

(Exhibit "T5.")

Copy—No. 13428, Esquimalt Graving Dock.

"20th April, 1885.

"SIR,—I write in confirmation of the following telegram sent you to-day:

"As the alterations in depth of courses was requested by the contractors for their own convenience, and not ordered by the Department, there will not be any extra amount of dressed stone allowed beyond the scheduled quantities, which will be adhered to in making estimates."

"What I wish to convey in the above is that as the contractors suggested the change in the dimensions of the stone, and were not ordered by the Department to make the change, they (the contractors) have no right to be paid for any extra stone supplied.

"If they are permitted to place two courses of stone instead of three, it follows that they save the dressing of the beds, the setting of one course and the saving of cement, besides the saving in handling a fewer number of stones.

"Again, the use of the thicker stones does not increase the thickness of the walls; therefore, there must a saving in backing, and if an allowance for a greater quantity of face stone were made a reduction in the quantity of backing would follow.

"Your obedient servant,

"HENRY F. PERLEY,
"Chief Engineer.

"Hon. J. W. TRUTCH, C.M.G.,

"Dominion Agent, Victoria, B.C."

On the 4th of May, in reply to a telegram of the 2nd from Mr. Trutch, Perley writes that the contractors had informally applied in Ottawa for permission to change the courses of stone and that it had been granted them, and that no extra payment would be made to them on account of the change.

In his evidence (page 145) Perley explained that this application was made to the Minister personally and not to him. On the 18th of May Mr. Trutch informed contractors that the Minister had decided to permit them to use stone of increased size, on the express condition that no extra payment should be made therefor.

Notwithstanding these reiterated statements that no extra payment was to be made, and in contradiction of his reasons for not allowing anything extra contained in his letter of the 20th of April, Perley on his return from a visit to British Columbia recommends that they be paid extra, and the Minister adopts his recommendation, and on the 28th of May, 1886, ordered that the contractors should be paid full measurement for all the stone they have placed in the Dock and that this order should specially apply to the increase in the size of the stones rendered necessary by the change made in recouring the work, and that all special stones should be measured fairly and liberally, and their sizes were not to be affected by any nosing check or groove.

REBATE ON THE \$50,000 PAYMENT FOR PLANT.

It will be remembered, with reference to this \$50,000, that the specification on which the tenders were made expressly provided that the contractor should pay the Government \$50,000 for the plant and materials at the Dock. The contract when executed contained a similar provision.

Mr. Starrs swears that when Sir Hector was pressing him to abandon the contract, which had been awarded him by Council, Sir Hector urged that the \$50,000 had to be paid in any event.

Mr. Larkin swears that when the contract was offered to Larkin, Connolly & Co. he refused for a time to sign it, unless he had assurances that a rebate would be made on the \$50,000, and that he eventually signed on the statement of Sir Hector that he would look into it.