

Gould Admits Payment Of \$100,000 In 1912 To Premier J. K. Flemming

\$75,000 to the Then Premier, Personally, and Balance at His Direction; Told What Was Expected of Him Before Contract Was Signed; Payment Vital to Present Liability of Province

A. R. Gould yesterday admitted, under oath, that he had paid \$100,000 to Hon. J. K. Flemming, then premier of the province, in 1912, before the contract for the construction of the Valley Railway was signed.

The admission was made in his evidence in the hearing of the arbitration proceedings before Chief Justice McKeown in connection with his claim of nearly half a million dollars against the province.

Mr. Gould swore that he paid \$75,000 to Mr. Flemming personally and the balance at his direction.

When the court resumed after lunch, Mr. Carvell proceeded with the examination of Mr. Gould.

Q.—What was your intention to go to a point in Andover parish and there make connections with Presque Isle?

A.—Yes.

Q.—You would have considered the line to Grand Falls a branch line?

A.—I would not put it that way, but I would consider the line through because as the main line.

Mr. Carvell here pointed out that the Dominion Statute in 1910 provided for a subsidy for a railway from St. John to Grand Falls, a distance not to exceed 228 miles. In 1912 the subsidy was renewed.

Q.—At the time you signed the contract, you did expect to operate the Transcontinental?

A.—The G. T. P. Operation by the I. C. R. had not been thought of then.

Q.—Would the change make any difference in the earning power of the Valley railway?

A.—Yes, very greatly. The I. C. R. would not divert traffic to us and give us forty per cent. of the freight rates.

Q.—It would militate against the Valley railway?

A.—Yes, to a great extent.

Q.—In estimating the value of the railway stock, as set forth in your petition, did you estimate on its value under G. T. P. or I. C. R. operation of the Transcontinental?

A.—I had figured its value under G. T. P. operation.

Those Personal Expenses.

Q.—Then you claim also \$17,000 for personal expenses?

A.—I gave the government an expense account for every dollar of it, in 1915.

Q.—Does this represent actual expenses?

A.—Yes, to a cent, as near as I could keep it. If I went to Ottawa and took a few of my government friends along I had to pay the bills.

Q.—You claim that the government holds something like \$60,000 of your securities. Can you explain that?

A.—When the surety bond for the payment of interest during construction expired there was nothing else that we were in default on except that. I was advised that some questions might be asked in legislature and I was asked if I would renew the surety bond or put up securities. I did not know that I could renew the bond, so I put up the securities, to the value of \$60,000.

Q.—Have you got them back yet?

A.—No. When the work of construction was completed, I applied for them, and the premier said he did not like to give them up or to make any concessions on anything until everything was cleared up. Finally he agreed to give back \$60,000, which he should have given back in 1912.

the first place, provided he could pick the ones he was to keep and he did so.

Q.—Did you make any further efforts to get the securities back?

A.—When I could not get them from Premier Clarke I applied to the provincial secretary and the attorney-general. They said they saw no reason why I should not get them back and promised to look into it, but that was the last of it. When the government changed I applied to the new premier and he told me that he was not conversant with the matter and would investigate, but I have not got them yet.

Q.—With regard to your claim as a contractor, is it not a fact that the construction company were the real contractors?

A.—No, the railway company were the contractors and the construction company had a sub-contract.

Q.—But you were building your own road; you cannot allege that you were a contractor to the provincial government?

Mr. Teed remarked a copy of the contract was in evidence.

Q.—Was not your arrangement that you were to build a railway for yourselves and they were to assist you?

A.—I thought that I was building the road for myself but I found that I was mistaken.

Mr. Gregory—Mr. Gould built the railway and the government took it away from him; now the government must either pay him for the value of the railway or for his work as a contractor.

Mr. Carvell—You furnished no plan? A.—We furnished the survey and a large amount of expense.

Q.—You already have a claim for that, have you not?

A.—Yes.

Q.—Do you claim anything for plant?

A.—No.

Q.—All the costs of constructing the road have been paid for by the government?

A.—Yes, out of the bonds.

Q.—But they have paid for it?

A.—Yes.

Q.—After you have been paid the \$25,000 for the survey and you claim \$17,000 for expenses, do you still claim that you are entitled to ten per cent. on the cost of construction?

Mr. Gregory—If he gets the ten per cent. \$44,000, we will not claim anything else.

Q.—There is another estimate of your claim, at \$88,000 which does include \$60,000 for the survey. Did you put up that money?

A.—Yes, in good, clean cash and we never got it back.

Value of Stock.

Q.—Your estimate of \$20 as the value of the shares of stock is arbitrary, is it not?

A.—It is an estimate.

Q.—Did you ever try to sell the stock?

A.—No.

Q.—Do you think you could have sold the stock at that time at \$20?

A.—No railway stock has a market value at such a time, during construction.

Getting Down to Payment.

Q.—Did you pay anything to Mr. Flemming for the contract?

Mr. Teed—Object.

Mr. Carvell—It is a proper question. Mr. Flemming was the premier; the witness negotiated with him; there is no trace of any other member of the government until he retired; then his successor carried on matters in the same way. It is in the interest of Mr. Gould and of the province that the question should be answered. I will repeat the question.

To witness—Did you pay anything to Mr. Flemming at the time this contract was signed or at any other time down to the time of his retirement?

Mr. Teed again objected strenuously and at length, arguing that the question was irrelevant of the present matter. The question was permitted.

Mr. Carvell to witness—Did you pay any money to Mr. Flemming in December, 1911, at the time the contract was signed?

A.—No.

Q.—Did you pay him any money down to the time he ceased to become premier in the autumn of 1914?

Mr. Teed objected but the question was allowed.

A.—It is well known that I contributed to a campaign fund.

Q.—How much?

A.—I don't like to answer that question.

Q.—How much did you contribute?

A.—You have stated it a good many times and it has been stated in the public prints.

\$100,000 Near Enough.

Q.—We would like to have it from your own lips; how much was it?

A.—You came near it.

Q.—I said \$100,000; was that near it?

A.—Yes.

Q.—How near?

A.—Near enough.

Q.—You must tell us yourself.

A.—You know what it was.

Q.—Was it \$100,000?

A.—Yes, it was \$100,000.

Q.—With whom did you make the agreement for the payment of this money?

A.—With Mr. Flemming.

Q.—When was that?

A.—In the fall of 1911.

Q.—When the contract was signed?

A.—No.

Q.—Did not Mr. Flemming negotiate with you for the payment at the time the negotiations for the contract were in progress?

A.—I think I agreed long before the contract was signed, two or three months before.

Q.—And the amount was fixed?

A.—Yes, \$100,000.

Q.—Did Mr. Flemming want more?

A.—He said he could get more from other parties.

Q.—How much more?

A.—He said he could get double that amount.

Q.—Then why did he take you at the lower amount?

A.—I guess he thought I was easier to handle.

Q.—How much of the amount did you pay to Mr. Flemming personally?

A.—The larger part.

Q.—Did you pay him \$75,000?

A.—It might be a trifle more.

Q.—And you paid the balance according to his instructions?

A.—I did.

Q.—Was the contract agreed to at the time the money was paid?

A.—Yes, long before that, in the fall of 1911.

Q.—Did you pay any money to Mr. McLeod, the provincial secretary who signed the contract?

The Chief Justice—I think that payments made to Mr. Flemming, as the agent of the province in the matter, have a bearing on the liability of the province to pay Mr. Gould any money. I cannot see that this is so in the case of Mr. McLeod.

Mr. Carvell—I am sorry that it so appears to you; I have a whole list of gentlemen regarding whom I would like to ask Mr. Gould.

When Money Was Paid.

Resuming, Mr. Carvell asked the witness: When was the \$100,000 paid?

A.—In the spring of 1912.

Q.—Before the local general elections?

A.—Yes.

Q.—Where did you get the money you gave to Mr. Flemming?

A.—I got it from the trust company and handed it over to Mr. Flemming.

Q.—You told me it was your own money; was that because you regarded the debt to the bank as a personal liability?

A.—Yes.

Q.—The trust company gave you the money out of the proceeds of the bonds?

A.—I don't know where it came from.

Q.—But the bonds had been deposited with the trust company?

A.—Was it not only a few days?

A.—I don't know.

Q.—You know of the agreement that was made, that if they were made trustee of the fund, they were to loan you \$800,000, and that they were to loan you \$800,000 any way? There is such a document. It was after the money was placed in the hands of the trust company.

A.—I don't think I ever knew of that before.

Q.—This \$100,000 referred to in the bill of particulars is the balance of the loan out of which you paid Mr. Flemming?

A.—It would be about that amount.

This concluded Mr. Carvell's questioning and Mr. Gregory then asked the court, after receiving the consent of Mr. Carvell, for permission for a private conference between Mr. Gould, Mr. Teed and himself, before proceeding with the re-examination. Permission was granted.

Mr. Gregory—Was it any part of the consideration for getting the contract that you should contribute to the campaign fund?

A.—No.

Q.—Was it any part of the terms that you should contribute?

A.—No.

Q.—The preliminaries were all completed before it was suggested that you should contribute?

A.—I would not say that. It was after the agreement was formulated but before the contract was signed it was intimated to me that.

Mr. Gregory—You are getting ahead of my questions. I did not say that the contract was signed; I asked if it was all agreed.

A.—Yes, several months before.

Q.—Was it any condition of your getting the contract?

A.—It was not put up to me in just that way; I was told what I was expected to do.

Q.—Was your contribution to the campaign fund made a condition of the contract being executed?

A.—No particular conditions were made then.

Q.—Had the proceedings gone so far that you would consider that you were entitled to get the contract, before this suggestion was made to you?

A.—Yes.

Q.—When was the suggestion made?

A.—About two months before the contract was signed.

Q.—How long had you been engaged in the negotiations?

A.—Nearly two years.

Q.—Were you required to contribute to the campaign fund?

A.—I was informed that I was expected to.

Q.—It was then that you were told that others were willing to contribute more?

A.—I did.

Q.—As part of the consideration of the contract?

A.—No, sir.

Q.—When Mr. Flemming told you that he did not wish you to retire and that they would stand behind you and asked for suggestions, did you make any suggestion?

A.—I told him that the only thing I had to suggest was what Mr. Lisman had suggested; that the province should guarantee the \$100,000 a mile second mortgage bonds to make them salable. Referring to the sum of \$205,000 in securities deposited with the Prudential Trust Company to secure the interest on the bonds, the witness said that he

claimed that he was entitled to the interest and he had given the trust company instructions not to pay it to any one except on his order and was assured that the interest was intact. Interest on this amount, credited to his account, had reduced his liability to the trust company, on the old loan, to about \$63,000.

Mr. Carvell—Was the suggestion for the \$100,000 contribution made by Mr. Flemming to you or by you to Mr. Flemming?

A.—I never offer to give away anything.

This concluded the evidence and the court adjourned to a day to be fixed later.

Braves Purchase Schriber.

Boston, Aug. 17.—The purchase by the Boston Nationals of infielder Schriber of the Lawrence club of the Eastern league for \$6,000 was announced. Business Manager Walter E. Hagwood of the local club Thursday. Schriber who is a leading batter and base runner in the Eastern league, will report at the end of the season in that circuit.

TEX RICKARD MAY REFEREE BIG RACE

Famous F romoter Selected as Stakeholder, Will be Asked to Act as Referee in Three-Cornered Contest

New York, Aug. 17.—"Tex" Rickard, who has been selected as stakeholder for the race, was proposed last night by Barney Oldfield and Louis Chevrolet to referee the three-cornered contest in which they and Ralph De Palma will meet at the Sheepshead Bay Speedway next Saturday afternoon.

Oldfield and Chevrolet met yesterday to settle other details of the match and to post forfeits for appearance. De Palma, who was to have arrived here yesterday morning from the west, did not get in, but will be here today. The question of the distance of the extra heats was left until De Palma can meet with Oldfield and Chevrolet.

D. W. H. Wellman, promoter of the race, selected Mr. Rickard as stakeholder for the match, and Oldfield and Chevrolet posted their forfeits with him. Oldfield's car, the "Golden Submarine" and his Delage, arrived yesterday and were towed to the track. Chevrolet's car is already there, and De Palma's Packard car is due this morning from Detroit, where the factory has been putting some special touches on it for this contest.

One thousand dollars was put up Saturday by Harry S. Harkness, owner of the Sheepshead Bay Speedway, as a special price for Ralph De Palma if he lowers the world's speedway records for one and two miles at the course next Saturday afternoon, when he will make an attempt as part of the programme.

AGREEMENT REACHED.

Commissioner J. V. Russell, William Murdoch, city engineer, and Mr. Gray, work-

engineer of the public works department, had a conference yesterday afternoon at city hall regarding repairs to the trestles at No. 8 and No. 7 wharves, West St. John. While the government department and the civic department held different views it is stated an agreement was reached. The work will be proceeded with as soon as the council authorizes the work.

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You can get mulled coconut oil at most any drug store. It is very cheap, and a few ounces is enough to last everyone in the family for months.

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