Senator Roy's company. What it was he did not understand."

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"I advanced him \$50,000 last September to get engineers out on the line."

"Why did you advance that?"

"He told me he had no money till the bonds were realized upon."

"When did you get this money back?"

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"Did you get 1909, when he sent a cheque for \$50,000, the \$500 covering expenses, which I did not retain?"

"Did you see any security for the \$50,000?"

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"What visible evidence did you find of his \$50,000 expense?"

"I could not find any and I did not look for any."

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Mr. McArthur said that later Mr. Clarke had proposed to give him \$20,000 a mile for the building of the road, together with \$20,000 subsidy expected from the Dominion government. Mr. Clarke also suggested that he be formed with a construction company and that he and Clarke go into it. The witness, however, was informed by his solicitor that such was illegal.

"What proposal did he make with reference to the construction company?"

"He said that it should take up his expenses amounting to \$450,000."

Mr. Clarke was making nothing of the negotiations with the manager of the Royal Bank there. He knew nothing of the matter, he said, and the companies, but had been told by Mr. Clarke to build a first-class road of high standard. Mr. James said he had known of Mr. Clarke's plan to build a first-class road for a long time, but he had not seen the plan until he had made last fall.

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Met Premier and Cross.

After September 1st, Mr. McArthur went to Edmonton with Mr. Clarke. They met the premier and Hon. C. W. Ross but did not do much business.

"Did you have any discussion about the cost of the road?"

"No, I went there to hear if the Alberta government were endeavoring to assist in getting a Dominion subsidy in addition to the bond guarantee."

"What are the specifications for the road discussed then?"

"No, that was Mr. Clarke's work."

"Did you see Mr. Cornwall or Mr. Cushing or any private members of the legislature?"

"No, I don't think so."

"Did you ever discuss the cost with the government or any officials of the government?"

"No, I don't remember."

Mr. McArthur said he had then discussed the cost with Dr. Waddell but he had nothing definite to fix cost upon. He had Engineer Goddard's and Phillips' reports but witness did not think this data sufficient to warrant his entering into a contract.

"What would you require to be satisfied as to your ground before signing?"

"I would want a practical engineer to go over the ground with levels and ascertain the full particulars of the road."

"Might be over \$200,000."

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"Did you tell Mr. Clarke that your solicitor said it was illegal?"

"Yes."

"And what did he say?"

"He said he could get his brother in and get power of attorney from him."

"What was the final upshot of the negotiations with Mr. Clarke?"

"Called Off the Dead.

"On the way from Edmonton I called him into my statement and told him the deal was off."

"Why did you call the deal off?"

"I did not like the idea of going in with Mr. Clarke for he had nothing to show; he was not a railway builder and he did not know what he was about."

Mr. Walsh questioned the witness closely on whether Mr. Clarke had told him if any of the \$450,000 was for political purposes, but Mr. McArthur said he did not. He had been given no idea of what the claim was for. After Mr. McArthur had called to build the road, but to this he would not consent.

Was There Ever any Discussion with Mr. Clarke as to leaving the money with Leslie, manager of the Imperial Bank here for Senator Roy?"

"Then if there are statements that the construction company should put \$10,000 into Senator Roy's company. What it was he did not understand."

Advance Clarke \$50,000.

"Were there any financial transactions between you and Mr. Clarke?"

"I advanced him \$50,000 last September to get engineers out on the line."

"Why did you advance that?"

"He told me he had no money till the bonds were realized upon."

"When did you get this money back?"

"Returned it in 1909."

"Did you get 1909, when he sent a cheque for \$50,000, the \$500 covering expenses, which I did not retain?"

"Did you see any security for the \$50,000?"

"No, he told me where he got money to repay for."

"You don't know anything of the Construction Company now formed?"

"Oh! No."

Cross-examined by Mr. Bennett Mr. McArthur said Mr. Clarke's proposal practically was that he pay out \$50,000 for half interest in the construction company.

"What visible evidence did you find of his \$50,000 expense?"

"I could not find any and I did not look for any."

Speaking of his loan of \$50,000 to Mr. Clarke he said that he was drawn from Ottawa to Edmonton. It was drawn on the Trades Bank and the cheque that was paid on the Edmonton branch of the Royal Bank.

Clarke Didn't Explain.

"Did Clarke explain how he expected to profit by sale of bonds?"

Offered Him \$20,000.

Mr. McArthur said that later Mr. Clarke had proposed to give him \$20,000 a mile for the building of the road, together with \$20,000 subsidy expected from the Dominion government. Mr. Clarke also suggested that he be formed with a construction company and that he and Clarke go into it. The witness, however, was informed by his solicitor that such was illegal.

"What proposal did he make with reference to the construction company?"

"He said that it should take up his expenses amounting to \$450,000."

Mr. Clarke was making nothing of the negotiations with the manager of the Royal Bank there. He knew nothing of the matter, he said, and the companies, but had been told by Mr. Clarke to build a first-class road of high standard. Mr. James said he had known of Mr. Clarke's plan to build a first-class road for a long time, but he had not seen the plan until he had made last fall.

An Expensive Man.

"Well, I figured that Mr. Clarke, before I left him, was a pretty expensive man."

"How was the sum of \$450,000 to be provided for?"

"I was to give him a cheque, and it was to be taken out of sale of the bonds."

"Did you agree to that proposition?"

"No, I did not."

"Why?"

"Well, I sized up the whole proposition and could not get any data to figure the cost of construction. I did not try to get the data."

"Did you try to get the data?"

"He had no data to give."

"Did you tell Mr. Clarke that your solicitor said it was illegal?"

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