

POTATO SCANDAL IN A NUTSHELL

Mr. Hughes' Final Review Tells the Whole Story

Following is the summing up by P. J. Hughes, who conducted the case for the government, of the evidence brought out in the "patriotic potato" enquiry held before Commissioner McQueen:

Mr. Hughes addressed the commissioner first.

Although many days were spent on the inquiry he believed it was justified. As is usual in such inquiries records in some cases are missing, in others falsified. Witnesses are adverse. But despite these things the story in this case was quite complete.

By order-in-council passed on September 2, 1914, it was decided to contribute 100,000 bushels of potatoes to the imperial government. The carrying out of the order was entrusted to Hon. J. A. Murray, minister of agriculture. This was the first work of any importance that fell to him and it would be expected that he would take pains to do it well especially in view of the fact that the government was lying under the cloud of the Dugal inquiry.

An order provided \$75,000 for the purpose and it would have been sufficient if proper care had been taken. It meant 40,000 barrels only and the market price was much less than \$1 per barrel that year. In fact, the government was offered them for less than \$1. In some places loyal people wished to give potatoes but the offers were refused and it was agreed to pay \$1.10 to Mr. Daggett's friends in Carleton county.

Mr. Daggett gave one car to this man, five to that man and thirty-five cars to "his especial B. F. Smith." About September 10 Guy Porter offered to supply potatoes at cost plus five per cent, commission. The offer was refused and he was told the potatoes were ordered, all but ten cars. He immediately offered to supply these without commission. This was refused and the order went to another. Two days later Mr. Daggett gave Mr. Smith an unlimited order under which he sent in the next fortnight an additional 125 carloads of potatoes, making 160 carloads from Mr. Smith.

"In these 125 cars, Mr. Daggett's trouble began. Daggett says he has sweat blood over it since. He has done more than that; he has succeeded in getting his chief, Mr. Murray, guilty of participating in falsifying the

public records in order to cover up the transaction, and of handing down lying answers to questions put in the legislative assembly. He has Geo. B. Jones, M.P.P. becoming a party to misapplication of the funds of the Valley Railway to meet the shortage, and of swearing falsely before a royal commission to try to hide the truth; he has his friend, Mr. Baxter putting up \$3,000, in order to enable Mr. Daggett to silence complaints coming from Cuba concerning the shipments of potatoes there, and of Mr. Baxter putting up an additional amount to enable Mr. Tennant to prove that no funds coming from the Valley Railway were used for potato purposes, and to enable him to cover up the fraud—and all this because Mr. Daggett, as secretary of agriculture, took upon himself the right to give a letter of credit to B. F. Smith by which he was enabled to buy all the potatoes that were offered and pay for them through the credit of the province."

After giving Mr. Smith the order to ship potatoes until further notice on September 21, Mr. Daggett went away. On his arrival home on October 9 he found himself swamped with potatoes. Smith had sent 125 carloads. Some of the cars were filled to contain 400 barrels, when one car usually carries 200 to 250 barrels. Smith had been paid as he sent them whether the invoice was right or not. Daggett knew he could not throw this \$13,000 worth of potatoes back on Smith's hands, so they became a surplus.

Finally Daggett got the shipment of 40,000 barrels off to England and 14,000 barrels to Belgium but he still had a surplus of 16,700 barrels. The two gifts cost the province \$118,087.19, according to the auditor-general's report. The account published in the report says the surplus cost only \$1,954.70, "but this was only because the auditor-general was deceived into giving credit for \$32,861.39 which never came from the sale of them."

Of course, Mr. Daggett should have refused potatoes sent beyond the order, but he did not. Instead, he undertook to sell them. Although 16,700 barrels went into the warehouses, 5,000 barrels less came out, Mr. Daggett says they must have rotted. But there is no proof. No proof that they ever went in.

Then they began selling and shipping—but not one dollar from these sales went into the treasury. It was found through the banks that A. C. Smith & Co. got over \$7,500 from sales, but not a word about that was on the public records. There were 4,909 barrels shipped to Cuba by the schooner

Irma Bentley, but not a dollar ever came back to the treasury as a result. Mr. Daggett produced a document, purporting to be a statement from Waite, the agent in Cuba, which showed that the expense of handling these potatoes after leaving the shores of New Brunswick, not including purchase price, inland freight storing, hauling and barreling was \$8,029.70. There is no record on the provincial accounts of this. Mr. Daggett says he had to take \$3,000 and go to Cuba to settle up the expense of having sent down the cargo at all. Among the items charged up is \$955 for picking over the potatoes in Cuba, although they had been sorted and picked over all winter. There were other charges for hauling 1,300 barrels to the dump and apparently there is no account of 1,000 barrels.

There was another schooner load of 3,075 barrels sent on the Minneola on which it has been impossible to get any report. All that is known is that \$806 came back to Hon. J. A. Murray, and instead of placing it to the credit of the province, he turned it over to A. C. Smith & Co.

It was also found that oils were sold in St. John. About \$280 was collected from Mr. Donovan for these, about \$126 from Mr. Slipp and, in addition, sundry amounts were collected by A. C. Smith & Co. Not a cent of this went through the books of the province.

From the handling of the surplus potatoes, A. C. Smith & Co. had a claim and they made drafts on the department of agriculture covering the balance. "Daggett accepted them and Murray approved of it. This was entirely against the law. Mr. Murray admits it was irregular and the auditor-general knew nothing of this financing. Finally the matter got so bad that A. C. Smith & Co. had more than \$24,000 of paper outstanding and unpaid in connection with the government business on April 30, 1915, and they appealed to Mr. Murray to get them some money as the bank was pressing. Ten thousand nine hundred dollars of that was drafts accepted by the department and allowed to be dishonored. "Just think of that—\$10,900 of drafts outstanding which the auditor-general knew nothing of."

Mr. Murray borrowed \$5,000 and gave it to A. C. Smith & Co. on account. A. C. Smith & Co. then drew on the department for the balance in three drafts which were accepted. Finally they were converted into one draft for \$9,201.95. Mr. Smith says this was the amount agreed upon while Mr. Daggett was not sure, but thought it was \$9,531.16. A check for this latter amount was asked for by Daggett and Murray and issued by the province July 27, 1915. Daggett switched \$5,077 of this, with Murray's approval, to pay a note which had been discounted to make the April advance to Mr. Smith.

With the balance of the check Daggett turned over to A. C. Smith & Co. the Cuban draft for \$806, asking that Boyce, who supplied some potatoes, be paid \$401. If Daggett is right, that \$9,631.16 was the amount due Smith then he paid him \$405 more than he agreed to. "On the other hand, if Mr. Murray is right that \$9,201.95 is the amount agreed upon, and if the \$5,000 was to come out of it, why was the check for \$9,531.16 issued and the Cuban draft turned over to Smith? Mr. Murray could not explain."

According to Mr. Smith's version, \$9,201.95 was the amount agreed upon. After the payment of the balance of the \$9,531.16 check and the Cuban draft, he drew on the department for \$5,003 and Mr. Daggett accepted it. "Now either the department owed Smith that money at that time or else it was giving Smith the credit of the province for his accommodation. The result is that either A. C. Smith & Co. was overpaid several hundred

dollars or the province owes the company \$4,000. Mr. Murray, on the stand, frankly said he did not know which was the true state of affairs. Mr. Daggett could not give a satisfactory explanation."

It was shown that Mr. Murray got \$1,200 from Mr. Smith on a personal loan, as he says. "Let me say that this \$1,500 payment discloses a grave matter." It is explained that A. C. Smith & Co. were financially embarrassed. On April 30, 1915, Mr. Murray had been appealed to to relieve the pressure of the bank. He raised \$5,000. Later he further helped by borrowing \$1,500.

"That I take it is a criminal offence under section 158, S.S. (G) and (H), Any person having a contract of any kind with a government, who makes a loan to an official, is guilty of an indictable offence, and the official obtaining the loan is guilty of a like offence."

Mr. Hughes went on to point out that even in the purchase of 26,000 barrels there was some \$436 graft.

"At the end of the transaction the government found itself \$34,000 short. They became alarmed and decided to hide all but \$2,000 of it. Mr. Daggett was instructed and did prepare a fresh statement for the auditor-general. By this he showed that \$32,861.37 had been received from the potatoes. They had not a cent of it, so they got an accommodation note from A. C. Smith & Co. for the amount, discounted it at the bank and endorsed it in the name of the government. By this means the auditor-general was deceived. They had a false entry made on the books of the province. And the making of false documents and false entries in the public records for the purpose of deception is a criminal offence."

When the note came due the money was borrowed from F. W. Sumner, chairman of the Valley Railway board, to take it up and the note was subsequently paid with money collected from W. B. Tennant "by reason of a corrupt bargain which was made with concerning the contract for the building of the Valley Railway." It was an agreement with Premier Clarke that he would make up the potato loss if his company got the railway construction contract.

Subsequently his company got the contract and Mr. Tennant received \$100,000. The day he cashed the check, George B. Jones called and asked for \$61,500. Mr. Tennant says he believed this was the potato loss and he paid it. Out of this Mr. Sumner's loan was retired and the balance was distributed.

Continued on seventh page

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