

F. B. CARVELL ADMITS HE ADVISED THE PAYMENT OF MONEYS BY SUB-CONTRACTORS. A TRANSACTION HE NOW TERMS AS "GRAFT"

GOVERNMENT COUNSEL MANIFESTLY UNEASY WHEN RICHARD O'LEARY GAVE MOST IMPORTANT TESTIMONY

"You Told Me You Advised Them to Pay the Money," Swears Mr. O'Leary — "And They Were Fools to Have Done So," Adds Former Vice-President of St. John & Quebec Railway Company — Directors Deny Any Influence Ever Brought to Bear on Them by Any Outsiders or Member of Former Government.

Messrs. O'Leary, Palmer, Girouard and Sumner All State They Acted Independently and Contract Went to Lowest Tenderer—No Director Was Aware of Payment to Messrs. Tennant or Nagle, But Carvell Admits Advising Kennedy and Macdonald to Pay the Money.

Continued from page 1.

A. K. McDonald, of Kennedy & McDonald, was put on the stand when the inquiry opened at 10.30. He identified a telegram to Irving R. Todd, regarding tender and the first tender of Kennedy & McDonald. He had had correspondence with Thomas Nagle in regard to tendering on the unit basis. He had come to St. John and was told that the Nova Scotia Construction Company was to get the contract, and was advised to put in a tender for a sub-contract. He was told that he would get ten miles on the lower section, and half of the work between Centreville and Annapolis. The tender which he had put in for the whole work was prepared by Mr. Nagle. He had signed it, although he understood that the figures were higher than those submitted by the Nova Scotia Construction Company. Later he had closed a sub-contract for ten miles of the road out of Westfield. He had an understanding with Mr. Nagle that he was to get half of the profits if the firm obtained a certain price for the work. This price had not been paid, and Mr. Nagle did not get half of the profit, but had been paid in cash and given a note for \$2,500.

Roy Smith.

Roy Smith was the next witness. He is a railway contractor engaged in operations on the Valley Railway. He identified a tender submitted by him for the building of the line on a mileage basis. A week before submitting the tender he had been called to W. B. Tennant's office. In their interview Mr. Tennant told him that he was not interested in any other company, and told him not to bid less than \$4,000 per mile. Later he had worked out the bid at \$2,000 per mile, and Mr. Tennant agreed to have the tender read \$3,000 per mile. This bid was put in by the Nova Scotia Construction Company and the witness was to get half the profits and Mr. Tennant and one or two others the balance.

The witness said he had gone to Mr. Baxter to get some information regarding the possibility of getting a small contract, but Mr. Baxter had said very little to him. He assumed, on hearing from Mr. Tennant, that Mr. Baxter had communicated with Mr. Tennant. In answer to Mr. Carvell the witness said his conversation with Mr. Baxter had been very brief. Comm. Stevens would like to have subpoenaed the three contractors who figured on the mileage basis. The witness said that the three contractors were Mr. Deane, Mr. O'Leary, and Mr. Smith at Moncton. Mr. Carvell said he would have the subpoenaed issued at once. Adjournment was made until 2.30.

Afternoon Session.

When the commission resumed at 2.30 o'clock, Richard O'Leary, a former director of the St. John & Quebec Railway Company, was the first witness called. After preliminary questions relative to the appointment of the board of directors in September, 1915, Mr. O'Leary, in his examination by Mr. Carvell, said that when the new directors took charge of the affairs of the railway, there were no tenders handed in, and then for the construction of the uncompleted portions. He did not know that any tenders had been placed in the hands of the then government. He was not aware that Mr. Wheaton, nor any other party or parties had tendered for the work. The first issue of tenders by the new board was made in December, 1915, tenders being called for on the mileage basis and returnable on December 20th.

Witness believed Mr. Todd when the latter stated that ill-health forced him to resign. He did not know of any other reason, and would have no reason to doubt Mr. Todd's word. He did not remember whether Mr. Todd was present when the tenders were opened. He did not recall any particular object for asking for tenders on the mileage basis. The full board thought that course was desirable. Minutes of meetings of the directors in St. John and Fredericton were at this stage put in evidence. When a decision was reached to call for tenders on the mileage basis, Mr. O'Leary stated there had been

some discussion as to which was the better course to follow—to build the road on the unit or on the mileage basis. The board had before them the figures of the cost of the portions of the railway already completed. The tenders were not opened at the meeting on December 20th, owing to the illness of Mr. Fisher and the fact that Mr. Todd had resigned. It was thought that the full board should act in the granting of the contract, and the tenders were ordered to be placed in a safety vault at the Royal Bank in Fredericton until a full meeting could be secured. He remembered that Mr. Todd had been pressed by the other directors to continue as president, but he said that his health would not permit of his doing so, that it was necessary for him to go south to the health of his family. His resignation in view of these circumstances had been very reluctantly accepted. Witness never went to the meeting on December 20th, and he had no other reason for Mr. Todd's resignation. He recalled that the late premier had been present at the meeting and had also pressed Mr. Todd to continue.

Mr. Sumner Chosen President.

Mr. O'Leary stated that F. W. Sumner had been elected president and director in succession to Mr. Todd. Minutes of the meeting of the directors in St. John on January 6th, 1916, when the tenders on the mileage basis were opened, were put in evidence. What was presumably a copy of the minutes of the meeting received on December 31st, but as it was received after the time had expired, it was not opened. It was placed in a safety vault and at the meeting on January 6th was ordered to be returned to the company. The tenders were ever awarded on this call.

N. B. Company Tender.

The tender of the Nova Scotia Construction Company was the lowest of the four received. The directors wrote this company that their tender was the lowest, and that they had made up their minds to award them the contract, asking them if it would be satisfactory to hold the tender for a time, and in informing the company that the letter would have no bearing on any future call that might be made. The tender was not accepted, because after discussion between the directors themselves and with the engineer, Mr. Ross Thompson, it was considered that the building of the railway on the mileage basis was not the best course, but that the unit basis would be more desirable.

New Tenders Called.

At a meeting in St. John on April 21st, 1916 a resolution was passed by the board authorizing a call for tenders on the unit basis, and the cheque of the Nova Scotia Construction Company, placed as a deposit with the first call on the mileage basis, was ordered to be returned. The call for tenders was advertised in newspapers in New Brunswick and Nova Scotia, and Mr. Thompson was instructed to send a copy of the notice to all contractors without the two provinces that might possibly consider tendering for the work. Two tenders were received, one from the Nova Scotia Construction Company and the other from Kennedy & McDonald. Although the tender of the Nova Scotia Construction Company was the lower, the directors did not sign a contract with that company at that time. It was not until May 19th, that the contract was signed. In fact no contract was signed on the figures in the tender, but the directors asked Mr. Thompson, the engineer, to go very carefully over the figures of the lower tender and ascertain what would be fair prices. Mr. Thompson, having done this, the directors made an offer to the Nova Scotia Construction Company to do the work at Mr. Thompson's figures which varied very much from those of the Nova Scotia Construction Company. For instance, for common excavation the contract price was 40 cents, while the company's tender was 44 cents; for rock the contract price was \$1.50, while the company tender was \$1.60; for the right of way the board gave the company \$1.60, while their tender asked for \$1.50 and there were substantial reductions on other items.

Mr. O'Leary, further examined, said that there was clause in the contract with the company, that if the board asked them to undertake the work within a year that the same figures should be the prices to be paid. A new contract had been executed on February, 1917, showing an advance in the figures for the Centreville-Andover portion of about \$70,000.

An Interesting Point.

Q—I suppose you learned that on the day following the signing of that contract, Mr. Lindsay, the managing director of the company, paid \$20,000 to W. B. Tennant?

A—I read in the evidence that he did.

Q—Do you imagine there was any connection between the payment of that money and the increased prices the company received?

A—Absolutely none.

Q—Are you aware the Legislature of New Brunswick had been dissolved before the contract was granted?

A—Yes.

Q—How did it come that the contract was made just about that time?

A—Personally I know of no connection. The president informed the board that that was the business of the meeting.

Q—Why did they get the increased prices?

A—The reason for the change was on account of the increased cost of labor and materials.

Q—That's what they said.

A—Oh, that's an absolute fact. We all know material and labor had increased.

Q—But they made money on the old figures after paying Mr. Tennant.

A—They are bigger fools than I thought they were. Anyway the sub-contractors all lost money.

Mr. Carvell—Oh, I don't know.

Mr. Carvell Advised Payment.

Mr. O'Leary—Kennedy and Macdonald lost money. You told me that and they say so themselves. I have also a recollection of your telling me that you told Kennedy & McDonald to pay Mr. Carvell.

Mr. Carvell—What's that?

Mr. O'Leary—You told me in your room in the hotel in Fredericton that you advised Kennedy & McDonald to pay Mr. Carvell.

Mr. Carvell—I did not tell them to pay the \$20,000. I advised them to pay the \$20,000. I advised them to pay the \$20,000. I advised them to pay the \$20,000.

Mr. O'Leary—No, you did not.

Mr. Carvell—And now you bring up

Money Setting Carvell Right.

Mr. Carvell—Didn't I ask you to give authority for Kennedy & McDonald to pay Mr. O'Leary?

Mr. O'Leary—No, you did not.

Mr. Carvell—And now you bring up

LEADING FIGURES AND CRACK CAVALRY OF ITALY



a private matter into this hearing. Mr. O'Leary—No I just wanted to set yourself right. Mr. Carvell—Don't you know there was a clause in their contract saying that the consent of the parent company should be secured before they submit a portion of their work? Mr. O'Leary—As a matter of fact, the clause was required to be complied with in one single case.

Contradicted Carvell.

Mr. Carvell—Now, when I went to you in the Royal Hotel didn't I tell you that they wanted the right to submit?

Mr. O'Leary—No, you did not.

Mr. Carvell—After your interview with Mr. Thompson you never came back and told me what he said.

Mr. O'Leary—I did exactly what you asked me to do. I wasn't asked to report to you.

Mr. Carvell—But they didn't get permission until after they paid the \$20,000.

Mr. O'Leary—And you advised them to pay it.

Mr. Carvell—If you had been an agent in November as you are today, they would not have had to pay the \$20,000.

Mr. O'Leary—Not at all. Neither I nor the board had anything to do with the matter and knew nothing about the payment.

Mr. Carvell—Look at this document.

Mr. O'Leary—That is from the Nova Scotia Construction Company. We know nothing about that.

Mr. Carvell—But you never gave your consent?

Mr. O'Leary—I tell you we did, I swear positively that we did.

Mr. Carvell—The fact remains that they had to pay the money.

Mr. O'Leary—And you advised your clients very badly.

The Centreville-Andover Contract.

Mr. Carvell—Now, sir, why did you take \$70,000 of the people's money and give it to the contractors on the Centreville-Andover contract?

Mr. O'Leary—We didn't do that at all.

Mr. Carvell—Were you not present when the contract was signed?

Mr. O'Leary—Yes, but I didn't agree to the granting of that contract. I voted against it.

Mr. Carvell—Did you know Lindsay paid Tennant \$20,000 the day after the contract was signed?

Mr. O'Leary—Not until I read it in the press.

Mr. Carvell—Do you know what became of the \$20,000 paid by Kennedy & McDonald to Nagle?

Mr. O'Leary—I don't know what became of it.

Never Approached by Govt.

To Mr. Hanson—The witness said he had been a director for nearly two years and had attended the meetings of the company.

Q—During the period were you ever approached by any member of the government, directly or indirectly, with respect to the letting of any contract or sub-contract?

A—Never.

Q—Is it true then to state that you acted independently in every matter and on every occasion?

A—Absolutely independent.

Q—Were you ever approached on any occasion by W. B. Tennant and urged to favor the Nova Scotia Construction Company?

A—Once.

Q—When?

A—Mr. Tennant met me in the station car way to Fredericton on December 20, 1915, told me that the Nova Scotia Construction Company had tendered and wanted me to try and get the contract for them.

Q—What did you say?

A—I said, "Mr. Tennant, so far as I am concerned, the contract will go to the lowest tenderer."

Never Approached by Mr. Nagle.

Witness, continuing, said he was never approached by Thomas Nagle, neither did he know of any other members of the board being approached by Mr. Thompson.

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John D. Palmer.

John D. Palmer, a former director of the St. John & Quebec Railway Company, Ltd., was the next witness. Mr. Palmer, examined by counsel for the government, said that he was absent from the province when the call for tenders on the mileage basis was made. He did not know any other reason than that cited by Mr. O'Leary.

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NOTE—Nuxated Iron, which has been used by former United States Senator Towne with such surprising results, and which is prescribed and recommended above by physicians in such a great variety of cases, is not a patent medicine nor secret remedy, but one which is well known to druggists everywhere. Unlike the inferior iron preparations, it is easily assimilated, does not injure the teeth, make them black, nor upset the stomach; on the contrary it is a most potent remedy in nearly all forms of indigestion as well as for nervous, run-down conditions. The manufacturers have such strict control over the purity of their product that they offer to refund \$100.00 to any charitable institution if they cannot take any man or woman under 60 years of age, and increase their strength 100 per cent. or over in four weeks' time, provided they have no serious organic trouble. They also offer to refund your money if it does not, at least double your strength and endurance in ten days' time. It is dispensed by Watson's Drug Store and all good druggists.

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Continued from page 4.

ment in the papers. He still had confidence in Mr. Thompson's judgment that the new figures were fair and reasonable. He also used his own business judgment in connection with the contract on the upper section. He had not changed his mind that the increased prices were necessary.

To Mr. Hanson, Mr. Palmer said that in connection with the Centreville-Andover section, the contractors claimed they couldn't build the road on the old prices and cited instances of increased cost with which any reasonable man would agree. Mr. Thompson was not asked to defer consideration of the matter, but was asked to submit a report on the figures to the president.

Q—Was it due to any outside influence?

A—Outside influence from any quarter was never brought to bear. Q—Was any political pressure ever brought directly or indirectly?

A—No, Mr. Clarke, said, on every occasion for the directors to use their own best judgment.

Q—Did any member of the Government directly or indirectly try to influence your decision with respect to any tend