POOR DOCUMENT

MC 2033

STRANGE TRANSACTIONS IN CENTRAL MATTERS YET TO BE EXPLAINED

Trace of Two Sums of $348,000 and $52,000 Sought at Session Thursday.

All Susceptible of Explanation, Says Mr. Barnhill—Some Papers Missing, but Expected Later in the Enquiry—Shown that $611,000 was Used in Some Way Since 1894---Manager Hunter Tells of Poor Condition of Much of Road.

The investigation into the affairs of the New Brunswick Coal & Railway Company was continued Thursday by the commissioners in the Admiralty court room. In the morning W. C. Hunter, manager of the road, said 25 miles of the track between Norton and Chipman was in bad condition and about ten miles in good shape. There were more trestles and bridges out of repair than there were in good condition. A. P. Barnhill, K. C., told of his connection with the railway and Arthur McDonald of the Bank of New Brunswick, also gave evidence.

In the afternoon the time was largely taken up in the examination of Charles A. Atkinson, who looked after the accounts for George McAvity. The absence of books resulted in the failure to trace entries for $52,000 and $358,000 which had been received. A number of vouchers were also declared to be missing. A. P. Barnhill, K. C., who represented Mr. McAvity, expressed the opinion that further investigation would result in a satisfactory explanation.

The method of bookkeeping was severely criticized. It was shown that the total amount received from the government and from the sale of bonds between June 30, 1904, and the time the commissioners resigned in March, was $611,946.59.

A. P. Barnhill's Evidence.

The commission resumed its enquiry at 10.15 yesterday morning.

A. P. Barnhill, K. C., was called as the first witness. He said he was one of the original incorporators of the railway. He thought it was in 1901. An organization meeting was held and he was elected a director and had also been provisional director. What are known as founders shares were issued to the directors. He did not pay anything for shares he obtained.

There was a contract with James Barnes for the construction of the road to Minto. He could not say whether the contract was turned over to the James Barnes Construction Company. He had no knowledge of that fact.

The contract with Mr. Barnes was made, he thought about November, 1901. He was solicitor for Messrs. Evans and Elkin and personally had no knowledge of any negotiations for the sale of the road to the New Brunswick Coal and Railway Company. He acted simply as solicitor for Evans & Elkin and received no money except as ordinary legal fees. He had only carried out the instructions of his clients.

He was unable to say who was president of the company at the time of the negotiations. He did not know when Mr. Hutchinson resigned, but he had signed the first issue of bonds. The Royal Trust Company had charge of the bonds. The transactions were all recorded in Queens and Sunbury counties.

He knew that other bonds were issued later but he severed his connection with the company on July 16, 1903. He was quite positive that the $450,000 in bonds were in the custody of the company.

Mr. Powell thought Mr. Barnhill was mistaken in that particular but Mr. Barnhill said he was as sure as he reasonably could be after five years.

He thought the bonds or the mortgages would show the dates and other information desired.

In 1901 or 1902 a bond issue of $250,000 was made but it was his impression it was a part of the $450,000. He did not know that the government had guaranteed the bonds.

The men who were practically running the road at that time under the board of directors were the late Judge Trueman, George W. Allen and Attorney General Pugsley.

The attorney general he said, in answer to Mr. Powell, was a director by virtue of the act. He (Mr. Barnhill) was consulted frequently about the affairs of the company. His firm were solicitors as far as St. John work was concerned but he thought George W. Allen was the company's solicitor.

He would not say how the construction work of the road proceeded as he had only made one trip over the road and his information came through Mr. Evans.

For a time the progress estimates were sent to him but later sent direct to Mr. Allen at Fredericton. Mr. Allen drew cheques. In answer to Mr. Powell he said he thought the company made arrangements for money with a Fredericton bank.

It was his recollection that Byron Winslow was treasurer of the company. He knew nothing of how money was obtained except that he had loaned money on one time himself and it had been returned. The bank from which money was obtained was he thought the People's Bank.

The progress estimates came from Mr. Evans.

He could not swear whether John A. Wheaton had tendered lower than Mr. Barnes or not. He thought Mr. Wheaton's tender was withdrawn.

Manager Hunter.

William Cook Hunter, manager of the railway, was the next witness. He said he had been manager under the commission since July 1, 1905, and for one year previous under the N. B. Coal and Railway Co. Geo. McAvity was president at that time. The road between Minto and Chipman was completed at that time and approximately 2 miles beyond. There was a spur to the G. H. King mine and since then the Northfield Coal Co. had opened up. This spur was about 3-4 of a mile in length. There was also a branch to 6 or 7 other mines which are still open. It was about 2½ miles in length. The branch to the King mine was ballasted and two miles of the other branch was also ballasted. The road from Minto to Chipman was 13 miles at that time or 15½ miles all told.

Of the road from Norton to Chipman, miles was in wretched condition and miles was in good repair. That section would be from Chipman to Grand Lake.

Of the bridges and trestles some were good and some were in poor condition. The good bridges were the Huggard, two-thirds of the Belleisle Creek trestle, Batterson, Sargeson, Jenkins, Granville, Branscomb, Lackey and Elliott, all in very good condition.

They showed evidence of being in good repair and of late construction. The balance were bad. They had been improved and filled in some time. Other bridges and trestles that were in poor condition and had been repaired and filled since were: Norton bridge, Norton trestles No. 1 and 2, Howe trestle, Little Ward trestle, Big Ward trestle, Thorne trestle, Salmon Creek trestle, Cody trestle, Washdemoak trestle, Bagdad trestle, Cumberland Bay bridge, Tank trestle and Belleisle trestle. Fourteen bridges and trestles in all were in poor condition.

As a total the bridges and trestles in bad repair exceeded those in good repair. He could not say what the cost of the work should have been.

Any work of improvement done on the N. B. Coal & Railway Co. during the time he was manager was done under his superintending. All work done under the commission was done by contract. Brown Bros. were the contractors. The commissioners had all to do with the contract and he had been consulted about various parts of the work. He had submitted reports in writing. He thought Mr. Wetmore, provincial engineer, had prepared the specifications for the contract.

To. Mr. Barnhill, witness said he had talked over the work to be done with the commissioners and with Mr. Wetmore. He was consulted as to the operating of trains and suggestions were received from him.

To Mr. Powell he said he was not consulted as to the contract prices. Brown Bros. commenced work in December, 1905, and did not complete their work. He was aware that Gilmour Brown, C. E. a member of the firm, had made a report on the condition of the road for the government.

Since Brown Bros. had thrown up their contract the work had been done by the railway under day's work.

The work had been completed, but in some cases had to be renewed several times.

Mr. Powell asked if the fills were not as a general thing very narrow at the base.

Witness replied that whatever the contractors had done had been up to specifications. He had kept a record of every payment made to the contractors, as the expenses had to be charged to capital account. In some cases payments were made here, some $10,000.

There were some claims standing against Brown Bros. that were sent to the commissioners, and they were paid by the commissioners. There were no matters in dispute that he knew. He did not know anything of Mr. Copp's connection with the road.

The ballast was secured from the Drillen pit, near Chipman. It was only fair ballast. He did know of the purchase of a ballast pit, known as the Scovil pit, as it had been purchased before he went there. He got a copy of the deed from the solicitors of the commissioners, Barnhill, Ewing & Sanford. A portion of the area mentioned in the deed was not ballast. Not half of it was ballast and a change had been made in the area to get better ballast, where it was more easily accessible. In the new deed, a very much larger area was secured. There was in the vicinity of 30 acres. Mr. Scovil had told him there was no intention of deeding anything but good ballast. A right-of-way on the land was included in the deed.

Two-thirds of the land on the right of way was wilderness and the balance pasture land. Mr. Scovil conducted all the negotiations. He did not know how much was paid for the land and right of way. A portion of the land secured was a farm, about a third of it. The entire area was 130 by 40 rods.

No ballast had been taken out of the land unless it was being done today.

Outlay Charged to Capital.

Since he had been manager of the road the outlay up to 15 months ago had been charged to capital account almost exclusively.

He knew nothing about Mr. McAvity's salary as commissioner or as president of the company, nor did he know of Charles Atkinson or any other clerk of McAvity's being paid.

The books in his office were absolutely correct and every dollar received was honestly expended on the road.

An account was kept with the Bank of N. B. at Norton, and cheques signed by Mr. Fowler and himself.

There were vouchers for all accounts and frequent audits were made.

Mr. Powell asked the witness to make a statement in writing of the expenditures in 1902, for ordinary maintenance of the railway, either of rolling stock or maintenance of way, and charged to capital account. Mr. McDougall asked that the expenditures charged up to operating expenses he included also.

In answer to Judge Landry he said he had been instructed to open a new set of books by the commissioners and as the road was in bad repair he had been given to understand that all expenditures were to be charged to capital account. The money was received from the commissioners and paid out through his office.

To. Mr. Barnhill, witness said he was absolutely certain that the books of the company at Norton were correct in every particular. It was not expected that his books would show the payment of the president's salary.

There was nothing concealed in any way about his books. He could not speak as to the accounts of the head office in St. John.

Bank of New Brunswick Manager

Arthur McDonald, local manager of the Bank of New Brunswick was next called. To Mr. Powell he said he knew of the New Brunswick Coal & Railway Company having an account with the bank. At that time he was accountant and had a general knowledge of the account.

A typewritten statement produced by Mr Powell was identified by Mr. McDonald as a copy of the bank's security register. It dated from January 9, 1903 to June 30, 1904 and was submitted in evidence. Examined by Mr. Powell as to the statement, Mr. McDonald explained its meaning, showing the loans made and the periods for which they ran.

The loans were in amounts varying from $5,000 up to about $70,000 and the security in most cases was bonds of 3½ or 4 per cent. guaranteed by the government.

The bank had also had a current account with the company, Mr .McDonald said, covering quite a period of time and he was requested to prepare a statement showing the amounts received and paid out.

The first part of the afternoon session was taken up by Mr. Powell in reading the contract made between the late commissioners and Brown Bros. for improvements on the road.

The contract was dated Aug. 22, 1905, and amounts to $85,000. It called for completion of the work by August 1, 1906.

It transpired that the N. B. C. & R. Company had failed to make any transfer to the government and the road was taken over by an order in council and vested in the king subject to a first mortgage.

Commissioner Teed asked what was included in the franchise.

Judge Landry said there appeared to be some question whether the government got all the franchises.

Mr. Powell replied that it appeared the coal areas were left in the hands of the skeleton company.

An interesting point was mentioned in connection with a section of the contract which stipulated that the contractors in accepting it were satisfied to assume the risk.

Mr. Barnhill, who drew up the contract, said he inserted this provision to guard against a dispute similar to that which arose in connection with the Mooney case against the city.

Before the reading of the contract, which was a very lengthy document, was completed Charles Atkinson, one of the witnesses, arrived and it was decided to take his evidence at once.

Mr. Atkinson was sworn and, in reply to Mr. Powell, said he was an accountant with T. McAvity & Sons. He had been in the city about ten years. He knew George McAvity as president and later as a commissioner of the road. He acted for him in the matter of drawing checks and making deposits in connection with the railway's business. He had nothing to do with grants from the government. He could hardly say who had. He supposed it was Mr. McAvity himself. The deposits came from the government, but he did not remember any of the transactions. He received a salary of $150 a year which was paid to him by Mr. McAvity out of the funds until he resigned in March last.

Asked by Mr. Powell if he kept any books, Mr. Atkinson said the receipts were all entered in the pass book of the Bank of B. N. A. It had been turned over to Mr. Stone. In the first instance the account was kept with the Bank of New Brunswick. Checks were sent down from Fredericton by Mr. Babbitt from time to time.

Mr. Powell—"Have you any memoranda or records which give the amounts Mr. McAvity got from the government?"

Mr. Atkinson—"None that I know of."

The witness was asked to identify a book which he said was the cash book prepared by the auditors. The first entries, which were made from June 30, 1904, were made by Mr. Sharpe. After his death, Mr. Corbett became auditor, and completed the entries to the time the commissioners resigned. The book was put in evidence.

Replying to further questions, Mr. Atkinson said the auditors made the book up from the pass books and stubs. He was certain that everything was covered. The first entry in the cash book was an item dated June 30, 1904: "Advance from Government of N. B.," $52,250.

Mr. Powell asked if the witness knew where the entry came from.

Mr. Atkinson replied that it came from the account in the Bank of New Brunswick, which was later transferred to the Bank of B. N. A.

Mr. Powell—"Did you keep tabs on the finances?"

Mr. Atkinson said he did later on under Mr. Corbett. He could not tell from memory how much Mr. McAvity received from the government as president or later as a commissioner. He never made the amount up, it was all in the pass book.

A little breeze sprang up here between M. G. Teed and Mr. Powell. The latter was about to test the witness on the entries in the cash book and Mr. Teed objected. The entries, he said, would speak for themselves.

Mr. Powell said he must remind Mr. Teed that they were not in a court of law.

Mr. Teed retorted that Mr. Powell had told them that several times.

Mr. Powell replied that he hoped his learned friend would remember it.

Judge Landry said Mr. Atkinson was familiar with the entries and could speak from his own knowledge.

The first entries recorded loans from the government to the N. B. C. & R. Company, Including the item of $52,250, previously referred to, they amounted to $101,250 to January 16, 1905.

Under date of March 31 there appeared an item of $358,800 from J. M. Robinson & Sons, being proceeds of sale of bonds guaranteed by the government.

Mr. Barnhill said he would like to have it clearly understood that this item was not a loan from the government.

Judge Landry—"We are tracing the money handed to Mr. McAvity, and hereafter he will have to account for it."

The total amount received under the regime of the N. B. C. & R. Company, consisting of loans and the proceeds of the bond sale was announced as $460,050. The subsequent entries in the cash book referred to money received from the government by the commissioners from Sept. 12, 1905 to February 8, 1908. The total amounted to $151,896.59. Including the entries previously mentioned the total from June 30, '04, was $611,946.59. The final balance in the bank book when handed over to the present commissioners was $4,372.12.

Replying to Mr. Powell, Mr. Atkinson said he never saw a bill for Mr. McAvity's salary. He received only two payments. One was for $2,500 at the end of the year as president. It was paid out by Mr. McAvity as a commissioner, on Nov. 22, 1905, and was due from the N. B. C. & R. Company.

Mr. Powell called attention to an item of $2,500, paid Dec. 28, 1904, to T. McAvity & Sons, and asked what that was for.

Mr. Atkinson replied that it was in settlement of an outstanding account.

Mr. Powell remarked that it was odd the two items should be for even amounts.

In reply to Mr. Barnhill, Mr. Atkinson said every check or voucher recording every dollar paid was included in the contents of the box passed over to the new commissioners. He locked the box up himself and sent it to Mr. Stone.

Judge Landry—"Will the bank pass book show everything?"

Mr. Atkinson—"Yes."

Judge Landry, after looking through the bank of B.N.A. pass book,—"If this pass book is correct, in the year Mr. McAvity was president, there is no account of the $52,250 item at all. I can't quite understand why the same balance appears in both the pass book and cash book when this item is missing from the pass book. It may be all right, but it is not clear to me."

To Mr. Atkinson—"Is this pass book all the auditors had?"

Mr. Atkinson—"Yes. I don't know much about Mr. Sharpe's work. I was not familiar with the accounts in his time. The checks refer to the Bank of B.N.A. and there may be others in Mr. Sharpe's papers.

Mr. Barnhill said the item was probably a settlement effected at the closing of the account with the Bank of New Brunswick. Evidence would be obtained as the item could not have dropped out of sight.

Mr. McDougall asked the witness if it was not very unusual to have no ledger accounts and to leave the stubs and checks unentered for years.

Mr. Atkinson said he carried out Mr. McAvity's instructions.

Mr. McDougall—"But doesn't it strike you as odd?"

Mr. Atkinson—"No payment was made except by check."

Mr. Powell—"There is not a scratch of a pen to show your own salary. Ought not a ledger to have been kept?"

Mr. Atkinson—"Yes."

Mr. Powell then called the attention of the witness to the item of $358,800 in the cash book, proceeds received from J. M. Robinson & Sons from the sale of bonds, and asked if it appeared in the pass book.

Mr. Atkinson, after looking through the book, replied that he could not find it.

Mr. Barnhill said the item was not a bank deposit.

Mr. Powell—"Your records fail to show any trace of that item. I don't insinuate that it was stolen. I don't believe it was, but from the books you kept or from memoranda or deposit receipts you have no trace of it?"

Mr. Barnhill objected that it was unfair to say there was no trace. The figures might not appear in that particular amount. It was probably made up of other amounts.

Mr. Powell—"I will withdraw the question and put it in another way. Are there any memoranda or checks that refer to that item in the auditors' cash book referring to the sale of the bonds?"

Mr. Atkinson—"I have no recollection of the transaction outside of the entry by the auditors."

Mr. Powell—"Have you any memoranda from which the auditors got the item?"

Mr. Atkinson—"I don't know of any."

Mr. Barnhill—"It will all be explained in the books."

Judge Landry—"All that can be said now is that Mr. Atkinson has no knowledge. It can be explained later. We complain that there is no account to show it."

Mr. Barnhill said there could be no doubt the auditors got their information somewhere.

Mr. Powell—"It's a despicable way to keep public business."

A bundle of vouchers, cancelled checks, etc., was then produced and shown to the witness.

Mr. Powell asked if that was the bundle delivered to Mr. Stone.

Mr. Atkinson said he thought there were more vouchers.

Mr. Powell—"Will you swear that you delivered more than are there?"

Mr. Atkinson—"I feel certain I did. There are very few there. I am not sure if there was more than one bundle."

This concluded Mr. Atkinson's evidence.

Joseph R. Stone, one of the commissioners of the road, was examined with reference to the papers handed him. To Mr. Powell he said he received a cash book, a check book and a box containing a pass book, vouchers, stubs, one or two contracts and some returned checks. The box was sent up from Mr. McAvity. It was locked.

Mr. Powell (holding up the bundle)—"Any papers inclosed other than these?"

Mr. Stone—"No."

Mr. Powell—"Are these all the vouchers?"

Mr. Stone—"Every one I received is there."

Mr. Powell—"No Bank of New Brunswick checks?"

Mr. Stone—"No. I was told some vouchers were at Norton and the balance was here. I went specially to Norton but they said they had not got any. So I abandoned the search. I spoke to Mr. Corbett and he said they were still in Mr. McAvity's office. I have no doubt they are, I've not got them and I can't complete the record."

In reply to Mr. McDougall, Mr. Stone said he assumed everything was correct when he received the locked box. The auditors' report was up to March 31 last.

In reply to Mr. Barnhill, Mr. Stone said the box had never been out of his custody until that morning at 10 o'clock.

Mr. Barnhill, addressing the commissioners, said there was evidently a mistake which could easily be explained.

Judge Landry—"I wish to say that I quite realize there may be items which offset one another. I have not reached any final conclusion."

Mr. Powell said it was his intention to put an auditor on the books.

Mr. Barnhill asked that the auditor appointed should be satisfactory to the commissioners.

Mr. Powell said that would be done.

Judge Landry said personally he would not accept any statement without verifying it himself at least to some extent.

Once again in the course of the enquiry into the affairs of the Central Railway is a set of books missing. James Barnes, who gave evidence before the commissioners the road from Chipman to Minto, was able to produce only a statement of the final estimate. The books, he said, had been handed to the accountant, the late Mr. Sharpe, and had never been seen since.

Another feature brought out was that the N. B. Coal & Railway Company, which employed Mr. Barnes as contractor, allowed him the full contract price for about half the work.

At the morning session, S. A. Corbett, who was employed as accountant and auditor by the N. B. Coal and Railway Company and afterwards by the commissioners gave evidence. It consisted mainly in explaining the entries in the cash book kept by Geo. McAvity and the pass book of the Bank of B. N. A. An item of $10,000 which appeared in the cash book as having been received from the N. B. government, but was not in the pass book, could not be explained. It also developed that a "lock ledger" kept by Mr. McAvity had not been produced with the other books and papers handed over.

The commissioners adjourned after the afternoon session to sit again on Tuesday July 21. It is not definitely known whether E. G. Evans, whose evidence is regarded as very material, will appear before the commission and give testimony.

S. A. Corbett's Evidence.

The morning's session opened about 10.15. The first witness called was Samuel A. Corbett, who was employed as an auditor and accountant on the New Brunswick Coal & Railway. As accountant he had prepared statements for Mr. McAvity, which he did not audit. In same cases he made a partial audit.

As auditor he audited the books and vouchers of the operating department and did such work as an auditor usually does.

His work as auditor was done at Norton. He did not audit the general work of the company as conducted by Mr. McAvity. He had compared the balance of cash with the pass book.

The books at Norton were produced by Mr. Fowler. He did not consider he had enough data to audit the books kept by Mr. McAvity.

To the chairman he said the work was done at the request of the president and later of the commissioners of the railway. He had made a list of the liabilities of the company at Mr. McAvity's request. Mr. Sharp had previously made a statement which was correct as far as it went. He did not known whether or not Mr. McAvity had the data he deemed necessary. There were vouchers for some of the transactions in Mr. McAvity's office but not enough in his opinion to make a complete audit.

There was left in his possession a list of the outstanding liabilities. He got them from Mr. McAvity. There were some vouchers among the papers he received and he had returned them to Mr. McAvity. Asked for what purpose he got these vouchers, he said there were no special instructions regarding them. They were included among others in a box he received from Mr. McAvity. Witness identified several papers which Mr. Powell produced.

In reply to the chairman, he said he had kept some of the documents through an oversight. His instructions had been to hand everything back.

The statement he had prepared at that time for Mr. McAvity was put in evidence. It was dated Dec. 31, 1904.

He had been engaged in December, 1904, after the death of Mr. Sharp. He could find no book of accounts from which to make the statement. The only book he could find was Mr. McAvity's cash book. The book had been previously made up by Mr. Sharp. He had not made up the statement altogether from this book.

The cash book ended at that time on August 8, 1904. He made all entries after that date..

Lawyers in Clash.

Mr. Corbett was going on to explain some items when Mr. Powell checked him, and Mr. Barnhill objected, and there was a clash between the lawyers. Mr. Corbett said he wished to show from what he obtained his balance.

He went on to say that he secured the balance from a stub in Mr. McAvity's pass book. There was a cheque for every entry and a stub for every cheque. All on the credit side was taken from stubs.

Judge Landry—"Are there not several amounts appearing here other than cheques, such as payments and bonds from J. M. Robinson & Sons?"

Mr. Corbett—"Yes. Your Honor is right. I did make a mistake there."

In answer to Mr. Powell, he said he had no cheques for some $350,000. That was represented by payments from J. M. Robinson & Sons.

Mr. Barnhill and Mr. Teed wished to question the witness, but Mr. Powell objected, and Messrs Barnhill and Teed told Mr. Powell the trouble was that he was too impatient. Mr. Powell said in replied that he only desired to get the evidence in consecutively.

Witness, in reply to Mr. Powell, said he had not, at the time he made the statement vouchers for all the amounts. He found them later at Norton.

Witness said numbers in red ink in the book represented numbers of vouchers. Although every line had a number it did not follow that there were vouchers for all.

From the time he commenced the work until the end of June, 1905, he had numbered the lines in numerical order, commencing at page 81 and ending at 258. After that he began numbering at 1 and ending at 116 to February 10, 1906. One item of $325 to J. S. Armstrong was not numbered, but it was a simple omission and he had a voucher for that amount. There were some amounts he had no vouchers for.

For the expenditures after February 10, he found many of the vouchers at Norton. "There were items at that time for which I found no cheques."

During the time he was auditor he had put the vouchers in a box in Mr. McAvity's office.

To the chairman, witness said the reason some vouchers were at Norton was because Mr. McAvity had advanced money to the office there.

He had not gone to Norton to see these vouchers, but had made the statement from information in Mr. McAvity's office. He had casually noted the vouchers later on.

In reply to the chairman witness said an item of $19,000, paid to Rhodes, Curry & Co., did not appear on the cash book.

Witness found that some items at Norton which appeared to have been unpaid were endorsed as paid in the St. John office.

The Debit Side.

Turning to the debit side of the cash book, witness explained that the first item of $47,327.70 was the amount brought forward.

There was a difference of $250 between this amount and a total prepared by Mr. Sharp and the witness could not remember the explanation made by Mr. McAvity at the time regarding this amount. The receipts for traffic of the railway were partly included in the entries. Some of the receipts were for coal sold and others were for carrying mail.

Mr. Powell objected to the coal question being discussed at this time.

Witness said he got some entries from J. M. Robinson & Son's statement and he thought all the others were from the bank pass book.

Several entries in the cash book were then examined and the witness told from where he obtained them.

An item of $10,000 appeared in the pass book that was not in the cash book under the same date and witness was unable to explain it at the moment. Witness said he thought there had been a pass book of the Bank of New Brunswick as well as the Bank of B. N. A. during the time he was auditor. The pass book in evidence was that of the Bank of B. N. A. The cash book and pass book were examined and witness explained about various items. Some amounts were from the N. B. government, I. C. R. for coal, etc.

Witness in answer to Judge Landry said he thought information as to items in the pass book was furnished by Mr. Atkinson in Mr. McAvity's office.

An item of $12,500 from the New Brunswick government under date of May 16, 1907, appeared on page 96 of the cash book but was not in the pass book. Witness said his recollection was that this amount was deposited in the Bank of British North America, in New York and was partly used for purchasing locomotives and machinery and the balance appeared in the pass book as a transfer.

In answer to Mr. Powell witness said that in making his audit he had endeavored to find out about the profit or loss on the operation of the road.

Winess said it was his recollection that $2,500 had been paid Mr. McAvity as president of the N. B. Coal & Railway after the commission had assumed control. The amount was included in some claims left over by the N. B. Coal & Railway. He had not seen the books since the present commissioners took control.

There was no regular time, the witness said, for him to make up the cash books. The work was done at irregular intervals between visits to Norton.

In answer to Mr. Powell, witness said he did not know that Brown Bros. were paid anything in addition to their contract price. He understood that some claims against Brown Bros. were paid by the railway. He did not know if they were in excess of the contract price.

Several statements prepared by Mr. Corbett in connection with the audits were put in evidence.

There was a "lock ledger" the witness said, that Mr. McAvity had in his office which he had frequently worked on. He did not think this book had been handed to the new commissioners. This book was copied from the cash book and a classification of the moneys received from the government.

To Mr. Barnhill witness said there was nothing in the lock ledger that could not be made up from the cash book

Adjournment was made at this point until the afternoon.

Mr. Corbett was recalled at the opening of the afternoon session.

In reply to Mr. Powell he said he could not call to mind why an item of $10,000 which was entered in the pass book as a receipt was not in the cash book. He had checked over the items and it must be a cross entry.

Judge Landry said it was not quite clear to him when Mr. Corbett began the work which resulted in the cash book.

Mr. Corbett replied that he began gathering the figures for a list of the liabilities just before the end of 1904. He did not start on the cash book until January, 1905.

Judge Landry—"Did you do all the work to date, and were you called in again?"

Mr. Corbett—"Yes, but I cannot tell when without my memoranda. My work was divided between Norton and the city."

Judge Landry—"The last time would be after March 31, 1908?"

Mr. Corbett—"Yes."

Judge Landry—"Now would not your recollection be, Mr. Corbett, that after 1905, you were not called in again until 1908?"

Mr. Corbett was understood to say that he could not remember. This concluded his evidence.

James Barnes, of Buctouche, was called. In reply to Mr. Powell he said he had been a railway contractor and had a contract in 1901 to construct the line from Chipman to Minto. The contract was entered into between the N. B. C. & R. Company and himself, and was afterwards transferred to the Barnes Construction Company. He thought he was president of the company. He had no copy of the contract, it was so long ago.

Mr. Barnes here produced a debit and credit account between the N. B. C. & R. Company and the Barnes Construction Company, dated May 31, 1904, which he said was the date of the last estimate. During his examination he had frequent occasion to refer to it.

Replying further to Mr. Powell, he said he could not say what was the earliest date the road was in a fit condition for operation. Freight might have been carried over it in 1902. The amount of the first contract was $117,000, including the main line. The N. B. C. & R. Company provided the iron and he provided the sleepers, laid the rails and ballasted the road. The length of the road was about fifteen miles. It ended two or three miles the other side of Minto. He had nothing to do with the subsidies. He was not sure whether the N. B. C. & R. Company negotiated the subsidies and handed over the cash or gave the subsidies to the Barnes Construction Company. The construction company obtained advances from the Peoples' Bank and the Bank of N. B., and their paper was discounted by the same banks. There had been some checks on the Bank of B. N. A.

Questioned as to who acted for the N. B. C. & R. Company when the contract was transferred to the Barnes Construction Company, Mr. Barnes said he believed the parties were Mr. Allen and Dr. Pugsley. The latter was acting for the government as an ex-officio director. A new contract was entered into. The conditions had changed, and the amount of money to be paid was changed. The work was found to be very expensive. Instead of earth, rock and hard pan had been met with and it was found impossible to do the work at the original figure. There was not enough money in it to pay the labor bills. In consequence, he (the witness) offered to accept fifteen per cent. and place everything at actual cost.

Mr. Powell—"Then you became agents of the New Brunswick Company and received 15 per cent. on the force bills and other expenses."

Mr Teed objected to the term "agents."

Continuing, Mr. Barnes said the date the change was made was May 1, 1903. The work was pretty well along by that time.

Asked if he could say how much of the line was built, Mr. Barnes said he thought about 4½ miles from Chipman. He remembered that in February, 1903, he came off a construction train near that point and went to Kent County to contest an election.

Mr. Powell remarked that a previous witness had spoken of trains running to Minto at that time but he believed Mr. Barnes' recollection was more correct.

An itemized statement, which was contained in the final estimate produced by Mr. Barnes, was then gone into. It contained items showing the cost of construction to June 20, 1904, including labor, materials, plant, etc. The total expenditure on the road was given as $207,568.04.

One item for $26,563.81 for liabilities not paid caused considerable discussion.

Mr. Barnes said it was for liabilities created by the work.

Mr. Powell failed to see how this could be when every item was classified.

Mr. Barnes said the account was made up by Mr. Evans, who would be able to explain it.

Mr. Powell pointed out that if it was Mr. Barnes' impression that those liabilities were not included then the total cost of construction was $234,131.85. As he received only $219,709.59 from the New Brunswick Coal & Railway Company there would still be some $15,000 owing.

Mr. Barnes replied that there was evidently a misunderstanding and it would be better to get the accountant who made up the statement.

Judge Landry said the item was probably part of what was paid.

Replying further to Mr. Powell, Mr. Barnes said Mr. Trueman, Mr. Allen and Dr. Pugsley adjusted the accounts with the Barnes Construction Company on the engineer's estimate. He thought some of the estimates might be found.

Mr. Powell then turned his attention to the length of mileage in the sidings at Minto, and asked Mr. Barnes how long they were.

Mr. Barnes replied that he could not say.

Mr. Powell took the sidings separately. In reply, Mr. Barnes said the spur to the King and Northfield mines on the N. E. Side was about three-quarters of a mile long; the spur on the South Side about three miles; and a branch at Ironbound Cove about 1,500 feet. There was also, he added, a siding about two miles long to a ballast pit.

Mr. Powell—"But that was incident to the contract?"

Mr. Barnes—"It was done under the per centage agreement."

Mr. Powell—"Now Mr. Barnes wasn't that siding into the ballast pit put in as a branch railway and the subsidy drawn for it?"

Mr. Barnes—"I don't know."

Mr. Powell—"Don't you know what subsidy for mileage the New Brunswick Coal & Railway Company drew from the government?"

Mr. Barnes—"It was not my business."

Mr. Powell—"I thought we should have had your books here."

Mr. Barnes— books were given to Mr. Sharpe and we could never get them again."

Mr. Barnes was then asked as to the organization of the Barnes Construction Company. He was president, he said, and he thought W. T. Whitehead was secretary. He did not remember who was vice-president. It might be that Mr. Whitehead also acted as treasurer. It was likely, he added, that Mr. Whitehead would have some of the books.

Judge Landry asked if the first contract for $177,000 was not from Chipman to Gibson.

Mr. Barnes said it was the understanding but the work was so disastrous that he was glad to get out. Progress estimates were made every month until the work proved too expensive to go on. The contract was taken over by the Barnes Construction Company.

Judge Landry—"In the negotiations when you threw the work over, who took a prominent part for the New Brunswick Coal & Railway Company?"

Mr. Barnes—"Nothing went through without Dr. Pugsley's sanction. He acted as a director in his dual capacity representing the province."

Replying further to Judge Landry Mr. Barnes said $13,464 was received on the 15 per cent. basis. The Barnes Construction Company was in debt and went on to meet its liabilities.

Judge Landry—"But when you took the work on a 15 per cent. basis had not the government paid all your liability?"

Mr. Barnes—"The percentage paid it. I got nothing out of it."

Judge Landry—"Could you show us when you were paid on a 15 per cent. basis and what the accounts were?"

Mr. Barnes—"I think I could if I could get the books."

Mr. McDougall—"Did you not receive a salary for all your work?"

Mr. Barnes—"Things were so bad that there was very little more than enough to pay expenses."

Mr. Powell then questioned the witness on the amount of hard pan and rock found.

Mr. Barnes said hard pan was found almost everywhere a few inches below the surface and enumerated a number of cuttings where the work was of this nature.

Mr. Powell—"Now Mr. Barnes wasn't the best part of the road like a turnpike?"

Mr. Barnes—"Oh, that's nonsense."

Mr. Powell—Was not the total estimate of the work done up to the change and for which you claimed against the N. B. C. & R. Company amounting to $117,567.13 equal to the total contract for the completion of the road? And was not the total estimate of work done on the road $207,327.41, including an amount of $89,760.25 for work on a commission basis?"

Mr. Barnes showed some hesitation in answering.

Mr. Powell—"Mr. Barnes, isn't that so?"

Mr. Barnes—"Yes."

Mr. Powell—"Then the company settled with you and in their settlement allowed you full contract price for half the work."

Mr. Barnes—"I can't see that."

Mr. Barnhill interposed with the remark that the branches were not included.

Mr. Powell was asking who were the other members of the Barnes Construction Company when Mr. Barnhill and Mr. Teed both rose in protest.

Mr. Barnhill—"That question does not arise."

Mr. Powell—"It is not for you, gentlemen, to say."

Mr. Teed—"I understood it was not the intention to pry into private business."

Mr. Powell—"Considering the large amount of money that passed through the hands of the company I think it very important."

Mr. Barnes at this point volunteered the statement that as far as he remembered F. A. Barbour was the engineer and Senator Thompson, W. T. Whitehead and Willard Kitchen were connected with the company.

This concluded the evidence.

Some discussion followed as to the date of the next meeting. It was finally decided to sit again next Tuesday week at 10 a.m. Before the commission adjourned Mr. Barnhill assured the commissioners that he would endeavor to get the vouchers and other items which had been referred to by Mr. Atkinson in his evidence.

MOOSE DROWNED NEAR BAY SHORE

Two Took to Water Near Seaside Park; One Landed Again, But Other Was Forced by Crowd to Stay In.

Two splendid specimens of bull moose, driven out of the woods to the west of South Bay, crossed the Mahogany road Sunday afternoon and, being frightened by a crowd at Seaside Park, jumped into the harbor and for some time swam about.

The moose were seen from Carleton and 500 people gathered on the shores to watch the struggles of the animals. The larger succeeded in getting out of the water and ran off through the woods but the other perished before it could regain shore.

Ex-policeman Sullivan, who is doing duty at the park as special policeman, kept the crowd back from the shore as much as possible but the moose was driven back whenever it came near the shore and was drowned.

LUSITANIA GAINS NEW ATLANTIC RECORD

New York, July 10.—Breaking all previous records over the long distance course across the Atlantic of 2,891 miles, the swift turbiner Lusitania arrived at Sandy Hook lightship to-day at 2.11 a. m., the time of passage being 4 days and 19 hours and 36 minutes. The Lusitania left Daunts Rock July 5 at 11.35 a. m., her average speed throughout the trip being 25.01 knots an hour, which eclipses her previous days' average of 24.88 for the trip. She is now the only 25 knot steamer. The Lusitania on this trip also distanced her sister ship's record, the Mauretania, by 39 minutes. New four-bladed propellers were used on the trip. The best day's run, July 7th, was 643 knots, beating the previous record two knots.

MOSQUITO PEST SHUTS DOWN MILLS

Vancouver, B. C., July 10.—(Special)—A dense cloud of mosquitoes has swept into New Westminister and taken possession of the town. So serious a matter has the pest become than men at some of the lumber mills on the Fraser river were driven out by the stinging hosts, and the mills have been obliged to shut down temporarily.

A racehorse galloping at full speed clears from 20 to 24 feet every stride.