

Report of T. Hollis Walker, K. C.

Sir Richard Squires Declared a Receiver and Accomplice.—Dr. Campbell Misused and Misappropriated Public Funds—Public Moneys Wasted; Electorate Corrupted; Departments Debased.

FINDINGS ON SECTION I. (Controller's Dept.)—

That Miss Miller was aware that the bulk of the money was taken from Controller's Dept., the whole of which was applied by her to the purposes of Sir Richard Squires for his benefit.

That Sir Richard Squires accepted the use and benefit of over \$20,000 so obtained with knowledge of their tainted history, and made himself a receiver and an accomplice in Mr. Meaney's wrong.

FINDINGS SECTION II. (Besco)—

That responsible officials of the Dominion Co., were willing to and did give timely financial assistance to Sir Richard Squires out of the funds of the Company, that \$43,000 was paid to him accordingly, that the allegation in this paragraph is proved. That Mr. Miller and Mrs. Harsant were his instruments.

FINDINGS SECTION III. (Pit Prop & Model Farm)—

That the loss to the Government on logging operations were not less than \$130,000.

That the allegation that Dr. Campbell paid his own private cab fares to a very substantial amount out of the public funds under his control, is fully proved. In relation to his cab fares, Dr. Campbell directly misused and misappropriated portions of the public funds under his control, which throughout were badly and wastefully administered by him.

That the Union Trading Company appear to have made a profit of \$10,000 out of the contract, but the Government gained no advantage.

Model Farm—That the list of cab fares proves to my satisfaction actual misappropriation on the part of Dr. Campbell, and the padding of wages' bill by men unnecessarily and improperly introduced at this instance was a misuse of the funds amounting to misconduct, in my view.

That Mr. McNeily misappropriated \$120.00.

IV.—RELIEF—

That it was as the General Election approached that misuse of public money developed, and to keep on or to secure their political support, idlers were paid for work at the rock sheds which they never performed.

V.—PUBLIC CHARITIES—

That a great deal of this money did not go in necessary relief; it was not reserved for proper cases after due and searching enquiry; it was lavishly scattered broadcast with both hands for political purposes.

That there does not appear to be any instance of actual misappropriation by anyone in the Department, but the conduct of the Department was slovenly and unbusinesslike and made possible abuses all over the Island, of which I cannot think the staff was ignorant.

That Politicians exploited the situation improperly to further their aims.

THE PIT PROP ACCOUNT.

3. The third matter mentioned in the Commission was stated in the following terms:—"Allegations have been made of wrong-doing in the Department of Agriculture and Mines during the years 1922-1923 in relation to the expenditure made for the relief of destitution and known as 'Pit-Prop Account', and also in relation to expenditure upon the model farm."

1.—PIT-PROP ACCOUNT.

In the period that followed the cessation of active operations in the great war the Colony of Newfoundland encountered serious troubles and difficulties. Markets were closed and trade upset, unemployment was rife and numbers of the people were on the verge of starvation. This state of things became pronounced in the year 1920 and grew worse in the succeeding years 1921 and 1922. Early in 1921 the Government devised a scheme of relief by which work was to be found for the necessitous and the perils of want averted. Hitherto the law had prohibited the exportation of unmanufactured timber, this it was proposed to relax to the extent of permitting the production and sale of pit props and pulpwood. By an Order in Council dated 21st of January, 1921, it was provided that the Governor in Council should permit—

- 1.—The cutting, taking and carrying away from ungranted Crown Lands of timber for exportation;
- 2.—The exportation of unmanufactured timber by such persons as may be approved by the Governor in Council and who shall enter into such agreement therefor as may be approved by the Minister of Agriculture and Mines;
- 3.—The sale either within or without the Colony of timber cut

upon ungranted Crown lands by such persons as may be approved by the Governor in Council and who shall enter into an agreement therefor approved by the Minister of Agriculture and Mines.

4.—The purchase of timber cut upon ungranted Crown lands by such persons as may be approved by the Governor in Council.

The administration of this order was entrusted to the Department of Agriculture and Mines (of which Dr. Campbell was the head) and all the accounts were kept in that department under the title "Pit Prop Account." At a time when the relief work of the department increased both in volume and variety, the department itself conducted cutting operations, made contracts for rolling wood or selling wood, bought junk and scraps, provided work on unremunerative undertakings such as roads and bridges, and sought to increase food supplies by distributing seed potatoes.

The results from a financial point of view were disastrous. There are items still awaiting adjustment and there are claims outstanding by and against the Department, but the total loss to the Colony up to the end of 1923 cannot be less than \$1,200,000. It is not surprising that there should arise murmurs and rumors against the Department's administration, extravagance and waste, mismanagement and inefficiency, misappropriation and graft. In July, 1923, statements were made in the House of Assembly criticizing Dr. Campbell, the Minister of Agriculture and Mines, and in particular charging him with paying cab fares, part of his election expenses, out of the Pit Prop account; the account itself was tabled, and its unexpected contents made known and discussed; and this section of the enquiry was settled in its present form in order that investigation might be made both as regards the specific charges against Dr. Campbell and as regards the general conduct of his department in relation to this costly experiment. At an early stage of the enquiry, Mr. Howley, K.C., (Counsel for Sir Richard Squires and Dr. Campbell) complained of the wording of the Commission on the other side of the table had opened, and I expressed my willingness to deal with any allegations of wrong-doing in the Department in relation to the Pit Prop Account, which he (Mr. Howley) or anyone else might bring to my notice. At my invitation Mr. Howley enumerated his additional charges as follows:

1. That Dr. Campbell had been guilty of misappropriating the funds of his Department;

2. That when Dr. Campbell left the country in July, 1923, he fled from justice;

3. That indictments were prepared and the Government authorities were taking steps to bring him back to stand his trial;

4.—That large misappropriations and misuse of funds (in other words graft) were made by Dr. Campbell and divided up between himself and Sir Richard Squires.

In my view paragraph 1 was already before me, possibly also paragraph 4; but I invited Mr. Howley to assist me, especially as regards paragraphs 2 and 3, by information as to the source of these allegations so that although I was doubtful whether they really fell within the scope of the enquiry, I might send for those who were responsible for them. His answer that he knew only of popular rumours and the columns of a Canadian newspaper placed me in a difficult which was solved by a timely statement made by Mr. Warren, who was Minister of Justice in July, 1923, that no indictments were drawn or steps contemplated against Dr. Campbell and that he (Mr. Warren) had never heard or thought that Dr. Campbell fled from justice. No one in the course of the enquiry expressed any other view, and I declare these two paragraphs of idle and probably malicious gossip to be untrue. I would add that from the first to the last no suggestion whatever was made against Sir Richard Squires, and there was no evidence that he was a party to the misuse of any funds belonging to the Department.

The contracts which were made under the order in the year 1921 were in a form drafted by the Minister of Justice which after reciting the order provided, among other things:

1. The Government shall permit the contractor to cut on Crown lands and to sell in the Colony of Newfoundland or to export therefrom—cords of pit props or pulpwood.

2. The contractor agrees to pile the pit props.

3. The Government shall not be responsible for losses by flood, fire or larceny.

4. Should the contractor fail or be unable to sell or dispose of all or of any of the pit props or pulpwood cut under this agreement, the Government agrees to purchase whatever amount the contractor has failed to sell or dispose of at the rate of six dollars per cord provided:

(a) The contractor shall first have made a bona fide attempt to sell all such pit props or pulpwood.

Yetman's contract showed \$2,250.00 advanced and wood cut worth \$1,462.50.

Russell's contract showed \$2,250.00 advanced and wood cut worth \$1,410.00.

Yetman's contract showed \$2,250.00 advanced and wood cut worth \$789.00.

Groves' contract showed \$6,000.00 advanced and wood cut worth \$2,184.00.

Several of the contracts were assigned to Mr. McKay either personally or as assignee of Steer Brothers including:

Gillard where \$5,208.00 were advanced against wood cut worth \$8,175.00.

Tulk, where \$5,405.00 were advanced against wood cut worth \$6,425.00.

Jennings, where \$9,000.00 were advanced against wood cut worth \$4,701.00.

Budden, where \$15,000.00 were advanced against wood cut worth \$5,739.00.

A curious piece of history was disclosed in connection with these contracts in the names of Briggs, Pelley and Stanford respectively, the moneys due or to become due being in each case assigned at an early date to Messrs. Hickman. Payments were made by the Department up to the full value of the wood cut; the contractors, however, still owed money to Messrs. Hickman who used them to judgment and issued executions. The sheriff levied on the wood, and sold it to Messrs. Hickman themselves at prices ranging from 25 cents to a dollar a cord. Interesting questions will arise in the legal proceedings which are pending in respect of these seizures, but the effect up to the present time is that the Department has nothing whatever to show in return for the advances. Another cause of loss on these operations was a deplorable spirit shown by the people themselves; relief meant to them payments or supplies without work, and men would secure supplies, work a few days and disappear, offering work on every-where and always, and there were instances of summoners calling into some quiet bay and taking away whole cargoes of wood from the dumps. The

(b) The contractor shall furnish to the Government satisfactory evidence of his attempts to sell the same.

Agreements were made in this form with thirteen contractors, and wood was cut, but no sales were effected. Some of the contractors were able to show that they had made substantial efforts but the majority were in the first instance unable to furnish satisfactory evidence of this. It was, however, common knowledge that the state of the market made sales practically impossible and ultimately the Government took over the whole cut at the agreed price. In fact this proved to be a very bad bargain the cost to the Department was \$192,597.21, a good deal of the wood was stolen, and the Department's own attempts to sell at a latter date had very unsatisfactory results.

For the following season a new form of contract was devised. Sales by the contractor were eliminated and from the first the Government agreed to take over the whole of the wood at a fixed price per cord. The contracts were originally offered at four dollars, but the Government was compelled to give five at first, and later to add a bonus of 50 cents. The dimensions of the wood were altered, and all of it had to be clean-peeled. Like its predecessor this contract was permissive only, it did not bind the contractor to cut a single cord and the operations conducted under it proved equally unprofitable. It contained a clause (No. 5) which provided "that the Minister of Agriculture and Mines may from time to time prior to the time above stated make payments on account of wood cut by the third contractor to the extent of and in such proportion of the whole amount provided hereunder as may hereafter be determined by the Governor-in-Council." It does not appear that anything was ever determined by, or even brought before, the Governor-in-Council in this connection, but many and large advances were made not only on account of wood cut, but also on account of wood to be cut, which might or might not be cut, and before a single cord was cut. This contract was certainly in form more favourable to the Government than its predecessor and it was difficult to find contractors, who would undertake its burdens. Most of those who did accept it were unable to pay for the supplies without which the operation could not be started, and the various stores were unwilling to provide them on credit without a Government guarantee. The contractors themselves were usually accepted on the recommendation of the members for their district, and in many cases the contract or the money to become due under it was at once assigned to the provider of supplies to whom the Department thereupon made advances. It may be that as Dr. Campbell stated, there was no other way of meeting the situation, in remote districts before navigation was closed for the winter but in the result there were many contracts on which the amounts advanced far exceeded the value of the wood cut under them. For instance a number of contracts were made in the names of employees of the Fishermen's Union Trading Company on the recommendation of Sir W. F. Coaker, and forth with assigned to that company:—

Brown's contract showed \$2,250.00 advanced and wood cut worth \$1,462.50.

Russell's contract showed \$2,250.00 advanced and wood cut worth \$1,410.00.

Yetman's contract showed \$2,250.00 advanced and wood cut worth \$789.00.

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truth is that very little regard was paid to the contracts at all, the essence of the whole scheme was relief, but it was hoped that some return in the shape of wood might be secured, and the machinery of apparent contracts with private individuals was adopted because the "custom of the country" was unhappily made clear that the inhabitants would not put forth their best efforts on behalf of the Government. The expedient certainly failed to accomplish its object, the real meaning of the movement was universally known, and the general attitude was succinctly summed up in the cabman's cant repeated to me at a later stage—"Pit props pays for all." In some instances (Gillard's contract assigned to McKay was one, Groves' contract assigned to the Fishermen's Union Trading Company was another) the suppliers insisted on a condition that the advances should not be recoverable if sufficient wood was cut, and in my view it is doubtful whether any of the advances or any part of them, can now be recovered. Without them supplies would not have been sent, the scheme would have been brought to a standstill at a critical time, and direct relief would have been necessary probably to the same amount. Contractors and suppliers were used to enable relief to reach the destitute, but it cannot have been intended that the cost should come out of their pockets when they were not at fault.

Another form of transaction in which the Department engaged was exemplified by a contract entered into with Mr. E. Martin on the 24th of November, 1921, by which the cutting of pit props was financed. Mr. Martin undertook to cut about 10,000 cords and the Government deposited \$30,000 in the Bank against which he could draw on presentation of scale sheets at the rate of three dollars a cord, the contractor being bound to refund at the same price as and when the wood should be shipped, any wood not shipped by the 30th November, 1922 was to become his property and he was to be immediately liable for it at the same rate. The full sum of \$30,000 was deposited in the Bank and in three instalments, and Mr. Martin has repaid \$21,280 for 5320 cords at four dollars a cord, another dollar having been added to the price by supplemental agreement to cover the cost of hauling. He has, however, been allowed to draw out the whole \$30,000 and the prospects of recovering the difference appear to be remote. On 8th July 1922 he made another contract of the same kind, which has been treated by the Department in a still more imprudent manner—the contractor had been allowed to draw out deposits of \$35,000 and up to the present has repaid nothing. Similar contracts with deposits or guarantees made with the Horwood Lumber Company, appear to have been carried through without loss. Another special contract was one made by William Dawe and Sons on 9th December, 1921 by which the contractor agreed to cut 400,000 cords of hard wood; advances of \$5,198.00 have been made by the Department.

nothing whatever has yet been received in return.

Towards the close of the year 1921 negotiations were opened with the Anglo-Newfoundland Development Co. at Grand Falls, which culminated in an agreement dated 2nd December, 1921, by which the company undertook to buy from the Government 20,000 cords of pulpwood at \$7.50 a cord, delivered at Grand Falls or other specified place, by the 31st October, 1923, and on September 5th, 1923, a similar agreement for a further 10,000 cords was made, providing for delivery by 1st May, 1923, on the shore of North Twin Lake at varying prices.

Mainly for the purpose of fulfilling these contracts the Department tried the experiment of cutting wood without the intervention of contractors. On the recommendation of a Mr. Scott three districts were selected and three managers appointed, viz: Curran for Glenwood District, Goodyear for Skull Hill District, and Moore for McLaughlin District, and contracts were made by

between the department and the managers, dated 8th July, 1922, 10th July, 1922, and 23rd September, 1922, respectively. The contracts were alike in terms and conditions, and Curran's may be taken as a type. By his contract after a recital that in order to relieve destitution it had been decided to initiate logging operations in the vicinity of Carleton Cove on the Grand River to be known as the Curran operation, he was appointed at a salary of \$200 a month to take full charge and management of the cutting of pulpwood there, and of its transport to Grand Falls; he was to employ 100 men to be maintained by the Government, and the Government was to find the necessary supplies and to deposit to his credit in the Bank of Montreal the amount of each fortnightly pay sheet. In the result each of these contracts showed a heavy loss. In Curran's case the expenses, including wages, provisions, horses and equipment, exceeded \$80,000; at the close of the operation he agreed to take over what was left of the outfit at a valuation of \$6,833; this has not been paid and he now has made an assignment of the net result of this operation being a loss of about \$30,000. Goodyear's showed a loss of \$18,000, and Moore's of as much as \$84,000. There was also a small operation of the same kind in Avalon, costing \$20,000, which proved unprofitable, and altogether the loss to the Government's logging operations cannot be less than \$150,000.

One of the causes which contributed to the disastrous result was selection of the District in which Moore's operations were carried out. The Minister of Agriculture and Mines was badly advised and the place proved unsuitable and the cost of transport to and from it enormous. But there were other causes for which in my opinion he was entirely to blame. One was his relation to suppliers—these were arranged and forwarded by the Minister himself and he distributed the patronage among a number of people in St. John's, many of them retail tradesmen in a small way of business and some of them tradesmen at all. My attention was called to many of their prices which I found to be very much in excess of those ruling at the time among the bigger houses along Water Street. No attempt was made to examine or compare the prices charged, they were never looked at, and in my view much public money was thus wantonly wasted. There was no evidence before me that anyone in the Department derived any pecuniary advantage from this practice, but it was an instance of bad management and extravagance.

Another matter was when the goods reached their destination the Government's representative on the spot was not supplied with copies of the orders or invoices so that the deliveries might be adequately checked, and it must remain doubtful whether all the goods paid for were really sent. As an example of lack of care and proper attention to detail—over and over again there are among the goods sent up steel casks worth ten dollars each, but except in one of two instances, there is never a sign of any enquiry after them or of the return of any of them or their value to the Department.

Criticism was directed to the great loss which occurred on horses, especially in connection with Moore's operation, and the facts and figures were certainly startling, but after hearing the evidence I have come to the conclusion that this is to be accounted for by the nature of the work and the conditions under which it had to be performed.

The operations under the 1921 contracts had left or should have left the Department in possession of a considerable quantity of wood which it was expected would be enormously increased by the operations under the second form of contract, and it became necessary to see about selling. Efforts were made to interest foreign buyers, and in the latter part of 1921 there were negotiations between the Minister and a Mr. Johns, which, however, did not come to anything. The market at the time was bad, and though it improved somewhat in 1922 purchasers continued to be very hard to find. Early in May, 1922, Sir W. F. Coaker, then in New York, came into touch with a Mr. Rogers, who made an offer for the wood and ultimately entered into an agreement, dated May 13th, 1922, by which he agreed to purchase 70,000 cords of pulpwood at \$5.00 per cord for hand peeled wood and \$7.00 for roased wood, and to take and pay for as much wood as could be reasonably moved by him during the year 1922; he was to pay and did pay \$25,000 to be held by the Department as a guarantee for his performance of the contract. This had all the appearance of a satisfactory bargain, but it was

(Continued on page 5.)

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Report

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"(par 3) The wood delivered shall be paid at the price of (par 4)—15.00 ed pulpwood a Government at the at \$5.00 per cord ment shall if it so desired

"(par 5) The Government shall be paid at the price of (par 6)—15.00 ed pulpwood a Government at the at \$5.00 per cord ment shall if it so desired

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